

# Debt deductions basics infosheet

## What are debt deductions from benefits?

DWP customers in receipt of certain benefits or credits (ESA, JSA, Pension Credits, Income Related ESA and Universal Credit) may have deductions taken from their benefit and paid direct to a creditor/supplier under the Third Party Deduction Scheme. Third party deductions will only be made when **it is considered to be in the interest of the customer or the customer's family**. The actual payment of monies owed to you, the creditor/supplier, and paid on behalf of the DWP customer is known as a third party payment.

**The Third Party Deduction Scheme should only be used when all other avenues of recovery have been exhausted.**

Third party deductions are made according to a priority order. A maximum of 3 third party deductions (up to 30% of the Standard Allowance) can be taken.



## What can be deducted?

Advance Payments, Universal Credit overpayment, Benefit overpayment (Tax Credits and Housing Benefit overpayments), Recoverable Hardship payments, Budgeting and Crisis Loan repayments.

Other debts, including: Utilities like gas, electric and water arrears, Council Tax, Child Maintenance, Rent, Service Charges and Court Fines.

## What is the impact and scale

The obvious impact is that reducing benefits to people that are already struggling financial pushes them further into poverty, hardship and debt. The figures below give you an idea of the scale of the problem.

**Table 1: Universal credit claimants by deductions type Aug 20**

	All claimants	Covid-19 claimants
<b>Any deduction</b>	<b>1,850,000</b>	<b>1,060,000</b>
Only advance repayment	1,170,000	810,000
Only other deduction	230,000	50,000
Both	450,000	200,000
<b>None</b>	<b>2,700,000</b>	<b>630,000</b>
<b>Share with any deduction</b>	<b>41%</b>	<b>63%</b>

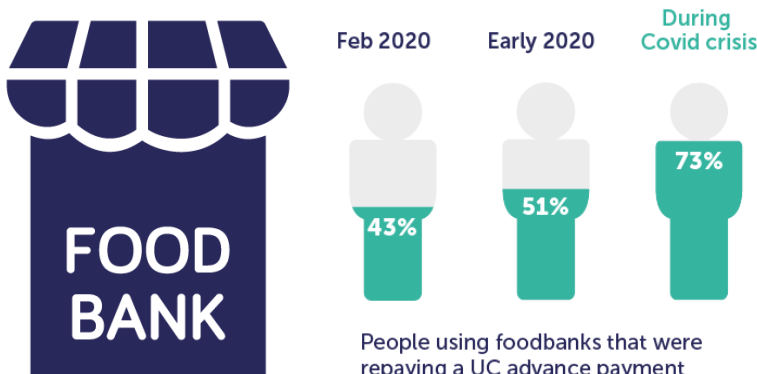
Source: Ruth Patrick & Tom Lee, Covid realities. Advance to debt Paying back benefit debt – what happens when deductions are made to benefit payments? <https://covidrealities.org/learnings/write-ups/>

**Table 2. Total deductions from Legacy Benefits**

Month	Number of people who had deductions from Legacy Benefits	Value of those deductions
Jan-20	205,700	£11.300m
Feb-20	199,200	£10.331m
Mar-20	200,100	£11.849m
Apr-20	181,100	£10.083m
May-20	162,300	£8.454m
Jun-20	95,700	£3.030m
Jul-20	9,000	£0.370m
Aug-20	66,800	£4.326m
Sep-20	70,200	£4.900m
Oct-20	70,200	£5.029m
Nov-20	72,500	£5.361m
Dec-20	75,800	£5.982m

## Trussell trust foodbanks and Universal Credit

The image shows the link between people facing debt deductions (because they are repaying their advance) and needing to use food banks



During the crisis 73% of those that needed to use a food bank and were receiving UC were repaying an advance payment. This is up from half (51%) in early 2020 and is higher than the average (43%) of all of those that were claiming UC in February 2020

## Personal Insight

'Having debt deductions from my Universal Credit is crippling and I was under the impression that I could do nothing about it. Nobody had said I could have this looked at – but it is so difficult to work out. With support from Thrive I was able to navigate my journal. This is not so easy to do

You go on your journal, then check payments which tells me what is taken off, then go to help with payments. When you get to this part what it actually says is:

*"You can ask us to delay your repayments if you can not afford them or will fall into debt. This is only allowed in exceptional circumstances."*

Surely, there is an easier way to help claimants make sure they have the right to renegotiate repayments so that they are more affordable

It is only when you are experiencing the way things are done, that you can comment on the difficulties and barriers and offer solutions that could work'

**Member of Thrive**

## Help available

If you're struggling, you can ask for a financial hardship decision to reduce the amount of benefit debt you pay. You may be considered for this if you have money taken from your Universal Credit for: Benefit debt, Budgeting Loan and Crisis Loan repayment, Advances, Rent arrears (if they're taken at a rate greater than 10% of the standard allowance).

If you need help or advice with debt deductions or managing debt in general here are three (of many) organisations that can help:

[stepchange.org](https://stepchange.org) | [moneyadvice.service.org.uk](https://moneyadvice.service.org.uk)  
Find your local citizens advice

## And what are the next planned steps re taking deductions from benefits?

The 2021 budget outlined changes to how the government will reclaim Advance Payments made to UC claimants. From April, advances will be repaid over 24 months (as opposed to 12 months), while the maximum deduction rate (for all deductions, not just those for advance payments) will be reduced from 30 per cent to 25 per cent of the standard allowance. These changes were going to be introduced in October 2021 but have been brought forward.

## Who are Poverty2Solutions?

Poverty2Solutions are an award-winning coalition of three grassroots organisations led by people with direct experience of poverty and socio-economic disadvantage: ATD Fourth World, Dole Animators and Thrive Teesside.

They have been active since 2016, working together to develop policy solutions to poverty and insecurity, lobbying for change, and building links with other anti-poverty groups.

*'We are the voice of our communities with the skills and experience to influence change. We are solution focussed and innovative.'*

**Corinna, ATD Fourth World)**

In 2020 they were named one of The Big Issue's Changemakers.

### Find out more

[www.poverty2solutions.org](https://www.poverty2solutions.org) | [@Poverty2Sols](https://twitter.com/Poverty2Sols) | [#doyourdutyforequality](https://twitter.com/#!/doyourdutyforequality)  
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