Freedom of Information request 470/2014

Received 30 January 2014
Published

Information request

My main question is: What year was this 10.4% interest rate brought into force used by the DWP/ or the Pension Service

Secondly: When was inherited land brought into the Guaranteed Pension Credit equation, when the land then and now, only has a notional value, and does not generate any income with the exception of the peppercorn rent

DWP response

It has always been the case that in any income related benefit when assessing the amount of capital a person holds, the value of any property or land which the person owns but does not occupy as their home is taken into account. Pension Credit has included rules to this effect since its introduction in 2002.

Regulation 14 of the State Pension Credit regulations 2002 Statutory Instrument number 1792 allows for income and capital to be taken into account in Pension Credit in accordance with the rules in regulation 15. The calculation of deemed income from capital is contained in Regulation 15 (6).

As a general rule, capital exceeding £10,000 is taken into account when considering entitlement to income related benefits such as Pension Credit.

One option would be to take account of the whole amount of capital and apply a market interest rate to the whole sum. This would be very bureaucratic and would require us to assess (and monitor changes in) small amounts of capital of millions of Pension Credit recipients. We know that most Pension Credit recipients actually have rather small amounts of capital and we therefore exclude the first £10,000 from the assessment completely. This means that nearly nine out of ten Pension Credit recipients have no imputed income from capital at all.

Beyond this, it is true that we then apply an imputed rate – £1 per week per £500 of capital – which is well above market rates, but this applies only to capital in excess of the £10,000 limit. For example, for someone with £11,000 of capital we ignore the first £10,000, and then impute a weekly income of £2 per week from the balance. Put another way, we impute an annual interest income of below 1 per cent on savings of £11,000. It is only on much higher levels of capital where the average amount of imputed income starts to rise rapidly. This reflects the policy objective that income-related benefits are mainly intended for those with a low weekly income and modest amounts of savings.

However there are some circumstances in which the value of a piece of land may be disregarded for Pension Credit, these are set out in Schedule 5 of the State Pension Credit regulations for which I have included a linkbelow:http://www.dwp.gov.uk/docs/a12-5001.pdf

The Government must strike a balance between protecting less well-off people and protecting taxpayers. Pension Credit and other income-related benefits achieve this by ensuring that the help that comes from taxpayers, many of whom are themselves on low incomes, is directed at people who need it most. In order to do this we ensure people utilise all forms of income to which they have recourse before claiming Pension Credit.

I understand you have already had the decision regarding the value of your wife's land reconsidered. If you still think the decision is wrong, you may have the right to appeal to an independent tribunal. You normally have to do this within one month of the earlier decision.