Department for Work & Pensions

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Victoria Todd
Chair
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Universal Credit sub-group
7th Floor Caxton House
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Dear Victoria

UNIVERSAL CREDIT: SURPLUS EARNINGS

Thank you for your letter of 18 May about Universal Credit and surplus earnings.

Following the presentation of the initial regulations, the Department noted the points that the Committee made about the operation of the surplus earnings policy, in particular in relation to communications to claimants and it decided to use the discretion provided by the amending regulations to use a higher de minimis of £2,500 per month rather than the original £300 in order to safeguard the operation of Universal Credit as a whole.

Ministers have subsequently decided to extend the £2,500 de minimis to March 2021.This has resulted in significantly fewer people being affected by the surplus earnings provisions.
As you have acknowledged there has been an unprecedented increase in the number of Universal Credit claims[1] which have been received in the last few months and I am immensely proud that my colleagues have been able to process more than 2 million Universal Credit claims and have paid more than 90% of them on time and in full. This has only been possible by placing the

[1] See latest Universal Credit statistics https://www.gov.uk/government/publications/universal-credit-29-april-2013-to-9-april-2020/universal-credit-29-april-2013-to-9-april-2020 and Management Information https://www.gov.uk/government/publications/universal-credit-declarations-claims-and-advances-management-information published on 19 May 2020

highest priority on processing Universal Credit claims above all other activity so people get the help and support they need at this most extraordinary time.

As part of this strategy, we have just written to the Committee explaining that we have laid the Universal Credit (Coronavirus) (Self-employed Claimants and Reclaims) (Amendment) Regulations 2020. These regulations have been brought in using the urgency provisions because HMRC has been able to introduce the Self Employment Income Support Scheme (SEISS) earlier than had originally been announced by the Chancellor of the Exchequer.
The regulations clarify that the payment from the SEISS will be treated as self-employment income in the usual way, and that payments from the Coronavirus Job Retention Scheme to a self-employed person, to fund the pay of their employees' will be ignored in the calculation of the Universal Credit award.

Where a payment from the Coronavirus Job Retention Scheme is used to fund earnings, the earnings of the employee will be taken into account in the calculation of entitlement to Universal Credit in the usual way. The intention being that payments to self-employed people and employees should mirror the way equivalent income is treated in Universal Credit.

These regulations also introduce an important easement which means that we will not automatically be closing claims where earnings exceed the claimant's entitlement, thereby making it easier for awards of Universal Credit to be re-instated without the need for claimants to make a new claim. This also applies to people who are affected by the surplus earnings rules.

We recognise that the unprecedented increase in Universal Credit claims has been challenging but the robust design of the system has stood up to the challenge. Given the easements in place and the current level of the de minimis, we believe that the system will cope with the small proportion of claims that may be affected by a surplus – typically less than one per cent of those with earnings. The system is automated and should provide appropriate details of the surplus in the claimant's statement. This feature allows claimants to know where they stand.

Over the coming months we will be reviewing the operation of the surplus policy to see whether changes are needed.

Yours Sincerely

Neil Couling

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