

# I receive Universal Credit and have been made redundant

If you are claiming Universal Credit and are made redundant you may have end of employment payments that will affect your award of Universal Credit.

## How are my end of work payments treated in my Universal Credit calculation?

Final payments from work including wages, tips, bonuses and overtime you receive for your final period of work, count as earnings in the Assessment Period (AP) in which they are paid. Any pay in lieu of notice and payment for accrued holiday is also treated as earnings in the AP in which it is paid. Redundancy payments, statutory or contractual, are not counted as income. If your net earnings in a single Assessment Period are more than £2500 above the earnings that take you out of entitlement to UC, the surplus earnings rule may apply.

## How is my redundancy pay treated in my Universal Credit calculation?

Redundancy payments both statutory and contractual are not counted as income when they are paid. Instead they are treated as capital. Capital of £16,000 or more takes you out of entitlement to Universal Credit. You should be able to reclaim UC when your capital drops below £16,000. If you spend your capital in order to be able to reclaim UC you may be treated as still having it. Capital between £6,000 and £16,000 creates a tariff income that is unearned income for the UC calculation. The tariff income is £4.35 for each £250 or part of above £6,000. Because statutory and contractual redundancy payments are treated as capital and not income, these payments do not bring the Surplus Earnings Rules into play, although other end of work payments can.

Pay in lieu of notice and unused holiday pay are taken into account alongside wages, tips, bonuses and overtime for your final period of work in the month in which they are paid. If you receive large payments in your final income payments from your employer, any residue left in your bank account after the assessment period in which they are paid will become capital. Furthermore, the Surplus Earnings Rule could affect future entitlement to Universal Credit over the next few months. There is a separate website article with more details about the Surplus Earnings Rule. You are also advised to seek advice if you think you will be affected.

## How will my claimant commitment be affected by redundancy?

If you are not working you may no longer be earning enough to remain in the no work-related requirements claimant commitment group. This means you, and your partner if you have one, may be required to be available for and look for work in return for your Universal Credit award. The work requirement is currently suspended, from 30th March 2020, for three months due to the coronavirus outbreak.

The earnings threshold is the amount you need to earn for no claimant commitment to apply. For a person over 25 it is £1322.53 per month, unless you qualify for a reduction. However, if you earn more than the “Administrative Earnings Threshold” (£343 pcm for a single person, £549 pcm for a couple), then the requirement to look for work is removed. You may still have to attend work-focussed interviews and work preparation. If you are a member of a couple, the threshold that takes you both out of the all work-related requirements claimant commitment group is the combination of your individual thresholds. There are reductions for parents, for sick and disabled claimants and for Carers.

## Will I be sanctioned?

A sanction can be imposed if you give up your job without having a good reason. If you are made redundant, even if you take voluntary redundancy, this does not apply. However, if you are offered alternative employment that you refuse, you can be sanctioned for refusing employment or failing to avail yourself of an employment opportunity.

## Will I be affected by the benefit cap?

The benefit cap will not apply to any household where total net earnings are more than £604 per calendar month. If you are not exempt through current earnings then another exemption may apply. There is a 9 month grace period before the benefit cap applies if you had been earning above the monthly benefit cap threshold for the 12 months preceding the day your employment ended. You may also be exempt if someone in your household is sick or disabled, or is a carer.

If your benefit is being reduced because of the benefit cap, and you rent your property, you can apply to your local authority for a discretionary housing payment to cover some or all of the shortfall in your rent.

If the benefit cap is causing you hardship you could seek advice from Citizens Advice or another suitable advice agency.

If your employer is insolvent you can find information here:  
<https://www.gov.uk/your-rights-if-your-employer-is-insolvent>

<https://www.citizensadvice.org.uk/> For online advice and details of local phone and webchat services

<https://www.understandinguniversalcredit.gov.uk/coronavirus/> Government information pages

<https://www.entitledto.co.uk/> Online benefit calculator

<https://benefits-calculator.turn2us.org.uk/AboutYou> Online benefit calculator