HOUSE OF COMMONS LIBRARY

BRIEFING PAPER

Number CBP-8135, 24 August 2020

Pension Credit - current issues

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Summary

Pension Credit is the main means-tested benefit for pensioners.

For people reaching State Pension age before April 2016, it has two parts:

- Guarantee Credit, which provides financial help for people aged over the "qualifying age" for Pension Credit (linked to the State Pension age) whose income is below a set amount; and
- Savings Credit is an extra amount for people aged 65 or over, who have made some provision for their retirement (such as savings, or a second pension) (*State Pension Credit Act 2002*, s 2-3).

Savings Credit was removed for people reaching State Pension age from 6 April 2016, as part of the Coalition Government's State Pension reforms. The rationale was that, because the new State Pension would be set above the basic level of means-tested support, there would "no longer be a need for a complex savings reward under single tier." (Cm 8528, Jan 2018, ch 2).

The qualifying age for Pension Credit is the State Pension age (*State Pension Credit Act 2002*, s 1; *Pensions Act 1995*, Sch 4). Whereas in the past, 'mixed age couples' (with one above and one below qualifying age) could opt to claim Pension Credit (rather than a working age benefit), from 15 May 2019, both need to have done so. There is transitional protection for mixed age couples entitled to Pension Credit or Housing Benefit for People over Pension Credit qualifying age at the date of change, while they continue to be entitled to either benefit (SI 2019/37; Gov.UK -Pension Credit/eligibility).

In February 2020, there were 1,532,500 claimants of Pension Credit in Great Britain and 1,797,000 beneficiaries (i.e. including partners) - see section 1.2 below. In 2017/18, some 6 out of 10 of those entitled to Pension Credit, claimed it. Up to £2.5 billion of available Pension Credit went unclaimed. On average, this amounted to around £2,000 per year for each family entitled to receive Pension Credit but not claiming (DWP, Income-Related Benefits: Estimates of Take-up, Feb 2020).

This briefing paper aims to give an overview of the main issues currently raised in connection with Pension Credit. For more on the background, see Library Briefing Paper CBP-01439 Pension Credit - background (2011) and 02/19 The State Pension Credit Bill [HL] (March 2002).

1. Background

1.1 What is Pension Credit?

Pension Credit, the main means-tested benefit for pensioners, was introduced in October 2003, replacing income support for pensioners. For people who reached State Pension age before 6 April 2016, it has two elements - the Guarantee Credit and Savings Credit.[1]

The **Guarantee Credit** provides financial help for people who have reached the "qualifying age" for Pension Credit and whose income is below their 'appropriate amount' – which is made up of a Standard Minimum and additional amounts which can apply if the claimant or their partner: has a severe disability; looks after a severely disabled person or; is liable for certain housing costs. In 2020/21, they are:

	Rates 2020/21 £pw
Standard minimum guarantee	
single	173.75
couple	265.20
Additional amount for severe disability	
single	66.95
couple (one qualifies)	66.95
couple (both qualify)	133.90
Additional amount for carers	37.50

The **Savings Credit** element of Pension Credit aims to reward people over 65 with modest levels of "qualifying income" (including state, occupational and personal pensions) above the Savings Credit "threshold", up to a maximum. The maximum amounts in 2020/21 are £13.97 for a single person and £15.62 for a couple.[2]

Savings Credit was removed for people reaching State Pension age from 6 April 2016, when the new State Pension (nSP) was introduced. The rationale was that the nSP would be set above the level of the basic Pension Guarantee, so that there would no longer be a need for a "complex savings reward." Removing Savings Credit would also "simplify means-tested support and help to ensure Pension Credit is re-

For more information see

Gov.UK Pension Credit

Pension Credit: technical guidance (July 2020)

DWP Decision Makers' Guide: vols 13 and 14

1 *State Pension Credit Act 2002; State Pension Credit Regulations 2002 (SI 2002/1792))*
2 DWP, Benefit and pension rates 2020 to 2021, April 2020

focused on providing a safety net targeted at the poorest and most vulnerable."[3]

People can get an estimate of their entitlement on Gov.UK.

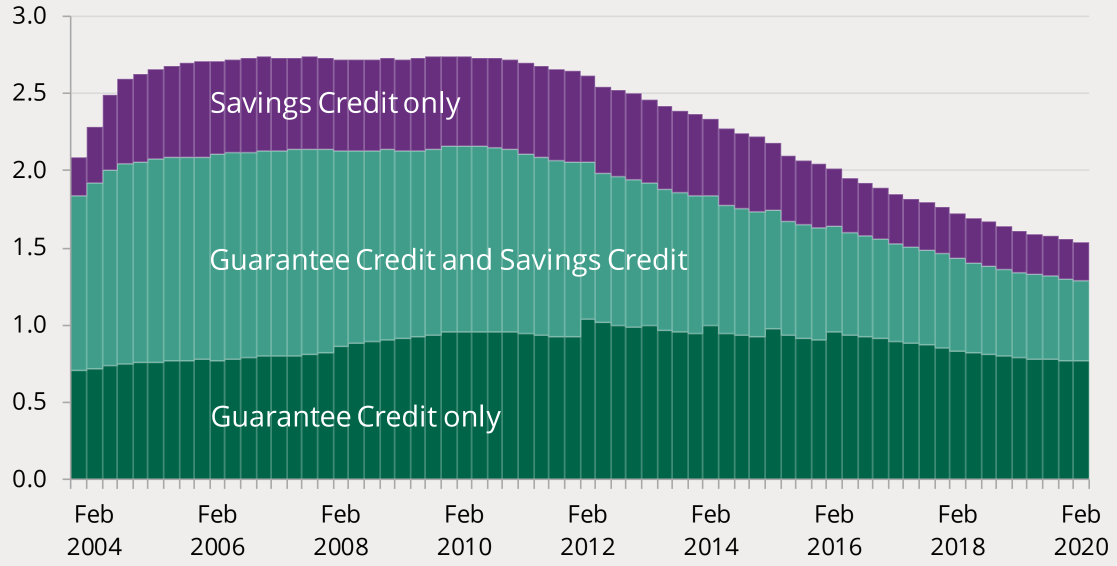
Information about how to claim is here. It is now possible to claim electronically, as well as by post or telephone.[4]

1.2 How many people get it?

In February 2020, there were 1,532,500 claimants of Pension Credit in Great Britain. The number of claimants has declined since 2010, in large part due to the gradual increase in the female State Pension age.[5] Also, the scope of Savings Credit has been reduced each year since 2011 to pay for above-indexation increases in the standard minimum guarantee.

Pension Credit claimants, Great Britain

Millions of claimants



Source DWP Stat-xplore

The number of beneficiaries of Pension Credit in Great Britain (comprising claimants and their partners) was 1,797,000 in February 2020. Just over 14% of people aged 65 and over in Great Britain were beneficiaries of Pension Credit in 2018, down from 23% in 2013. [6]

In 2019/20, the Government spent an estimated £5.1 billion on Pension Credit, down from a peak of £8.2 billion in 2010/11. The amount has fallen due to the increase in the qualifying age. Annual expenditure is forecast to remain around £5.1-5.3 million over the period to 2023/24 (all figures in cash terms).[7]

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3 Cm 8528, January 2013, chapter 2, para 40

4 *State Pension Credit (Electronic Claims) (Amendment) Regulations 2020 (SI 2020/456)*

5 The qualifying age for Guarantee Credit was linked to the State Pension age for women until November 2018 and, from then, to the equalised State Pension age *State Pension Credit Act 2002*, s 1

6 DWP Stat-xplore Benefit combinations and population datasets

7 DWP Benefit Expenditure and Caseload Tables 2020 Spring Budget 2020 edition

1.3 Why was it introduced?

From the time it took office in May 1997, the Labour Government made it a priority to improve the incomes of the poorest pensioners by increasing the level of Income Support for people aged 60 and over (which it renamed as the Minimum Income Guarantee or MIG). It said the reason for this was that:

> Too many pensioners were living in poverty. At least 2 million people aged 60 and over were living at or below Income Support rates. The minimum income for a single pensioner (aged 60–74) was set then [1997] at £68.80 a week.[8]

In 1999, to ensure the poorest pensioners would continue to benefit, it announced its intention to uprate the MIG in line with earnings.[9]

While this arrangement delivered cash gains to those pensioners who qualified for it and claimed it, it widened the gap between the MIG and the basic State Pension (which was set at a lower level and uprated in line with prices).[10] Arguably, this exacerbated an already existing problem – that pensioners could find that savings reduced means-tested benefit entitlement, leaving them little better-off for having saved. Acknowledging this, the Government said in November 2000, that while the existing system had been "successful in getting more help quickly to those in the greatest need", it had a number of flaws:

- it sets a savings trap, penalising those getting the MIG by removing a pound of benefit for every pound of second pension they have built up;
- those just above the MIG level feel let down because they have gained little from having saved – a pensioner with £20 a week of occupational pension on top of the basic state pension can find herself just a pound or two better off than someone who saved nothing;
- it excludes pensioners from extra support, through inappropriate capital limits, simply because over their working lives they have built up a small amount of savings; and
- it involves an intrusive weekly means-test, which contrasts with the less burdensome annual requirements for pensioners in the tax system.[11]

To address this, it proposed to introduce a new benefit - Pension Credit – which would "both tackle poverty amongst today's pensioners, and boost the incentive for future pensioners to save for their own retirement."[12] A number of features would enable this:

8 DWP, *The Pension Credit: a consultation*, November 2000, p 11
9 HM Treasury, *Budget 99,* HC 298, March 1999, para 5.28; HM Treasury, *Pre-Budget Report: Stability and Steady Growth for Britain,* Cm 4479, November 1999, para 5.47
10 For more detail, see HC Library Briefing Paper RP02/19 *State Pension Credit Bill 2002/03*,section C
11 DWP, *The Pension Credit: a consultation*, November 2000, p 4
12 DWP, Pension Credit: the Government's proposals, November 2001, p3

- A **Savings Credit** element would act as a "cash reward for pensioners on low and modest incomes for every pound of income from their savings, second pension or earnings";
- **More generous treatment of capital.** The Government had already increased the amount of capital to be disregarded from £3,000 to £6,000 from April 2001 and increased the upper capital limit (above which pensioners were excluded from entitlement) from £8,000 to £12,000.[13] With Pension Credit it would go further. After consultation, it decided to increase the capital disregard to £6,000 and abolish the upper capital limit. The amount of income assumed from capital above the disregard was reduced - with £1 of income assumed for every £500 of capital above the disregard, compared to £1 for every £250 previously.[14]
- Awards to people aged 65 and over would be for longer, fixed **'assessed income periods'** (AIPs), meaning that their award would reassessed every five years unless there was a major change in their lives, or a fall in income.[15]

As discussed below, some of these features have now changed:

- The capital disregard increased from £6,000 to £10,000 from November 2009;
- AIPs were removed, with transitional protection, from April 2016;[16]
- Savings Credit was removed for people reaching State Pension age from 6 April 2016.

1.4 What impact has it had?

In 2015, the Institute for Fiscal Studies (IFS) attributed the decline in pensioner poverty rates to strong growth in pensioner incomes, driven by higher income from occupational pensions and increases in state support. The IFS observes that "after the lower housing costs of pensioners are taken into account, the median pensioner now has a higher equivalised household income than the median non-pensioner."[17] In particular, the sharp fall in poverty rates in the early 2000s was likely to reflect a substantial increase in the pensioners' Minimum Income Guarantee (MIG) in 2001/02 and the subsequent replacement of MIG by Pension Credit in 2003/04.[18]

Poverty trends for different groups in the population are discussed further in the Library's note, Poverty in the UK: statistics (June 2020).

[13] HM Treasury, *Budget 2000*, 21 March 2000, para 5.45
[14] DWP, *The Pension Credit: a consultation*, November 2000 p 23, para 28; DWP, *Pension Credit: the Government's proposals*, November 2001, p 5; *State Pension Credit Regulations 2002 (SI 2002/1792),* regulation 15 (6)
[15] DWP, *Pension Credit: the Government's proposals*, November 2001, p23
[16] *Pensions Act 2014,* s28-9; Library Briefing Paper SN06677 *Pension Credit: assessed income periods,* October 2013
[17] C Belfield, J Cribb, A Hood and R Joyce, *Living Standards, Poverty and Inequality in the UK: 2015*, IFS Report R107, July 2015, p34
[18] J Cribb, A Hood, R Joyce and D Phillips, *Living Standards, Poverty and Inequality in the UK: 2013*, IFS Report R81, June 2013, pp116-22

2. Issues

2.1 From what age can you claim?

For more on the background, see

Library Briefing Paper CBP 6546 State Pension age review (August 2017)

The qualifying age for Pension Credit is now the same as the State Pension age. Before this equalised in November 2018, it was linked to the State Pension age for women.[19] This meant that men could claim a means-tested pension benefit before they reached State Pension age. In 2009, the Labour Government explained that this "continue[d] a policy dating from 1983, when men aged 60 to 64 became exempt from either having to seek work or prove incapacity for work as a condition for receipt of income-related benefit, enabling them to "retire", at least for income-related benefit purposes, at the same age as women."[20]

When the Coalition Government legislated to accelerate the increase in the pension age (with women's pension age reaching 65 in November 2018, and the equalised pension age reaching 66 in October 2020), Baroness Drake expressed concern about the impact this would have on "a particular group of the poorest men and women, who […] will now have to wait up to two years longer to receive their pension credit income but with little time, certainly with little capacity, to adjust."[21]

Some have questioned whether it is appropriate for the Pension Credit qualifying age to continue to be linked to the State Pension age as the latter rises. In 2017, the Cridland review recommended allowing access to Pension Credit at 67 when the State Pension age rises to 68.[22]

'Mixed age couples'

Until 15 May 2019, 'mixed age' couples (where one is over and one under Pension Credit qualifying age) had a choice as to whether to claim Pension Credit or a working age benefit. This is because the requirement to have reached Pension Credit qualifying age only applied to the claimant.[23]

The Coalition Government legislated in the *Welfare Reform Act 2012* to change the rules so that in future *both* partners would need to have reached qualifying age in order to claim.[24] The rationale was that:

> […] all people of working age who can work should be expected to do so and that it is not right to continue the current position where pension credit can go to households which contain a person of working age without that person having to meet any work-related requirements.[25]

19 *State Pension Credit Act 2002*, s1
20 Explanatory Memorandum to the Social Security (Equalisation of State Age) Regulations 2002 (SI 2009/1488). See also, HL Deb 24 January 2002 c1606-16 [Baroness Hollis] on the reasons for setting the age of entitlement to Savings Credit at 65
21 HL Deb, 30 March 2011, c1285
22 Independent Review of the State Pension age: final report, June 2017, para 5.5.2;
23 *State Pension Credit Act 2002*, s1; Gov.UK Pension Credit/eligibility
24 *Welfare Reform Act 2012*, s31, Sch 2 (64). This amended section 4 of the *State Pension Credit Act 2002* (exclusions)
25 HC Deb 20 December 2011, c1091W

In 2016, the Government said it expected to introduce this in June 2018, linked to the introduction of the roll-out of Universal Credit.[26]

A written statement of 14 January 2019 explained that this would be implemented from 15 May 2019, with transitional protection.[27] There is transitional protection for people with entitlement to either Pension Credit or Housing Benefit for people of Pension Credit age at the point of change, and for this to continue while there is continuity of entitlement to either benefit.[28] The Government produced a factsheet to explain the changes and guidance for Housing Benefit staff.

Expected impact

The Equality Impact assessment for Universal Credit – published when the legislation was before Parliament in 2011 - noted that mixed age couples would suffer "some of the larger notional losses" to household income as a result of Universal Credit. [29]

In advance of the change being implemented in May 2018, the Government wrote to 115,000 existing mixed age couples.[30] On 26 April 2019, it produced updated estimates of the number of the number of mixed age couples who would have been entitled to and claiming Pension Credit and/or pension age Housing Benefit without the policy change:[31]

Estimated mixed age couples affected by the policy change

2019/20	2020/21	2021/22	2022/23	2023/24
15,000	30,000	40,000	50,000	60,000

Numbers rounded to the nearest 5,000

It estimated that the policy change would result in Annual Managed Expenditure (AME) savings of £130 million in the first full year (2020/21).[32]

The impact on individual claimants will depend on their circumstances.[33] In July 2019, the Institute for Fiscal Studies (IFS) estimated the average annual loss as £4,500 a year. This was less than the Government's estimate that losers would lose on average £5,900 per year – possibly reflecting the fact that those with greater entitlements are more likely to take it up:

26 Explanatory Memorandum to SI 2016/931
27 Pensions Update: Written statement – HCWS1249
28 SI 2019/37; Gov.UK – Pension Credit/eligibility
29 Universal Credit – equality impact assessment, November 2011, page 12 and para 93; see also DWP, Universal Credit impact assessment, December 2012; HL Deb 12 Dec 2011, c1099 [Lord Freud]
30 HC Deb 24 April 2019 c317WH; PQ225527 5 March 2019; PQ 235229, 26 March 2019
31 DWP, Mixed age couples: Impact of ending access to Pension Credit and pension age Housing Benefit, 26 April 2019; Note that the estimated number in each specific year, comprise both estimated new claimants and claimants estimated to have started in a previous year, so it is not appropriate to sum the figures to obtain a cumulative total
32 Ibid
33 Age UK, Watch out for the Age Tax Gap, updated July 2019

> Since this reform reduces entitlements to benefits for low income families around state pension age, the reductions in income are clustered in the bottom 40% of the income distribution. This means couples with net household incomes under £25,000 per year. The median net income of affected couples is around £19,400. Once the policy is fully in place, about 250,000 households (or 3% of pensioner households) will (at a point in time) have lower entitlement than if the reform was not in place, losing on average £4,500 per year. This would suggest a saving to the Government of just over £1 billion a year.
>
> However, take-up of Pension Credit is quite low (60%), and clearly those that do not claim Pension Credit (or pensioner housing benefit) do not lose out from the reform. DWP estimate that only 115,000 mixed age couples currently claim Pension Credit or pensioner housing benefit and so can lose from the reform. Their analysis suggests that losers will lose on average £5,900 per year – larger than the amount we estimate, which may be down to those with greater entitlements to Pension Credit (and therefore with more to lose) being more likely to take it up. This suggests a saving to the Government of around £0.7 billion a year. As well as having relatively low incomes, affected couples are disproportionately likely to live in social housing (35%), although majority are owner occupiers (53%). About half contain at least one person in receipt of a disability benefit. [34]

The result of the rule change was that "a large number have to wait many years before they claim":

> Only 15% of those in couples are born within a year of their partner, and 30% have an age difference of less than 2 years. For 12% of couples, the age difference is more than 10 years, meaning that they will have to wait at least an additional decade to become potentially eligible for Pension Credit – at which point the older member will be above 75.[35]

Debate in Parliament

In Public Bill Committee, the then Shadow Pensions spokesperson, Stephen Timms, expressed surprise at the way the policy change had been introduced. In its Universal Credit White Paper, published in November 2010, the Government said it was "considering an option of allowing those pensioners who choose to extend their working lives to claim Universal Credit, rather than Pension Credit."[36] In contrast, the Bill would remove entitlement from those with working age partners. Mr Timms said:

> That is very far from what the White Paper told us – that it would be an offer of which people might wish to take advantage. It is now a requirement and a severe restriction on the availability of pension credit.[37]

He asked what savings the Government expected to make, whether there would be transitional protection for existing claimants and how

[34] IFS, Changes to Pension Credit rules for 'mixed age couples' mean a large number have to wait many years before they claim, 4 July 2019
[35] Ibid
[36] DWP, *Universal credit: welfare that works*, Cm, 7957, November 2010, para 49-50
[37] PBC Deb 28 April 2011 c551

the Minister would justify discriminating against pensioners on the basis of their spouse's age:

> It seems curious to propose that, for people in otherwise identical circumstances, one will receive pension credit because their spouse is above pensionable age, but someone else, whose spouse happens to be below pensionable age, will not.[38]

Responding for the Government, Chris Grayling explained that the rationale was to require people of working age to look or prepare for work in return for receiving support from the state:

> The pension credit is a means-tested extra support payment for people on the lowest incomes to enable them to top up their income. If there is a couple in a household, one of whom is still of working age, and we are paying that means-tested payment, but the person of working age is not required to work, that does not stack up. Why should we not say to the person of working age, 'Your household is on a low income, you need more money, get a job', rather than, 'Here is an extra means-tested payment from the state without the obligation to look for a job"? This is a sensible change that puts an appropriate balance into the system.[39]

He confirmed that the change would only apply to "new claims, not to couples who are already entitled to Pension Credit." Furthermore, the "work-related requirements" would only apply to the working age partner.[40]

The Government had not calculated the savings it expected to be made from this change:

> This is not a saving measure as such. We have not calculated a saving out of it, so we have not produced a number that is now scored somewhere to say that it will be a consequence of this extra measure. This is simply a common-sense step. It does not seem right for the state to say, "We will provide you with some money to top up your household income, because you are on a very low income," while at the same time saying that that it is fine for somebody who is of working age not to be looking for a job in such a situation.[41]

Mr Timms did not think the Minister had given justification for discriminating against pensioners on the basis of the age of their spouse.[42] His proposed amendment (to remove the provision from the Bill) was defeated by 13 votes to 11.[43]

Debate in the Lords

At Report Stage in the Lords, Labour Peer Baroness Drake raised concerns about the impact of restricting benefit to the pensioner partner and suggested an additional payment under universal credit where a claimant was above State Pension age:

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38 Ibid c552
39 Ibid c553
40 Ibid c553
41 Ibid, c553
42 Ibid c554
43 Ibid c554

> Pension credit is a very effective policy—it is probably the only effective policy—for targeting pensioner poverty. The effect of the change will impact a group of low-income older people, which is why, as proposed in this amendment, the regulations should allow for an additional payment under universal credit where a claimant is above state pension age.[44]

For the Government, Lord Freud responded that he did not think it was necessary to have different amounts for couples where one partner was above pension age:

> Universal credit also includes additional amounts for those people who have limited capability for work or regular and substantial caring responsibilities for a severely disabled person. It remains the Government's view that people of working age who are able to work should prepare for or look for work in return for receiving support from the state. The earnings rules and disregards in universal credit provide a clear incentive to do so.[45]

Comment on commencement

Responding to the announcement that the change would be introduced in May 2019, Age UK warned that the change would have a "devastating impact" with "some of the poorest pensioners paying a hefty price for having a younger partner, with mixed age couples potentially losing out on around £7,000 per year."[46] An Early Day Motion in the name of Patricia Gibson, with 40 signatures, said:

> That this House expresses concern with the Government's plans to change the pension credit system which could lead to an increase in pensioner poverty; is dismayed that the Government has decided that pension credits will from now on, only be available to couples where both partners have reached pension age, rather than the previous system whereby only one partner had to be of retirement age in order to receive credits; recognises the issue of pensioner poverty as being important in our society and something which will become more acute if these changes to pension credits are introduced; and urges the Government to change course, so that citizens will not be as much as £7,000 worse off per annum where couples will be in receipt of £114.81 a week Universal Credit compared with £255.25 per week for a couple receiving pension credit.[47]

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44 HL Deb 12 December 2011 c1094
45 Ibid c1099
46 Age UK warns of devastating impact of policy announcement that will leave pensioners thousands of pounds worse off, 15 January 2019
47 EDM 2083 Feb 2019

2.2 How is it uprated?

Different arrangements apply to Guarantee Credit and Savings Credit.

For more on the background, see

Library Briefing Paper CBP 5649 State Pension uprating (April 2020).

Guarantee Credit

As stated above, the Labour Government elected in 1997 increased means-tested support for pensioners through the Minimum Income Guarantee and, to ensure they would continue to benefit, uprated it in line with earnings.[48]

In Budget 2003, just before the introduction of Pension Credit, the Government committed to uprating it at least in line with average earnings throughout the Parliament, ensuring that "more pensioners are able to share in rising national prosperity."[49] Before the 2005 General Election, Ministers said this would be maintained at least 2008.[50]

In its May 2006 Pensions White Paper, the Labour Government announced that it would be increasing the Guarantee Credit part of Pension Credit in line with earnings "over the long term"[51] It legislated for this in the *Pensions Act 2007* (s5). Earnings uprating applies to the standard minimum guarantee (SMG): £173.75 (single person); £265.20 (for couples) in 2020/21.[52] In the years 2010/11 to 2015/16, the SMG was increased by the cash rise in the bSP (i.e; by more than earnings) to ensure that "the benefits of the triple lock uprating" were passed on to the poorest pensioners.[53]

There is no statutory requirement to uprate the other amounts of Pension Credit. There is no duty to uprate the other elements of Pension Credit. The legislation merely states that "if [the Secretary of State] considers it appropriate, having regard to the national economic situation and any other matters which he considers relevant", the draft uprating order may increase benefit rates "by such a percentage or percentages as he thinks fit."[54]

Savings Credit

In 2006, the Labour Government said it had become concerned that existing uprating arrangements would result in an increasing proportion of the pensioner population becoming entitled to Savings Credit.[55] To curtail the spread of means-testing, therefore, it decided to increase the

48 DWP, *The Pension Credit: a consultation*, November 2000, p 11; HM Treasury, *Budget 99*, HC 298, March 1999, para 5.28; HM Treasury, *Pre-Budget Report: Stability and Steady Growth for Britain*, Cm 4479, November 1999, para 5.47; HM Treasury, Pre-Budget Report 2001, Cm 5318, para 5.43

49 HM Treasury, Budget 2003, para 5.48

50 HC Deb 22 February 2005, c 197; This was confirmed after the election, see HC Deb 16 March 2005, cc 265-266; Budget speech, 16 March 2005

51 Department for Work and Pensions, Security in retirement: towards a new pensions system, May 2006, Cm 6841, para 3.60

52 DWP, Benefit and pension rates 2020/21, April 2020

53 HM Treasury, Autumn Statement 2014, para 1.235

54 *Social Security Administration Act 1992*, s150 (1) (1) and (2)

55 DWP, *Security in retirement: towards a new pensions system*, Cm 6841, May 2006, Box 3b

Savings Credit threshold in line with earnings from 2008.[56] From 2015, the maximum Savings Credit would be frozen in real terms.[57]

In four successive years, the Coalition Government increased the Savings Credit threshold and reduced the maximum amount payable. The purpose was to pay for above-earnings increases in Guarantee Credit.[58]

2.3 Why was Savings Credit removed for future pensioners from April 2016?

The Coalition Government legislated to introduce a new single-tier State Pension (nSP) for people reaching State Pension age from 6 April 2016. The nSP would be set above the level of the Pension Credit Guarantee.[59]

Guarantee Credit would continue to "support today's pensioners who have insufficient resources for their basic needs in retirement."[60] However, Savings Credit would close to people reaching State Pension age after the implementation nSP. The rationale was that:

> 40. The single-tier pension will be set at a rate that is above the basic level of means-tested support. As a result there will no longer be a need for a complex savings reward under single tier. Removing Savings Credit will simplify means-tested support and help to ensure Pension Credit is re-focused on providing a safety net targeted at the poorest and most vulnerable.
>
> 41. Other income-related benefits will remain, and support will be retained for a period of five years for those people who may have received more help with housing costs by virtue of the availability of the Savings Credit.[61]

This was legislated for in the *Pensions Act 2014* section 23 and Schedule 12 (part 3). An individual could still qualify if they are a member of a couple and the other partner qualifies. For more on the debates, see Library Briefing Paper SN-6634 (November 2013), p25-6 and SN-6846 (March 2014), p26.

2.4 How is capital treated?

Pension Credit is a means-tested benefit, so the income and capital of the claimant, and any partner they may have, is taken into account in calculating entitlement, subject to any disregards. Gov.UK explains:

> When you apply for Pension Credit your income is worked out. This includes:
>
> 1. State Pension
> 2. other pensions
> 3. most social security benefits, for example Carer's Allowance

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56 A faster increase, which would have the effect of reducing entitlement

57 DWP, *Security in retirement: towards a new pensions system*, Cm 6841, May 2006

58 HC Deb 4 December 2014 c443; HC Library Briefing Paper SN905649 *State Pension Uprating – 2010 onwards,* January 2015

59 DWP, The single-tier pension: a simple foundation for saving, January 2013, Cm 8528, p12

60 DWP, A state pension for the 21st century, Cm 8053, April 2011, para 104

61 DWP, The single-tier pension: a simple foundation for saving, January 2013 (Cm 8528), Chapter 2

> 4. savings, investments over £10,000 - for these £1 is counted for every £500 or part £500
> 5. earnings
>
> If you're entitled to a private or workplace pension, the amount you'd expect to get is calculated as income from the date you were able to get it, if you had claimed it.[62]

As this says, £1 of income is assumed for every £500 savings above £10,000.[63] People sometimes ask about the logic behind this. In response, Ministers have said the rules are "not intended to represent any return that could be obtained from investing capital." Instead, they provide a:

> a simple method of calculating the weekly contribution that people with capital in excess of £6,000 (or £10,000 if in a care home) are expected to make from those resources to help meet their normal living expenses.[64]

In 2001, in consultation before the introduction of Pension Credit, the Labour Government considered taking actual income from capital into account, but decided against on grounds that this would be bureaucratic and confusing for claimants. Instead, it proposed assuming a "notional rate of income set at around 10 per cent" for savings above the disregard and abolishing the upper capital limit.[65]

The treatment of capital is significantly more generous in Pension Credit than in the benefit it replaced - Income Support for pensioners.[66] The disregard was increased to £10,000 (from £6,000) in Budget 2009, in recognition of the fact that "historically low interest rates [had] particularly impacted on pensioners, who are more likely than people of working age to draw income from savings."[67]

2.5 How are earnings treated?

Any pensioner who worked more than 16 hours per week was automatically ineligible for the MIG. This 16 hour rule was abolished when Pension Credit was introduced, but the earnings disregards - £5 for singles, £10 for couples and £20 in certain circumstances (such as carers) which previously existed for pensioners - continued.[68] This means that any earnings in excess of the disregards are treated like any other form of assessed income in the calculation of both the Guarantee and the Savings Credit.[69]

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62 Gov.UK/Pension Credit/eligibility
63 State Pension Credit Regulations 2002 (SI 2002/1792), reg 15 (6)
64 HC Deb, 15 Dec 2008 , c419W
65 DWP, Pension Credit: the Government's Proposals, Nov 2001, p5
66 HM Treasury, Budget: March 2000, HC 346, para 5.45; The Pension Credit: a consultation paper, Cm 4900, November 2000
67 HC Deb, 15 Dec 2008, c419W; Social Security (Deemed Income from Capital) Regulations 2009 *(SI 2009/1676)*
68 HL Deb, 25 February 2003, c1273; Pension Service, A detailed guide to Pension Credit for advisers and others, PC10S, Jan 2019, p33
69 Alistair Darling, HC Deb, 25 March 2002, c602 and c618

The issue has been raised in Parliament on a number of occasions.[70] For example, in its 2008/09 report on *Tackling Pensioner Poverty*, the Work and Pensions Committee again recommended that the earnings disregards should be increased:

> 334. We have previously called for the £5 earnings disregard for Pension Credit to be increased. The current rules are a barrier to pensioners working, and are contrary to the Department's stated objectives. We find it regrettable that the disregard has remained at the same level for over 20 years and is now equivalent to less than one hour's work at the minimum wage.
>
> 335. We welcome the Department's announcement that it will trial raising the earnings disregard for lone parents on income support to £50. We call for the earnings disregard for pensioners in receipt of Pension Credit to also be increased to £50.[71]

In its response, the Labour Government said Pension Credit "was primarily a safety net entitlement which targets help where it is needed most and is not intended for people who do substantial amounts of work." However, it would "keep the policy and disregard that operates within Pension Credit under review."[72]

2.6 What if someone has a private pension?

In April 2014, the then Financial Secretary to the Treasury, David Gauke, explained how pension savings were treated for means-tested benefit purposes:

> Under existing rules the capital value of pension investments is disregarded when assessing entitlement to working age income related benefits. Actual pension payments are deducted from both income-based and contributory benefits. When an individual is over the qualifying age for pension credit and has a pension fund that they have not yet accessed, a notional income is deducted from any benefit entitlement.[73]

For Pension Credit, the rules are in the *State Pension Credit Regulations 2002 (SI 2002 No. 1792)*.[74]

The application of these rules was reviewed pending the introduction in April 2015 of the 'pension freedoms' – which would give people aged 55 and over more choice about when and how to draw their defined contribution pension savings.[75]

In its response to the consultation, the Government said it would look further at the notional income rules to ensure these were consistent

70 Work and Pensions Committee, *Pension Credit,* Third Report 2004-05, HC 43-I, para 170; Work and Pensions Committee, *Pension Credit,* Second Report 2001-02; HL Deb, 4 June 2007, c950-4

71 Work and Pensions Committee, Tackling pensioner poverty, Fifth report of 2008-09

72 Tackling Pensioner Poverty: Government Response to the Fifth Report from the Committee, Session 2008-09, October 2009

73 HC Deb 1 April 2014 c626W

74 An explanation is in DWP, *Decision Makers Guide*, volume 14, chapter 85

75 For more information, see Library Briefing Paper SN-06891 Pension flexibilities: freedom and choice (October 2017)

between drawdown products and annuities.[76] The 2014 Autumn Statement said the Government would:

> […] change the notional income rules applied to pension pots which have not been accessed, or have been accessed flexibly, from 150% to 100% of the income an equivalent annuity would offer, or the actual income taken if higher. [77]

In January 2015, the then Treasury Minister Lord Newby explained that the Government's intention was to ensure that "someone's decision to use a flexible pension product does not significantly impact on how their means are assessed for social security purposes or social care charging purposes." Its intention was that the principles of the current rules should remain in place.[78] In more detail:

> […] for those below Pension Credit qualifying age, pension pots will be disregarded in both Housing Benefit and Universal Credit unless it is drawn down. Where an actual income is taken from a pension pot, or where capital is withdrawn on an ad hoc basis (or all at once), then this will be taken into account. For example, where someone opts to take a regular drawdown from their pension pot before Pension Credit qualifying age, this would count as income for means-testing purposes, as it currently does where an annuity is purchased.
>
> Where a person below Pension Credit qualifying age has a partner who is above Pension Credit qualifying age, both of whom have not annuitised their pension pots, and is in receipt of income-related benefits, the person below Pension Credit qualifying age's pension pot would be disregarded by Universal Credit and Housing Benefit. However, a notional income from the above Pension Credit qualifying age partner's pension pot (if deferred) would be taken into account.
>
> As you pointed out, for those above Pension Credit qualifying age, a rules provide that any pension product available, whether or not the customer has drawn it, is taken into account when we assess their entitlement, on the principle that people should utilise all forms of income to which they have recourse before claiming income-related benefits. In order to take the pension pot into account, we calculate a notional income based on the annuity that it is deemed the pension pot could yield. The Government intends to change the notional income rules from April 2015, so that 100% (rather than 150% as now) of the income an equivalent annuity would offer is taken into account. This will therefore be a more generous calculation than under the previous rules.
>
> In the example you provided of the 55-year old in receipt of Housing Benefit with a pension pot of £20,000: if left untouched, the pot itself would not be taken into account in the means test until they reached Pension Credit qualifying age – at which point it would be treated as generating a notional income. However, if they chose to access their pot, the funds withdrawn would be taken into account as income or capital as appropriate. Where it is treated as capital, it would be deemed to yield an income if it

76 HM Treasury, *Freedom and choice in pensions: the government's response to consultation*, Cm 8901, July 2014

77 HM Treasury, Autumn Statement 2014, December 2014, HC 8961, para 2.66

78 HL Deb 27 January 2015 c169; See also, Oral evidence: Pension reforms, HC 1248, 30 April 2014

> exceeded the £6,000 lower capital limit. If the capital exceeded the higher capital limit of £16,000, they would lose their entitlement to Housing Benefit.
>
> Individuals who choose to access their pension pot and invest it directly themselves will need to consider that this may affect the level of support which they receive – just as those who choose to save for retirement outside of a pension must do already. We believe that people should use their funds responsibly if the alternative to doing so is claiming income-related benefits.[79]

DWP produced a factsheet – and the issue is covered in a detailed guide to Pension Credit for advisers and others (July 2020), p24-5.[80]

Age UK also produced a factsheet – Pension Freedoms and Benefits (June 2020).

2.7 What about housing costs?

Support for Mortgage interest

Until April 2018, Guarantee Credit included an additional amount to cover certain owner-occupier housing costs (such as mortgage interest).[81]

In the Summer 2015 Budget, the Chancellor announced that this would be replaced by loans, "so that home owners repay the financial support they receive."[82] This was legislated for in the *Welfare Reform and Work Act 2016* (s18). The Explanatory Notes said:

> 40. The Act replaces the existing legislative scheme that allows owner-occupiers who are receiving an income-related benefit to claim additional help towards their mortgage payments. This help is replaced by the opportunity to apply for a loan which will only be granted if individuals satisfy certain requirements, including that they have received financial advice. The Act enables the Secretary of State to secure a charge on the individual's property as security for the loan. The Act also makes provision about the transition from the current provision of support for mortgage interest to the new loans scheme, and allows the Government to manage the introduction of the new scheme in an appropriate way.
>
> 41. The provision of help with mortgage interest in the form of a loan rather than a benefit will ensure that the Government continues to mitigate the risk of repossession while providing better value for the tax payer.

One of the conditions for a loan to be made was that the owner "has executed a charge by way of legal mortgage in favour of the Secretary of State in respect of the relevant accommodation."[83] Recovery is made from the proceeds of sale but subject to limitations – such as their being

For more information, see

Library Briefing Paper SN-06618 Support for Mortgage Interest (SMI) scheme (April 2018)

DWP, a detailed guide to Pension Credit for advisers and others, July 2020, p47ff

State Pension Credit Act 2002, s2; *State Pension Credit Regulations 2002 (SI 2002/1792)* Sch 2.

79 DEP 2015-0071
80 DWP, Pension flexibilities and means-tested benefits, March 2015
81 *State Pension Credit Act 2002*, s2(3); *State Pension Credit Regulations 2002* (SI 2002 No. 1792), reg 6 and schedule 2
82 HM Treasury, Summer Budget 2015, HC 264, July 2015, para 1.156
83 *Social Security Loans for Mortgage Interest Regulations 2017 (SI 2017/725)*, reg 5 (2)(a); Explanatory Memorandum, para 7.19

insufficient equity.[84] There were limited transitional provisions.[85] The Government expected a small number of people to lose access to passported benefits, where the sole le qualifying criterion is receipt of one of the income-related benefits.[86] In October 2018, the Government said that "a small number of vulnerable claimants continue to receive Support for Mortgage Interest benefit as transitional protection."[87]

The rules are on Gov.UK – Support for Mortgage Interest (SMI).

Housing Benefit

Those who are tenants in the social or private rented sector claim for help with their housing costs through housing benefit (HB), which is administered by local authorities.

Both Pension Credit and HB are means-tested, so income and capital of the claimant (and their partner if they have one) may be taken into account in calculating entitlement.[88] However, details of the calculations are different. In particular, there is no upper capital limit in Pension Credit.[89] On the other hand, there is a £16,000 capital limit in HB. Although Guarantee Credit recipients are passported to maximum HB, people in receipt of Savings Credit only are not eligible if they have savings in excess of the HB capital limit.[90]

In case of HB being abolished in connection with the roll-out of Universal Credit, the Government legislated for a new credit to cover housing costs:

> 159. State pension credit is currently made up of two elements: the guarantee credit and the savings credit. *Schedule 4* amends SPCA 2002 to create a new credit to cover housing costs. This will provide support for people who have reached the qualifying age for state pension credit (for couples where both members have reached the qualifying age) once housing benefit is no longer available following the introduction of universal credit.[91]

As is now the case with HB, it would be possible to be eligible for the housing credit without being entitled to Guarantee Credit or Savings Credit, or to receive more than one element if the relevant conditions are satisfied.[92]

The details of the calculation would be in regulations. The Government's intention was that claimants would be entitled to "broadly the same amount of support under the Housing Credit as they would have been entitled" to by way of HB.[93] There would be a capital

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84 Ibid, para 7.24
85 Ibid, para 7.26
86 Ibid, para 7.12
87 PQ 174049, 9 October 2018
88 *State Pension Credit Act 2002*, s15
89 *State Pension Credit Regulations 2002* (2002 No. 1792), reg15. The categories of capital that fall to be disregarded is set out in schedule V of the regulations
90 *Housing Benefit (Persons who have attained the qualifying age for State Pension Credit) Regulations 2006* 2006/214), regs 26, 27 and 43
91 *Welfare Reform Act 2012* s33 and 34 and Sch 4; Explanatory Notes
92 Ibid, para 153
93 Ibid para 162

limit, as is currently the case for HB.[94] Regulations have not yet been laid.[95]

2.8 How often are claims reassessed?

When it was introduced, Pension Credit included provision for "assessed income periods" for people aged over 65, during which some changes in circumstances do not have to be reported. People aged 75 would often be given an indefinite AIP, and those whose AIP ran out after they reached 80 would not normally need to be reassessed. The AIP ended early in certain circumstances, for example, if the claimant started or stopped being a member of a couple, went into a care home permanently or was no longer entitled to Pension Credit. In addition, people could request a reassessment of their claim if their income fell.[96]

The Labour Government's intention, with the introduction of AIPs, was to make means-testing less intrusive for pensioners, by no longer requiring them to report changes of circumstance to the Pension Service on a weekly basis. It was also justified by the fact that pensioners' circumstances tended to change less often than those of working age people.[97]

The Coalition Government announced in the 2013 Spending Round that it would abolish AIPs from April 2016.[98] Introducing the amendment at Report Stage, the Minister said that although the idea was a reasonable one, it had created anomalies, with "payments to people who, if they were assessed on their current circumstances, would not be entitled to benefit."[99]

The provisions were made in s28-9 of the *Pensions Act 2014.*

For more on the background, see Library Briefing Paper SN 6677 Pension Credit: assessed income periods (23 October 2013) and SN-06846 *Pensions Bill 2013-14* - House of Lords Stages (March 2014), section 4.

2.9 What if you go overseas?

An individual has to be in Great Britain to be entitled to Pension Credit, although payment can continue during a temporary absence overseas.[100]

The rules changed on 28 July 2016, reducing the length of temporary absence during which Pension Credit and HB could continue to be paid in most cases from thirteen weeks to four weeks.[101] Announcing the change as part of the 2015 Autumn Statement, the Government said

94 Welfare Reform Act 2012, s35
95 DWP, Guidance: Welfare Reform Act 2012 regulations (October 2018)
96 *State Pension Credit Act 2002*, s6-9; State Pension Credit Regulations 2002 (SI 2002/1792), regulations 10-12
97 DWP, Pension Credit: the Government's proposals, November 2001
98 HM Government, Spending Round 2013 – policy costings, June 2013
99 HC Deb 29 October 2013 c838-9
100 *State Pension Credit Act 2002*, s1; *State Pension Credit Regulations 2002 (SI 2002/1792)*, reg 3
101 Explanatory Memorandum to SI 2016/624 (paras 7.3-6)

the rationale was that the "welfare system should be fair to those who need it and fair to those who pay for it." Exemptions would apply in "particular circumstances for up to 26 weeks, for example, for the death of a family member, if a claimant or their dependant requires medical treatment abroad, or for members of certain professions who spend time abroad."[102]

The new rules came into on 28 July 2016. For most absences from GB, the period of absence for which entitlement continued was reduced from 13 to 4 weeks. Exceptions were:

> 7.8 Where the absence from GB is in connection with the death of a partner, a child or young person, then the 4 week period can be extended by a further 4 weeks if it would be unreasonable to expect a return to GB within 4 weeks. This also applies where the temporary absence is in connection with the death of a close relative of the claimant, or of their partner or of a child or young person normally living with the claimant.
>
> 7.9 If the absence from GB is due to the need to receive medical treatment or convalescence, then HB and/or PC may continue for up to 26 weeks. Where the claimant is accompanying their partner or a child or a young person who lives with them for medical treatment or convalescence outside GB, then HB and/or PC may continue for up to 26 weeks. In PC this amendment has broadened the range of circumstances where the medical exemption can apply (broadly this equates to the position in UC)
>
> 7.10 The new absence from GB rules for both HB and PC will apply to members of the claimant's household as well as the claimant.[103]

There was also transitional provision for people temporarily absent at the date of change.[104]

In response to a PQ in January 2017, Pensions Minister Richard Harrington argued that four weeks was reasonable:

> **Diana Johnson**: To ask the Secretary of State for Work and Pensions, if he will take steps to allow people temporarily living abroad to claim pension credit for longer.
>
> **Richard Harrington**: Pension Credit is an income-related, non-taxable benefit which is intended to provide people of pension age with financial assistance to enable a minimum guaranteed amount to meet living costs in Great Britain. It is a basic condition of entitlement that a person be in Great Britain to receive it. Although Pension Credit is not intended to subsidise absences from Great Britain, in certain circumstances entitlement to the benefit can continue during a temporary absence abroad.
>
> It is the Government's view that the current rule, which allows entitlement to continue for up to four consecutive weeks during a period of absence from Great Britain, is reasonable and justified. It allows time, for example, for holidays and visiting families, without a person having to reclaim Pension Credit on their return to Great Britain. There are exceptions to the general four week rule. Pension Credit can continue for up to 26 weeks where

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[102] HC Deb 25 November 2015 c1360; HM Treasury, Autumn Statement 2015, CM 9162, Nov 2015
[103] Explanatory Memorandum to SI 2016/624
[104] Ibid, para 7.16

> medical treatment or medically approved convalescence is required outside Great Britain. Where the absence is in connection with a death of a partner or close relative then entitlement can continue for up to eight weeks.
>
> This approach aligns Pension Credit and Housing Benefit with Universal Credit and provides consistency across these benefits and we have no plans to change this.[105]

2.10 What if you have recently come from abroad?

Pension Credit is a means-tested benefit, so entitlement is subject to residence and immigration status tests.[106] DWP explains:

> Certain rules apply for people who have come to live in GB (England, Scotland and Wales) from another country (including returning British citizens) and who want to get Pension Credit.
>
> Whether your customer can get Pension Credit will depend on their residence or immigration status. They will also have to satisfy the normal Pension Credit rules, including the requirement to have the right to reside and to be able to be treated as factually habitually resident (known as the Habitual Residence Test).
>
> **General rules**
>
> In general, your customer can get Pension Credit as usual if they:
>
> • satisfy the habitual residence test
>
> • are eligible under the normal Pension Credit rules
>
> **Special rules**
>
> There are special rules for people in GB as a result of a written maintenance undertaking
>
> More information
>
> For more information about immigration issues, see UK Visas and immigration pages.[107]

For more detail, see:

- DWP, A Detailed Guide to Pension Credit for Advisers and Others (July 2020), p74 ff (people who have come to Great Britain from abroad)
- DWP, Decision Makers Guide, Ch 7 Part 3 (Habitual residence and right to reside IS, JSA and SPC)

2.11 How high is take-up?

Take-up figures for the year 2017/18 published in February 2020 show that:

105 PQ 61407 30 January 2017

106 State Pension Credit Regulations 2002 (SI 2002/1792), reg 2

107 DWP, A Detailed Guide to Pension Credit for Advisers and Others (July 2020), p74-5

Up to 1.2 million families who were entitled to receive Pension Credit did not claim the benefit.

Up to £2.5 billion of available Pension Credit went unclaimed: on average, this amounted to around £2,000 per year for each family entitled to receive Pension Credit who did not claim the benefit.

In more detail:

Six of ten of those entitled to Pension Credit received the benefit

In 2017/18, an estimated 61 per cent of families who were entitled to Pension Credit received it. The take-up rate in 2017/18 was the same as in 2016/17.

Take-up of Guarantee Credit (68 per cent) continued to be higher than take-up of Savings Credit only (42 per cent). This difference was statistically significant. This could be influenced by the difference in the average weekly amounts people were entitled to. The estimated average weekly amount unclaimed for Guarantee Credit (£59) was substantially higher than Savings Credit only (£7).

Take-up of Pension Credit by those aged under 75 continued to be higher than those aged 75 or over. This has generally been the story across the time period. 62 per cent for those aged under 75 and 61 per cent for those aged 75 or over, in 2017/18.

See Tables PC1, PC2 and PC9 for full data.

Seventy per cent of the total amount of Pension Credit that could have been claimed was claimed

In 2017/18, an estimated 70 per cent of the total amount of Pension Credit that could have been claimed was claimed. This was 5 percentage points higher than in 2016/17. This difference is statistically significant.

As this is higher than the caseload take-up rate this implies those not taking up Pension Credit may only be eligible for much smaller amounts.

Expenditure take-up of Guarantee Credit (71 per cent) continued to be higher than expenditure take-up of Savings Credit only (45 per cent). This difference was statistically significant. Expenditure take-up of Pension Credit by those aged under 75 (70 per cent) was lower than that of those aged 75 or over (71 per cent).

See Tables PC2 and PC10 for full data.[108]

Concerns have been raised about low take up by the Older People's Commissioner for Wales and organisations such as Independent Age.[109]

[108] DWP, Income-related benefits – estimates of take-up in 2017/18, Feb 2020

[109] 'Changes to Financial Support Could Leave Older People in Wales £600 a month worse off, warns Commissioner', 1 May 2019; '1.3 million people aren't claiming the Pension Credit they are entitled to', Independent Age, May 2019

Is there a target for take-up?

In Spending Review 2002 (SR 2002), the Labour Government set a target of at least 3 million households in receipt of Pension Credit by 2006.[110] In SR 2004, a further target was set to:

> By 2008, be paying Pension Credit to at least 3.2 million pensioner households, while maintaining a focus on the most disadvantaged by ensuring that at least 2.2 million of these households are in receipt of the Guarantee Credit.[111]

For more on the background, see

Library Briefing Paper CBP 1439 Pension Credit – background (Nov 2011), section 2.5

In 2007, DWP said this target would not be achieved and that it "would not represent value for money repeatedly to press unwilling eligible people to take up their entitlement."[112]

In 2006/07, the Public Accounts Committee said that while the target had not been met, it had focused the Department's attention on raising take-up of Pension Credit.[113]

In the 2007 Spending Review, a new PSA delivery agreement was set to "tackle poverty and promote greater independence and wellbeing in later life." One aspect of this was a reduction in the "percentage of pensioners in low income."[114] Alongside this, there were targets to deliver a certain number of successful new Pension Credit applications each year.[115]

In the course of its 2009 inquiry on Tackling Pensioner Poverty, the Work and Pensions Committee was told that, there had been some "pulling back right across government from having lots of very precise targets" – so setting a direction of travel rather trying to achieve precise numbers.[116]

The current departmental reports do not include a target for take-up of Pension Credit.[117]

What is the Government doing to improve take-up?

A summary of the Labour Government's approach was given in evidence to the Work and Pensions Committee in 2009. It included steps to make it easier to claim, home visits to vulnerable customers and targeted take-up activity based on partnership working with stakeholder bodies.[118]

110 HM Treasury, Spending Review 2002
111 HM Treasury, Spending Review 2004, para 19.6
112 DWP, Autumn Performance Report 2007: Progress against Public Service Agreement Targets, p50
113 Public Accounts Committee, DWP: tackling pensioner poverty – encouraging take-up of entitlement, HC 169, 2006-07, summary and para 2-4
114 HM Treasury, Pre-Budget Report and Comprehensive Spending Review, Cm 7227, October 2007; Public Service Agreements; PSA Delivery Agreement 17. Tackling poverty and promote greater independence and well-being in later life , October 2007
115 Work and Pensions Committee, Tackling Pensioner Poverty, 5th Report of Session 2008-09,HC 411-II, Ev 157
116 Ibid, vol 1, para 110
117 DWP, Our service standards, November 2004, page 4-10; DWP, Customer charter, April 2014; DWP, Single Departmental Plan 2015-2020; DWP Annual Report 2016-17, HC 10, March 2017
118 Work and Pensions Committee, Tackling Pensioner Poverty, Ev 101, para 2.2-7

The Government launched a twelve-week campaign to raise awareness in February 2020:

> The Government wants to make sure that all eligible pensioners can claim Pension Credit. That is why in February this year we launched a targeted twelve-week nationwide campaign to raise awareness of Pension Credit.
>
> Part of the campaign was to dispel some of the misconceptions that people might have about Pension Credit eligibility. We wanted to make it clear that even a small award of Pension Credit can provide access to a range of other benefits such as help with rent, council tax reduction schemes, heating costs and for those aged 75 or over, a free television licence.
>
> We continue to work with stakeholders to help spread the key messages from the campaign because we know that often the best ways to reach eligible pensioners is through trusted stakeholders working in the community. Our online Pension Credit toolkit has been updated to help older people understand how they could claim Pension Credit.
>
> In May this year we also launched an online claim service for Pension Credit to supplement the existing telephone and postal claim services. The new online service provides an additional claim facility and enables pensioners to apply for Pension Credit at a time that suits them.[119]

The Pension Credit toolkit includes guides to pension credit and ideas for encouraging take-up.[120]

Previous PQs showed use of the toolkit to have declined between 2015 and 2019.[121]

As discussed in section 2.12 below, the OBR suggests that the BBC's decision to link free TV licences to receipt of Pension Credit may increase take up.

2.12 Passported benefits

As the following Written Parliamentary answer explains, people in receipt of Pension Credit may also qualify for other benefits:

> People in receipt of Pension Credit may also qualify for other benefits (each with their own conditions of entitlement) such as Cold Weather Payments, Funeral Payments from the Social Fund and the Warm Home Discount Scheme. Other benefits such as Housing Benefit and help from the Local Council Tax Reduction scheme are available to Pension Credit recipients and to others who may qualify on the grounds of low income.
>
> Pension Credit recipients are also exempt from certain health charges. Other benefits including Winter Fuel Payments, free prescriptions and concessionary travel are available on the grounds of age.[122]

For more on the background, see Library Briefing Paper CBP 6354.

119 PQ HL 6720, 10 July 2020
120 PQ 248594 2 May 2019
121 PQ 248594 2 May 2019
122 PQ45139, 12 September 2016

Free TV licences for the over-75s

People aged 75 and over are currently entitled to free TV licences:

> For nearly 80 years the principle underpinning the licence fee was that it was universal. It was paid by all households receiving broadcast services, that is, in short, by virtually everyone.
>
> Then in 2000 the UK Government decided to fund free TV licences for those aged over 75. This was to help reduce poverty among the oldest pensioners.[123]

The BBC Board announced on 10 June 2019 that it had decided to link entitlement to receipt of Pension Credit:

> […] decided that the fairest decision is to establish a new scheme to focus on the poorest older pensioners. Any household with someone aged over 75 who receives Pension Credit will be eligible for a free TV licence funded by the BBC. The Board believes this is the right policy to implement across the UK from June 2020.[124]

People would be able to self-verify receipt.[125]

The Office of Budget Responsibility said the decision was likely to have the effect of increasing Pension Credit take-up:

> The likely cost of the BBC's recent decision to means-test free TV licences for the over-75s by linking it to pension credit – thereby potentially prompting a material number of those currently not taking it up to do so – poses a fiscal risk that we had not previously envisaged. It is unusual for a government to delegate parameters of welfare policy to a broadcasting company to save money. The unintended consequence is likely to be that the link to pension credit receipt will raise welfare spending by more than bearing the remaining cost of free licences reduces BBC spending, so the budget deficit will rise not fall.[126]

In March 2020, the Government and BBC issued a joint statement announcing that the implementation of the change would be delayed from June to 1 August 2020 because of the Coronavirus situation.[127]

For more on the background, see

Library Briefing Paper CBP 4955 Free TV licences for the over 75s (March 2020)

123 BBC, Age-related TV Licence Policy: decision document, June 2010
124 Ibid
125 Ibid, p26
126 OBR, Fiscal risks, July 2019
127 Government and BBC's joint statement on delaying the TV licence fee for over 75s, 16 March 2020

BRIEFING PAPER

Number CBP-8135, 24 August 2020