Basic State Pension - contribution conditions

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The *Pensions Act 2007* made it easier in future for people with caring responsibilities to qualify for the State Pension. In particular, it reduced the number of qualifying years needed for a full basic State Pension (BSP) from 44 for men and 39 for women, to 30 for both men and women. It also replaced Home Responsibilities Protection (which helped protect the pension entitlement of people with caring responsibilities) with weekly carers' credits. The reforms applied to people reaching State Pension age (SPA) on or after 6 April 2010. They increased the proportion of women reaching SPA entitled to a full BSP. People reaching SPA before 6 April 2010 did not benefit from the reforms. After much debate in Parliament, provision was introduced under the *Pensions Act 2008* to enable certain people reaching SPA between 6 April 2008 and 5 April 2015 to buy an additional 6 years of voluntary Class 3 NICs for tax years from 1975/76.

This note provides an overview of the contribution conditions for the Category A basic State Pension and how these changed under the 2007 Act. The current Government is legislating to introduce a single-tier State Pension for future pensioners from 6 April 2016. People who reach State Pension age before that date will continue to get their state pension under current rules. The contribution conditions for the single-tier pension are discussed in Library Note SN 6817 – *Single-tier State Pension - contribution conditions.*

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1 The basic State Pension

There are four categories of State Pension: Categories A, B, C (now obsolete) and D. Broadly speaking, the Category A pension (£113.10 in 2014/15) is that for which people qualify on the basis of their own contribution record and can claim from State Pension Age (SPA):

> A Category A pension is a pension based on the National Insurance contributions a person has paid, been treated as having paid or been credited with, during their working life.
>
> It has two parts:
>
> - the **basic** State Pension – this depends on the number of qualifying years the person has built up in their working life;

- the **additional** State Pension – this depends on the earnings or deemed earnings during their working life since additional State Pension was introduced in April 1978.

To be entitled to a Category A pension, a person must have:

- reached State Pension age (see pages 18 to 21);
- claimed their State Pension (it is not paid automatically); and
- met the relevant contribution conditions.[1]

People with insufficient contributions or credits to qualify for a full BSP in their own right may be able to improve their entitlement by drawing on the contribution conditions of a spouse or former spouse. The Category B pension payable to some married women, widows and widowers is £67.80 a week in 2014/15.

The Category D Pension is non-contributory and payable when a person reaches the age of 80, satisfies certain residence contribution conditions and is not already entitled to a state pension of at least £67.80 (2014/15 rates).

2 How entitlement is built up

The BSP is awarded to a person who has claimed it, has reached at least State Pension age (SPA), and meets the qualifying conditions summarised below. The amount of BSP a person can get is based on the number of "qualifying years" they have built up. A qualifying year is one in which a person has paid, been treated as having paid, or been credited with, enough NICs for it to count. DWP explains:

> **What is meant by 'enough contributions'?**
>
> A person has to have paid, been treated as having paid or been credited with enough National Insurance contributions on their earnings in a given tax year for it to count as a qualifying year. *[SSCBA 1992 section 122 (1)]*
>
> **What counts as earnings for basic State Pension?**
>
> Earnings on which Class 1 and Class 2 contributions have been paid, and Class 3 contributions, will count towards State Pension. Earnings on which full rate Class 1 contributions have been paid or are treated as having been paid count as **qualifying earnings**. Earnings on which Class 1 contributions have been paid or treated as paid (up to the Upper Earnings Limit (UEL) of [£805 a week in 2014/15]) and Class 2 and Class 3 contributions count towards State Pension. Each Class 2 or 3 contribution counts as one week's earnings at the Lower Earnings Limit.[...]
>
> Earnings from married women and widows who have chosen to pay reduced-rate National Insurance contributions do not count as qualifying earnings. Instead, they have opted to pay a lower rate of National Insurance from their earnings. *[Social Security Contributions and Benefits Act 1992 section 22; SS Earnings Factors Regs 1979]*
>
> There are separate rules for credits to the National Insurance scheme.[...]
>
> **What is meant by the 'Lower Earnings Limit'?**

[1] Pension Service, *A detailed guide to State Pensions for advisers and others,* NP46 September 2008, p 9

The Lower Earnings Limit [£111 a week for 2014/15] is set by Parliament each year. If a person has earnings for the tax year that fall below this level then they will not pay National Insurance contributions or be treated as having paid them to the National Insurance scheme. *[SSCBA 1992 section 5]*

National Insurance contributions if the earnings are below the Primary Threshold

People whose earnings are more than the Lower Earnings Limit, but are below the Primary Threshold [£153 a week for 2014/15] set for that tax year, will not have to pay National Insurance contributions based on their earnings. They will be treated as if they have paid contributions. These contributions will count when we work out their State Pension. *[SSCBA 1992 section 5]*

What is meant by 'a qualifying year'?

Since April 1978 a qualifying year has meant a tax year in which a person received (or was treated as having received) qualifying earnings of at least 52 times the weekly Lower Earnings Limit set for that year. *[SSCBA 1992 section 122]*

For the tax years 1975/76 – 1977/78, a qualifying year is 50 times the weekly Lower Earnings Limit set for each year. *[SS Act 1975 Sch 3]*

For the period before April 1975, we change the flat rate National Insurance contributions into a number of qualifying years by dividing the total number of contributions paid, (or credited with having been paid) by 50. There is a limit on this number. This means that the figure cannot be more than the number of years in a working life up to 5 April 1975. *[SS (WB and RP) (Trans) Regs 1979 Regulation 7(2)]*[2]

A person who reached SPA before 6 April 2010, needed 44 qualifying years (men) or 39 qualifying years (women) for a full BSP. They needed a minimum number of years (equal to at least 25% of working life, or ten years) to qualify for any BSP. They also needed to have actually paid contributions in at least one year. Under changes introduced in the *Pensions Act 2007*, a person reaching SPA on or after 6 April 2010 needs 30 qualifying years to qualify for a full BSP. With fewer than 30 years, they qualify for a BSP at 1/30th of the full rate for each complete qualifying year they have built up.[3] The background to these changes is discussed in more detail in section 4 below.

2.1 Qualifying years

A 'qualifying year' for the purposes of the basic State Pension (BSP) is one in which a person has paid, been treated as having paid or been credited with enough National Insurance contributions on their earnings for it to count as a qualifying year.[4] The circumstances in which NI contributions are paid and credits awarded are discussed below.

NI contributions

Employees pay National Insurance contributions (NICs) on their earnings if they exceed the Lower Earnings Limit (LEL), which is set at £111 pw/£5,772 pa in 2014/15. A zero rate of NICs is charged on earnings between the LEL and the Primary Threshold (PT), which is set at £153 pw/£7,956 pa in 2014/15, although NI is treated as having been paid to protect benefit entitlement. NICs are paid on earnings between the PT and the Upper Earnings Limit

[2] Pension Service, *A detailed guide to State Pensions for advisers and others*, NP46, September 2008, p12

[3] *Social Security Contributions Act 1992,* Schedule 3 (5) and (5A)*;* Pension Service, *A detailed guide to State Pensions for advisers and others*, NP46 September 2008

[4] *Social Security Contributions and Benefits Act 1992*, ss 44, 122 and Schedule 3

(UEL) (£805 pw/£41,865 pa in 2014/15) at a rate of 12%. Earnings above the UEL are charged NICs at a rate of 2%.[5]

Some married women and widows still have a valid certificate of election to pay reduced rate NICs, in exchange for relying on their husband's contribution record for state pension entitlement. Self-employed women could opt not to pay class 2 NICs. Where a valid certificate of election is still in place, NICs is paid on employed earnings between the PT and UEL at a rate of 5.85%.[6]

Self-employed people pay a flat-rate Class 2 NIC (£2.75 pw in 2014/15).[7] In addition they may be liable to pay a separate Class 4 profits-related contribution. Class 4 NICs are charged at a rate of 9% on profits between a lower profits limit and an upper profits limit, and at 2% on profits above the upper limit.[8] Class 2 NICs count towards the BSP but not towards the additional State Pension. Class 4 NICs do not attract any benefit entitlement.[9]

The issue of whether steps can be taken to improve the State Pension entitlement of people working in multiple jobs where their earnings do not exceed the LEL in any one job but would if aggregated is discussed in Library Note SN 6846 Pensions Bill 2013/14 – House of Lords stages (section 2.1 – people with multiple jobs).

NI Credits

In certain circumstances, people may get "credits" on their NI record. These cover circumstances in which a person may not be working, or working only a small number of hours, such as ill health and unemployment or caring for a child aged under 12 or someone with a disability.[10] In some cases NI credits are awarded automatically, but in others – such as where a person is caring for 20 hours or more a week for a disabled person who not in receipt of a qualifying benefit – an application needs to be made.[11] A table showing the circumstances in which a person may be eligible for credits and whether an application needs to be made is on the Gov.UK website: National Insurance credits.

One of the steps people can take to protect their BSP entitlement is to ensure they receive the NI credits they are eligible for. DWP explains that, although the NI crediting system is comprehensive, it is complex and poorly understood:

> 1. The National Insurance (NI) crediting system in the UK is comprehensive. It is a contributing factor in the progress towards having an equal proportion of women and men qualifying for a full basic State Pension; this is expected to happen in 2020.
>
> 2. However, the NI crediting system is highly complicated and there is a low level of awareness about some credits and eligibility for them is poorly understood. The take up rates suggest that some NI credits (for example Carer's Credits) are not achieving their stated aim of protecting the state pension position of individuals

5 For more information, see HMRC website – Employee tax and National Insurance

6 HMRC website, Married women, widows and reduced National Insurance

7 Self-employed persons may apply for exemption from paying class 2 contributions if their annual profits are less than, or expected to be less than, the level of the 'small earnings exception' - £5,885 pa in 2014-15 amounts. See HMRC website – self assessment and low earnings registration

8 Gov.UK, National insurance

9 DWP, *The single tier pension and those who have spent time in self-employment*, 2013

10 HL Deb 18 December 2013 c329

11 See Gov.UK, National Insurance credits - eligibility; *Social Security (Contributions Credits for Parents and Carers) Regulations 2010* (SI 2010/19)

who take time out of paid employment due to caring responsibilities (these tend to be women).[12]

The introduction of carers' credits to replace Home Responsibilities Protection for people reaching State Pension age from 6 April 2010 is discussed in more detail in section 4.2 below.

3 Ways of improving entitlement

Despite provisions intended to protect their state pension entitlement (such NI credits), people with interrupted paid work records still reach SPA without entitlement to a full BSP.

Individuals wanting to find out how much State Pension entitlement they have accrued can apply for a State Pension statement. There is also a State Pension calculator for people to work out their state pension age or get a quick estimate of their BSP entitlement. There is also information on the Pensions Advisory Service website, See, for example, women and the state pension.

People with gaps in their NI record may have ways to improve their BSP entitlement. For example:

- They may be eligible for NI credits (see above);
- They may be able to pay class 3 NICs;
- They may be able to improve their entitlement by drawing on the contributions of a (former) spouse or civil partner.

3.1 Drawing on the contributions of a (former) spouse or civil partner

Under current rules, a person who is, or has been, married or in a civil partnership may be able to qualify for a BSP, or an increase to their own BSP, based on the NI record of their spouse or civil partner.[13] This can provide a BSP of up to £67.80 for a married person or civil partner and up to £113.10 for a widow, widower or surviving civil partner or person whose civil partnership has been dissolved (2014/15 rates). An overview of the current rules can be found in DWP, State Pensions: Your guide (March 2014), page 25-7.

With the introduction of the single-tier State Pension for future pensioners from 6 April 2016, these rules will end with some transitional protection.[14] This is discussed in Library Note SN 1910 *Married women and state pensions* (January 2014).

3.2 Voluntary Class 3 National Insurance Contributions

Individuals may be entitled to make voluntary Class 3 NICs (VNICs) to fill gaps in their NI record. These might occur because, for example, the person was: employed on low earnings, unemployed and not claiming benefits, self-employed and not liable for class 2 NICs or living abroad.[15] VNICs can help a person to satisfy the conditions of entitlement to

[12] DWP, NI credits and the single-tier pension, 2013

[13] See Library Note SN 3035 Pensions: civil partnerships and same sex marriages (July 2013); Pension Service, a detailed guide to State Pensions for advisers and others, September 2008, page 47

[14] For details see DWP, State Pension entitlements derived from a current or former spouse's or civil partner's national insurance contributions (April 2013), Annex A

[15] For more information, see HMRC website – Voluntary National Insurance contributions – the basics

the basic State Pension and bereavement benefits.[16] The rate of VNICs in 2014/15 is £13.90 pw for class 3 contributions and £2.75 a week for Class 2 contributions.[17] There are a number of circumstances in which VNICs cannot be paid.[18] For example, a married woman or widow cannot pay for any tax year during the whole of which an election to pay reduced rate NICs was in force.[19] For information about the current rules, see Gov.UK: Voluntary National Insurance contributions.

The general rule is that they must be paid within six years of the tax year in which they were due, although there are exceptions (see below). If they are paid more than two years after they are due, rate generally goes up.[20] However, these rules have been relaxed on a number of occasions, as discussed below.

Extension of the time limits for payments in respect of 1996/97 to 2001/02

In 1981, the Department of Health and Social Security (DHSS) introduced a system of sending deficiency notices to certain people with gaps in their contribution records. The notices were sent out 18 months after the end of the tax year to which they related.[21] In 1998, the Contributions Agency (then part of the DHSS' successor, the Department of Social Security) took a decision to suspend deficiency notices because of problems with the NIRS2 computer system. This meant that people with deficient records from 1996/97 onwards were not notified of the fact. It was not until 2003 that the Inland Revenue (which had taken over responsibility for collecting NICs and maintaining contribution records in April 1999) took action to re-introduce the system. The background to this is set out in a Treasury Committee report on *Inland Revenue Matters*, published in July 2003.[22]

In a statement to the House on 16 May 2003, the then Paymaster General Dawn Primarolo explained that people with gaps in their record from 1996/97 to 2001/02 would be given until 5 April 2008 to pay Class 3 NICs to fill the gaps should they want to. In addition, they would be able to pay at the rate obtaining at the time, rather than current (higher) rates. HMRC (then Inland Revenue) were to conduct an Inquiry into the matter.[23] The Paymaster General made a statement to the House on the Inland Revenue's report of its Inquiry on 18 June 2003. All the recommendations had been accepted. She provided further details of when Ministers had been informed of the suspension of deficiency notices.[24] On 6 May 2008, the Government announced that it was taking steps to remind women of the approaching deadlines for paying Class 3 NICs for the years 1996/97 to 2001/02 and to contact some women some women who could potentially use the special terms to claim some backdated pension for a past period.[25] The Pension Service produced a factsheet: *Buying voluntary National Insurance contributions for tax years 1996/97 to 2001/02 to improve your State Pension.*

[16] *Social Security Contributions and Benefits Act 1992*, s13 (2); *Social Security (Contributions) Regulations 2001 (SI 2001/1004)*, regulation 48
[17] Gov.UK – Voluntary National Insurance contributions
[18] HMRC website - NIM25005 - Class 3 NICs: Restrictions on the right to pay: precluded Class 3 NICs: Contents
[19] NIM - 25016
[20] HMRC website: Time limits for making up a National Insurance contribution gap.
[21] See Inland Revenue press release, 5 April 2003, Extended time limits for paying voluntary contributions,
[22] Treasury Committee, *Inland Revenue Matters*, HC 834 2002-03, 23 July 2003, paras 41-42
[23] HC Deb 16 May 2003, cc 26-28WS
[24] HC Deb 18 June 2003, cc 10-12WS
[25] DWP Press Release, 6 May 2008, *Drive to help women boost their state pension,*

For the year 2004/05, HMRC wrongly sent some people notices saying their contributions for 2004/05 were deficient.[26] The Paymaster General said that difficulty bedding down new technology had led to late processing of some returns.[27]

Option to pay additional NICs for people reaching SPA between April 2008 and 2015

The *Pensions Act 2007* makes it easier for people reaching SPA on or after 6 April 2010 to qualify for a full state pension. People reaching SPA before that date do not benefit from the changes. In response to concerns about this (see section 4.3 below on the "2010 cliff-edge") the Government announced on 24 October 2008 that it would allow some people to buy up to an additional six years of voluntary National Insurance Contributions, over and above those permitted under the current time limits. The price of Class 3 contributions would be increased:

> The proposals will apply to those who reach State Pension age between 6 April 2008 and 5 April 2015 and who already have 20 qualifying years on their National Insurance record, taking account of Home Responsibilities Protection.
>
> The value of class 3 National Insurance contributions is increasing significantly because of the Government's pension reforms, in particular the reduction in the number of qualifying years needed for a full state pension from 44 (for a man) and 39 (for a woman) to 30 for both men and women from April 2010. The Government will increase the price of a Class 3 contribution accordingly. This will ensure the package will overall be cost neutral.[28]

Provision was made for this in Section 135 of the *Pensions Act 2008*[29] and the *Social Security (Additional Class 3 National Insurance Contributions) Amendment Regulations 2009* (SI 2009/659). The measure enables:

> …individuals who reach State Pension age between 6 April 2008 and 5 April 2015 to pay Class 3 NICs for up to an additional 6 tax years from 1975-76, providing:
>
> - they already have 20 existing qualifying years (including any years of Home Responsibilities Protection); and
> - if they reach State Pension age before 6 April 2010, they have one qualifying year from paid, or treated as paid, NICs.[30]

The Explanatory Memorandum to the regulations set out the rationale:

> 7.3 There has been a great deal of interest and media attention surrounding the position of individuals, mainly women and carers, with gaps in their contributions records from earlier in their working lives and who cannot pay Class 3 NICs to fill them because they are outside the time limits. The contrast between the respective positions of those reaching State Pension age in the years immediately before and after the reforms to the State Pension scheme, which take effect in April 2010, was particularly noted. The former group cannot benefit from the reduction in qualifying years needed for a full basic State Pension. (Although, there will also be individuals who reach State

26 Financial Times, *Computer glitch to blame for mistaken tax letters, 18* December 2006

27 HC Deb, 31 January 2007, c 347W

28 DWP Press Release, 'Pensions Boost for women- Purnell', 24 October 2008

29 Pensions Act 2008 - Explanatory Notes, para 450; Section 135 PA2008 inserted a new s13A into the Social *Security Contributions and Benefits Act 1992*

30 *Explanatory Memorandum to The Social Security (Additional Class 3 National Insurance Contributions) Amendment Regulations 2009 (No. 2009/659)*

Pension age on or after 6 April 2010 who will not meet the 30 qualifying years condition and cannot fill the gaps in their contributions record under the usual time limits.)[31]

The measure came into force on 6 April 2009. People would have 6 years after they reached SPA in which to pay. For an initial two-year period, any Class 3 NICs would count as paid from SPA or the day they are paid, whichever is earlier.[32]

Advice for those considering paying Class 3 NICs

People considered paying Class 3 NICs may wish to seek advice. Any decision on whether or not to pay these contributions will be a highly personal one, closely dependant on individual circumstances. For example, an individual may also be able to increase their entitlement by drawing on the contributions of a spouse or former spouse, or they may be entitled to Pension Credit. In addition, people need to consider whether to pay in the light of the changes to be introduced by the *Pensions Act 2007* to improve state pension coverage. Provision was made to allow refunds of contributions to people who paid after these changes were announced in the Pensions White Paper on 25 May 2006 but before 26 July 2007, and were not aware of the changes.[33] The Pension Service produced fact sheets:

- *How to increase your State Pension if you reach State Pension age between 6 April 2008 and 5 April 2010*
- *How to increase your State Pension if you reach State Pension age between 6 April 2010 and 5 April 2015*

4 *Pensions Act 2007* reforms

4.1 The Pensions Commission

In 2002, the Labour Government set up a Pensions Commission, chaired by Adair Turner, to "review the evolution of the UK's system of pension provision and to adviser on whether the existing system of voluntary private pensions would deliver adequate results". The Commission's first report, published in October 2004 found that, "given present trends, many people would face 'inadequate' pensions in retirement."[34] It identified women's pension entitlement as a particular issue needing to be addressed:

> Women pensioners in the UK today are significantly poorer than men. This reflects both labour market features (lower employment rates, lower average earnings and more part-time work) and specific features of the UK's state pension system. These state pension features have in the past entailed most women gaining pension income through their husband, and reflected assumptions about family structure which have ceased to be valid. An effective pension system for the future must be one in which the vast majority of women accrue pension entitlements, both state and private, in their own right.
>
> Some progress towards that aim is now occurring, with some labour market trends favourable to women, and some changes in the state system which benefit women. But important issues remain relating to overall equality in the workforce, to state

[31] Ibid

[32] Ibid

[33] HC Deb, 16 January 2007, c663W; HMRC website – Refund of NICs – important information

[34] Pensions Commission, Pensions: Challenges and Choices: The First Report of the Pensions Commission, October 2004, Executive Summary

> pension design, and to low levels of pension provision and take-up in some service sectors in which women's employment is concentrated.[35]

On the question of women's state pension entitlements, the Commission found that the existing system for building up entitlement to the basic State Pension (BSP), on the basis of an individual's National Insurance record, disadvantaged many people (particularly women) with interrupted careers, caring responsibilities or multiple part-time jobs".[36] It argued that despite progress, women pensioners would for many years be less likely than men to enjoy a full basic State Pension in their own right.[37] To address this, it recommended allowing future entitlement to the BSP to build up on the basis of residency.[38] It also suggested making the BSP universal immediately above a certain age, such as 75 or 80 as a way of dealing with the "most severe inherited problems."[39]

4.2 Pensions White Paper, May 2006

On 25 May 2006, the Government published proposals for a major reform of the state pension system: *Security in retirement: towards a new pensions system.* Like the Pensions Commission, it considered that despite previous reforms and improvements in women's work records, there remained an issue to address:

> 3.69 The pension system of the 1950s and 1960s sought to provide some protection of pension entitlements for women by allowing wives to draw on the contribution records of their husbands.
>
> 3.70 Reforms since the 1970s have had a dramatic and very positive impact on the pension entitlements of women and carers. The introduction of HRP in 1978 meant that the vital contribution made to society by those caring for children was recognised for the purposes of building entitlement to a pension. Since that time, years spent caring for children under 16 have counted for the purposes of building entitlement to the basic State Pension, but usually only for complete years.
>
> 3.71 The introduction in 2002 of the State Second Pension as a successor to SERPS meant, for the first time, that some caring responsibilities were reflected not only in basic State Pension entitlement but also in access to a second pension. Each year 1.9 million carers, mostly women, are not credited in to the State Second Pension as if they were earning £12,500 per year. Those earning about £12,500 will continue to accrue some earnings-related provision until around 2030.
>
> 3.72 There remains, however, a generation of women aged over 45 who can expect to reach State Pension age with significantly lower amounts of basic State Pension than men. The immediate issue is tackling the inequality of this generation of women who may have missed out on the full impact of HRP but may not have returned to or kept in touch with the labour market in the way younger women have.[40]

However, it rejected the Pensions Commission's proposal that future accruals of the BSP should be on a residency basis, preferring to retain a link to contributions:

[35] Ibid

[36] Pensions Commission, *A New Pension Settlement for the Twenty-First Century; The Second Report of the Pensions Commission,* November 2005, p148

[37] Ibid, p206

[38] Ibid, p22 and p202-210

[39] Ibid

[40] See also, DWP, *The Gender Impact of Pension Reform*, December 2006, page 13

> 3.78 We want to maintain the link between the basic State Pension and contributions to society. However, the current number of qualifying years excludes some people who have contributed during their working lives from the right to a state pension. Today's society is one where both men and women combine work and caring, and undertake higher or further education. Reducing the qualifying years required for a full basic State Pension gives these people the opportunity to build rights to a full basic State Pension, while not diluting the contributory basis of the system.
>
> 3.79 Under the current system, women aged 45 or over today are projected to have state pension entitlements which are, on average, projected to lag significantly behind those of men for around the next 20 years. Under our reforms this critical group will receive better state pension outcomes in their own right. A residence-based approach for new accruals would not help this group build up a much better basic State Pension.[...][41]

It proposed significant changes to the contribution conditions for the basic State Pension:

- The **number of qualifying years** (i.e. years with sufficient national insurance contributions paid or credited) required to achieve a full basic state pension would be reduced from 44 (for men – and women when their pension age has increased to 65 in 2020) and 39 (for women now) to 30.

- **Home Responsibilities Protection** (HRP) would be converted from a system which reduces the number of qualifying years required to a system of positive credits for each week of relevant responsibilities. There would be credits for each week of receipt of Child Benefit for a child up to the age of 12 for both BSP and the State Second Pension (S2P) (rather than 16 for HRP and 6 for S2P).

- It would be possible to **combine** periods with earnings (and, therefore, paid contributions) and periods with credits (eg for caring responsibilities) to make up a qualifying year for S2P purposes. At present, qualifying benefits (eg Child Benefit) have to be awarded for a full year for the year to count.

- A new specific **credit for carers** would be introduced for people caring for a severely disabled person for 20 hours or more a week.

- The **"25 per cent *de minimis* rule"** and the requirement for **one year's paid contributions** would be removed. People reaching SPA before 6 April 2010 had to satisfy two contribution conditions to get any basic state pension at all. They must actually have paid (as opposed to have been credited with) contributions for one qualifying year. Secondly they had to have at least 25% of the number of qualifying years required for a full pension. These rules would be abolished so that any year of contribution or credit will give entitlement to some BSP. The Labour Market Attachment test for the long term sick and disabled to qualify for S2P would also be removed.

These changes were legislated for in the *Pensions Act 2007* (in particular, sections 1 and 3) and apply to people reaching State Pension age from 6 April 2010.

The Labour Government estimated that these reforms taken together would make a considerable difference to the proportion of women qualifying for a full pension in their own right:

[41] DWP, Security in retirement: towards a new pensions system, Cm 6841, May 2006

> 2.3 Currently around 35 per cent of women reaching State Pension age in Great Britain are entitled to a full basic State Pension, compared with around 85 per cent of men. Around 50 per cent of women reaching State Pension age in 2010 would have been entitled to a full basic State Pension without reform.
>
> 2.4 Women's State Pension coverage will improve significantly as a result of reform. Women will increasingly build up individual State Pension entitlement based on their own contributions regardless of their marital or partnership status, with caring contributions valued equally with paid contributions. Under reform an estimated three-quarters of women reaching State Pension age in 2010 will be entitled to a full basic State Pension. By 2025, this will rise to around 90 per cent, the same proportion as men, and as a result of reform half a million extra women pensioners over State Pension age will be entitled to a full Basic State Pension.[42]

In its summary of responses to the White Paper consultation (published before the Bill), the Government said it had found "strong support" among those who responded to the Pensions White Paper consultation for its proposals for 'increased coverage of the basic State Pension and the State Second Pension'. However, concerns were expressed on a number of issues, in particular, the fact that the reforms are due to come into effect on 6 April 2010 with no transition and no retrospective effect.[43] This meant that those who reached State Pension age (SPA) before 6 April 2010 did not benefit from the provisions in the Bill, while those reaching SPA on or after that date benefit in full. (This is sometimes referred to as the "2010 cliff-edge".) There was detailed discussion of the options for mitigating this when the *Pensions Bill 2006-07* was before Parliament (see below).[44]

Replacement of Home Responsibilities Protection with Carers' Credits

As explained above, one of the proposals in the White Paper was to replace Home Responsibilities Protection (HRP) with a new system of weekly carers' credits.

Home Responsibilities Protection (HRP) was introduced 1978 to help protect the pension entitlement of people with little low or no earnings because of caring for a child or someone with a long-term illness or disability. The Pension Service explained how it worked:

> Home Responsibilities Protection has been available for full tax years since 1978. It helps protect your pension by reducing the number of qualifying years needed for a full basic State Pension. For a full basic State Pension, Home Responsibilities Protection cannot reduce the number of qualifying years below 20 for either men or women. Also, it does not guarantee that you will get a basic State Pension.
>
> [...]
>
> You can get Home Responsibilities Protection if you are:
>
> - receiving Child Benefit for a child under 16
> - a registered foster carer (for tax years from April 2003 only)

42 DWP, *Gender Impact Assessment of Pension Reform,* 5 December 2007; See also HC Deb, 26 October 2009, c166W; See also HC Deb, 15 Oct 2009, c1026W

43 DWP, *Security in retirement: towards a new pensions system. Summary of responses to the consultation,* October 2006, CM 6960, page 62, para 9-11

44 See also, DWP, *'Pension Reform Fact Sheet – Making the state pension fairer and more widely available';* DWP, *Security in retirement: towards a new pensions system. Summary of responses to the consultation*, October 2006, CM 6960, Chapter 4, para 17ff

- caring for a sick or disabled person (for at least 35 hours a week), who is getting Attendance Allowance, Disability Living Allowance (middle- or highest-rate care component) or Constant Attendance Allowance;
- getting Income Support and you don't need to register for work because you're caring for someone who is sick or has a disability.[45]

HRP was not payable for any tax year in which a person "would be paying married women's reduced rate National Insurance contributions if they were working." The option for paying reduced rate NICs was removed in April 1978. The option was lost if for two whole consecutive years, a person had no earnings on which class 1 NICs needed to be paid or treated as paid and they had not been self-employed.[46] A claim for HRP had to be made in certain circumstances.[47] However, in other circumstances – for example, if a person has been awarded child benefit for a child under 16 - was awarded automatically.[48]

The May 2006 White Paper explained that although HRP was "clearly working", it was considered to be inflexible and at times unfair:

> B.6 HRP is clearly working. The significant improvement in the number of women aged 45 or below today who are projected to reach State Pension age with a full basic State Pension is, to a large extent, due to the positive effect that HRP has had on pension outcomes.
>
> B.7 However, it is not widely understood and its eventual effect – whether a woman will need HRP years in order to get a full State Pension, for example – is only apparent at the point when the State Pension is calculated. This lack of transparency does not help people to make informed decisions about planning and saving confidently for their retirement. By replacing HRP with credits, we will enable people to better plan their retirement in conjunction with their savings.
>
> B.8 HRP can also be inflexible and, at times, unfair. An individual cannot build up basic State Pension entitlement through HRP alone, for example. This means that those people who spend a substantial proportion of their working life caring may gain nothing unless they have at least five years of (paid or credited) contributions, one of which must be a paid year. There is also an upper limit on the number of years spent caring which can be protected through HRP: an individual can build up only a maximum of 19 years of HRP over their working life.
>
> B.9 We therefore plan to replace the system of HRP with new weekly National Insurance credits. This will remove the inflexibilities in the current scheme, thereby enabling carers to combine paid work. This more transparent, beneficial and understandable arrangement will provide higher pensions, thus making it easier for recipients to make informed choices about working and to take personal responsibility for saving for retirement.
>
> [...].[49]

45 Ibid, p25-26

46 Pension Service, *A detailed guide to State Pensions for advisers and others*, NP46 September 2008, p24; Reduced rate contributions are covered in more detail in Library Standard Note SN/BT 1910, 'Married women and state pensions'.

47 Pension Service, *A detailed guide to State Pensions for advisers and others*, NP46 September 2008, p24

48 Ibid, p24-5

49 DWP, *Security in retirement: towards a new pensions system, Annexes,* May 2006, Cm 6841, Annex B;

It therefore proposed to replace it with a new system of weekly carers' credits. The rules for the basic State Pension and State Second Pension would be aligned:

> 3.82 We therefore plan to replace the system of HRP with new weekly National Insurance credits for care of children (where there will remain a link with Child Benefit) until the youngest child turns age 12. These changes will make it easier for recipients to understand their entitlement and make informed choices about working and saving for retirement.
>
> 3.83 The credits will be aligned to allow those caring for children up to the age of 12 to receive both basic State Pension and State Second Pension. Currently entitlements to State Second Pension are only given to those caring for children up to the age of 6, whereas in basic State Pension they are given to those caring for children up to the age of 16. Moving to age 12 could be perceived as making entitlements for parents less generous from 2010 as we are removing the opportunity to gain credits for four years of a child's upbringing. However, our reduction in the required number of qualifying years to 30 for a full basic State Pension means that we are reducing the number required for women by nine years.
>
> 3.84 Aligning credits for care of children up to the age of 12 should mean around an additional 780,000 women and 30,000 men will be accruing State Second Pension entitlements. Moving to age 12 is also consistent with Working Age initiatives to encourage lone parents to take steps into the labour market as their children reach secondary school age.
>
> 3.85 Foster carers have only been able to protect their basic State Pension entitlement by applying for HRP since 2003. We propose to bring them into State Second Pension, again by application, from 2010 through the new crediting arrangements.
>
> 3.86 We plan to introduce transitional arrangements to ensure that any period of childcare undertaken before the reforms are implemented which would qualify for HRP under the existing rules of the scheme will be preserved, but converted into the new, more generous credits.[50]

It also proposed that carers' credits would be available to those undertaking care for a severely disabled person for 20 hours or more a week (rather than 35).[51]

4.3 Debate in Parliament

The Pensions Act 2007 gave effect to the main proposals to improve state pension coverage contained in the May 2006 White Paper. Sections 1 to 3 relate to contribution conditions.

The principle of improving coverage of the state pension received support from both Conservative and Liberal Democrats.[52] Debates in Parliament on the *Pensions Bill 2006-07* concentrated on two concerns – exploring possible ways of mitigating the 2010 cliff-edge and ensuring that those caring 20 hours or more for those without a qualifying benefit were covered.

The '2010 cliff-edge'

In the Bill's Second Reading debate, the then opposition Work and Pensions spokesperson, Philip Hammond, described the problem regarding the 2010 cliff-edge as follows:

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[50] DWP, Security in retirement: towards a new pensions system, Cm 6841, May 2006

[51] Ibid, para 3.89-95

[52] See, for example, HC Deb, 16 January 2007, c671 and c688

> A woman with 30 years' worth of contributions who reaches the age of 60 on 5 April 2010 will spend the rest of her life on approximately three quarters of a full basic state pension, while her neighbour who reaches the age of 60 a day or two later will enjoy a full basic state pension. The average life expectancy for women at 60 years of age is 24 years, so the difference in terms of current earnings over the remainder of those women's lives would be something in the order of £26,000. That cannot be right and is bound to lead to a real sense of injustice.[53]

The issue was considered by the Joint Committee on Human Rights. Its Second Report of 2006/07 included a memorandum from the Department for Work and Pensions, setting out its view regarding the human rights implications of the Bill. This addressed specifically the question of the introduction of the "Single Contribution Condition" (Clause 1) on one day, without transition:

> the Government is entitled to make "bright line" rules as to who can benefit from certain rules and who may not, provided that decision is rational and justifiable

Furthermore, the Government had considered:

> other options which would have the effect of mitigating the (perceived) harsh effects of implementing the change immediately on 6th April 2010 but they also each add complexity to the system and would seem to have the knock on effect of creating problems for other groups, particularly women.

In its report, the JCHR concluded that the Pensions Bill did not "raise human rights issues of sufficient significance to warrant us undertaking further scrutiny". It welcomed the detailed reasons the Government had given for its conclusions and hoped that "other Departments will in future adopt the same practice of providing us with such a human rights memorandum when a Bill is introduced."[54]

The issue was discussed in some detail when the Bill's Commons Committee Stage and a number of possible ways of mitigating the cliff-edge effect were discussed. The advantages and disadvantages of a number of alternative approaches were discussed, including:

1. Whether the "single contribution condition" (the reduction to 30 in the number of qualifying years needed for a full BSP) could be brought forward to 2008;[55]

2. Whether the single contribution condition could be phased in;[56]

3. Whether the single contribution condition could be introduced retrospectively;[57]

4. Whether there should be an option to continue making NI contributions after State Pension age.[58]

The above options were discussed and rejected. The debates are covered in greater detail in Library Standard Note SN 4295, *Pensions Bill 2006-07 – debates in Parliament.*[59]

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53 HC Deb, 16 January 2007, c678
54 *Joint Committee on Human Rights. Second Report of 2006-07.* HL 34. HC 263
55 PBC Deb, *Pensions Bill 2006-07,* 23 January 2007, c15
56 Ibid, c11
57 Ibid, c36
58 Ibid, c29
59 Link to Parliamentary intranet

At the Bill's Committee Stage in the House of Lords, Labour Peer, Baroness Hollis of Heigham, summarised the issue and the arguments as follows:

> …by reducing to 30 the contributory years for BSP, extending carers' credit and lengthening the working life so that those contributions are more easily acquired for over those 65, the Bill will help to extend the reach and coverage of contributions. I know that everyone in this House is delighted about that.
>
> However, the Bill leaves us with two broad problems, both of which have been touched on. The first is the cliff edge. A woman who retires in February 2010 needs 39 years' contributions. If she retires in May 2010, she needs 30. A month, a week—even a day—will cost the unlucky lady nine/thirty-ninths' worth of her basic state pension for the rest of her life. It is even possible, to use a slightly exaggerated example, to have twins born either side of that hour by 10 minutes; one would get the basic state pension after 30 years, while it would take 39 years for the other to do so.
>
> I accept the arguments my noble friend made earlier about transitional arrangements being awkward and complex. That is a valid administrative point. I also accept the point he made to the noble Lord, Lord Skelmersdale, that phasing in the changes means delay. Therefore, the Government's willingness to go for 30 years at 2010 seems decent and humane. I also understand why the Government felt unable to make such changes retrospective—the complexity of record-keeping is considerable. But such an abrupt cliff edge will none the less be perceived as deeply unfair, even more than the reduced married women's stamp which has for many years been regarded as unfair to women. That problem is there, and the ability to purchase nine years would allow someone, if they chose, to avoid that cliff edge. They could make good the shortfall between 30 and 39 by purchasing another nine years. The amendment would address the cliff-edge problem responsibly, but I accept the Minister's arguments about the more technical difficulties of approaching it in another way.
>
> Admirable though the Bill is in its inclusiveness, excluded groups will remain, even under the more generous provision. As the Government admit on their most optimistic figures, between 5 and 10 per cent of people will be without a full BSP some 10 years down the line. Five to 10 per cent of 11 million people is really quite a lot.[60]

Proposal to allow increased flexibility regarding payment of voluntary NICs

Baroness Hollis' proposed solution to the problem was to allow people greater flexibility about when they can pay voluntary Class 3 NICs to protect their state pension entitlement. They usually had to be paid before the end of the sixth tax year following the one in which they were due. Baroness Hollis proposed that it should be possible to pay them in respect of up to nine years of working life at any time up to SPA:

> The amendment would allow such a woman to buy up to nine added years when she retires and when she knows what she needs. Even if she had to borrow the money to do so, the increase in her pension would more than cover it because, at retirement, she can afford it. The amendment is very simple; the nine missing years can be bought at any time, and not only within the six-year deadline.[61]

The amendment was pushed to a vote and accepted on division by 179 votes to 86.[62]

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60 HL Deb, 4 Jun 2007 , Column 900
61 HL Deb, 4 July 2007, c1029
62 Ibid, c1048

The House of Commons subsequently voted to reject the amendment.[63] However, the then Pensions Reform Minister, Mike O'Brien, explained that the Government was sympathetic to the objectives of the amendment and wished to give the matter further consideration. He undertook to "look at the range of options" and provide an update at the time of the Pre-Budget Report.[64]

In the *2007 Pre-Budget Report*, the Government said it would continue to analyse the options.[65] However, on 17 December 2007, Parliamentary Under-Secretary of State, Lord McKenzie told the House of Lords that the Government had "decided to make no changes to the current rules to allow individuals to by additional national insurance contributions":

> The options were analysed in terms of fairness, affordability and simplicity. The Government have concluded that none of the options considered passes these assessment criteria and none is particularly well targeted, and therefore have decided to make no changes to the current rules to allow individuals to buy additional national insurance contributions. [66]

Baroness Hollis expressed her intention to continue to press the issue.[67]

The issue was raised again at the Second Reading of the *Pensions Bill 2007-08* in the House of Lords. Baroness Hollis expressed her intention to seek the support of the House on the issue a second time, possibly on Report.[68] Lord McKenzie said the Government continued to consider the issue but had not yet found a well-targeted solution.[69] In October 2008, the Pensions Policy Institute published a briefing note *'Extending the right to buy back National Insurance Contributions'* exploring some of the potential advantages, disadvantages and costs of implementing the amendment.

The Government announced on 24 October 2008 that it would amend the *Pensions Bill 2007-08* to allow some people to buy up to an additional six years of Class 3 NICs, over and above those permitted under the current time limits. The rate payable would increase:

> The proposals will apply to those who reach State Pension age between 6 April 2008 and 5 April 2015 and who already have 20 qualifying years on their National Insurance record, taking account of Home Responsibilities Protection.
>
> The value of class 3 National Insurance contributions is increasing significantly because of the Government's pension reforms, in particular the reduction in the number of qualifying years needed for a full state pension from 44 (for a man) and 39 (for a woman) to 30 for both men and women from April 2010. The Government will increase the price of a Class 3 contribution accordingly. This will ensure the package will overall be cost neutral.[70]

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63 HC Deb, 17 July 2007, c223
64 HC Deb, 17 July 2007, c239
65 Cm 7227, para 5.59
66 HL Deb, 17 December 2007, c467
67 Ibid
68 HL Deb, 3 June 2008, c94; See also, HL Deb, 17 June 2008 c995
69 Ibid, c85 and c123
70 DWP Press Release, 'Pensions Boost for women- Purnell', 24 October 2008

An amendment to the *Pensions Bill 2007-08,* in the names of Lord McKenzie and Baroness Hollis, was debated on 29 October.[71]

Lord McKenzie said the evidence showed that "the majority of those women require up to six years beyond those currently available to get a full basic state pension."[72] He went on to explain why the Government had decided to target the measure on a particular group:

> …we propose that the right to buy additional contributions be limited to those reaching state pension age between 6 April 2008 and 5 April 2015. We have chosen April 2015 because by then 90 per cent of women reaching state pension age will be able to qualify for a full basic state pension if they take advantage of today's class 3 rules. By then, far fewer women from these cohorts could benefit from buying the extra years allowed for by this amendment.
>
> Thirdly, we propose that an individual must have 20 qualifying years for state pension purposes on his or her national insurance record, taking into account full years of home responsibilities protection, before he or she can buy the additional contributions. That enables us to target help to those who have already made a significant contribution and are genuinely seeking to plug small gaps in their records.
>
> With these three measures in place, we believe, the 110,000 people whom we estimate will benefit from buying additional contributions will be those whose pension outcomes noble Lords are the most concerned about.[73]

The Government's initial modelling suggested that the increase in the rate of Class 3 NICs would be around half the existing rate. The existing rate was a "substantial reduction on the actuarial value":

> The current cost of a class 3 contribution is £8.10 a week but its current actuarial value is something like £45, so there is still a substantial gap between the two.[74]

Baroness Hollis was glad to support the amendment, although she would have like it to go further, to include "older women who had already reached state pension age".[75] Further details were announced in the Pre-Budget Report on 24 November 2008. The Government would:

> …change the class 3 voluntary national insurance contribution rules to allow those reaching state pension age between April 2008 and April 2015 with 20 qualifying years to purchase up to six additional years from 1975-76. The package is intended to be cost neutral and the class 3 rate will therefore rise accordingly to £12.05 a week in April 2009.[76]

The provisions are covered in more detail in section 3.2 above.

Carers' credits

Section 3 of the *Pensions Act 2007* replaced Home Responsibilities Protection with a new system of carers credits for people reaching SPA on or after 6 April 2010. The new credits are awarded to a person who is:

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71 HL Deb, 29 October 2008, c1597

72 HL Deb, 29 October 2008, c1597

73 Ibid

74 Ibid, c1596

75 Ibid, c1590

76 HM Treasury, '*Pre-Budget Report*', November 2008, Cm 7484; para 5.86

- In receipt of Child Benefit for a child under 12 years;
- An approved foster carer; or
- "Engaged in caring".

The definition of "engaged in caring" was left to regulations. It would include people providing 20 hours a week or more care to a person receiving specified disability benefits.[77] The Explanatory Memorandum to the *Social Security (Contributions Credits for Parents and Carers) Regulations 2010* (SI 2010/19) said:

> [...] there has been extensive consultation with interest groups such as Age Concern/Help the Aged and Carers UK during the development of these credits. The original provisions did not protect the pension entitlement of people who were caring for 20 hours or more a week for someone not receiving one of the qualifying benefits. Concerns were raised by lobby groups that this would exclude many of the carers who we wished to help if disabled persons were reluctant to claim a benefit related to their assistance needs. It was agreed during the passage of the *Pensions Act 2007* to include this group by allowing the need for an appropriate level of care to be certified by a health or social care professional.
>
> 8.2 It has been agreed that this should be done with a 'light touch' to avoid disqualifying someone caring for a person who was not in regular contact with professional health workers in statutory agencies. Lobby groups advised that the range of people who could certify should be as broad as possible whilst maintaining credibility. For this reason, there is no prescribed list of people enabled to certify the need for care and this could, on occasion, be done by a member of a voluntary group who was in regular contact with the person being cared for.[78]

Grandparents providing childcare

In debate in the House of Lords, Labour Peer, Baroness Hollis of Heigham raised the issue of relatives providing childcare, often for their grandchildren.[79] People in this situation would appear not to be covered by the provisions in the Bill. They would not usually be receiving Child Benefit, for example, which is often claimed by the mother. They are not usually providing care for a disabled person and so would not qualify under that route. Yet, they might be providing childcare for more than 20 hours a week and therefore limited in their scope to take paid employment.

In response, Parliamentary Under Secretary of State, Lord McKenzie of Luton argued that the concepts of "looking after" and "caring" were being to a certain extent conflated. He argued that the tried and tested way of identifying those who were looking after children was through the receipt of Child Benefit and that HMRC attempted to ensure that people were aware of their right to relinquish entitlement to it:

> We already have a tried and tested way of identifying those who are looking after children, through the award of child benefit—which also carries with it HRP, as my noble friend said, or, from 2010, the new credit. That credit can be switched to whichever parent needs it, provided that the child benefit is switched as well. The noble Lord, Lord Skelmersdale, will press that point in an amendment to which we will come

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[77] PBC Deb, 23 January 2007, c72; Pensions Bill, Memorandum on Delegated Powers from the Department for Work and Pensions, *House of Commons Library Deposited Papers* 06/2812

[78] Explanatory Memorandum to SI 19/2010; See also, HC Deb, 23 April 2007, c291

[79] HL Deb, 4 June 2007, c916

> shortly. In other words, the credit goes with the child benefit, as it is awarded in recognition that the parent is the primary carer of the child, usually the mother.
>
> However, there is existing provision for parents to relinquish their child benefit award. I assure noble Lords that HMRC, which administers child benefit, takes great care to ensure that parents or other child benefit awardees are aware of their right to relinquish entitlement to it in favour of the person who gives up work to look after the child.[80]

He also explained that a grandparent was looking after a disabled child might be eligible for the new carer's credit, if, for example, they were providing care for a disabled grandchild. [81]

Baroness Hollis of Heigham disagreed that effective coverage was in place for grandparents:

> I disagree with the Minister's suggestion that we might appreciate that we have in place "effective coverage for grandparents". No, we do not. What we have—I welcome my noble friend's remarks on it—is greater protection and support where either the grandchild or their parent is disabled.[82]

Lord McKenzie of Luton said that with the force of argument that had been made, he would "continue to reflect on the matter."[83] With that assurance, Baroness Hollis withdrew the amendment.[84]The issue was also the subject of Early Day Motion 397, Grandparents' National Insurance Credits in the name of Anne Begg.

In Budget 2009, the Labour Government announced that it proposed to allow grandparents (and other family members) caring for grandchildren (or other members of their family) aged 12 or, for at least 20 hours or more a week, to gain National Insurance Credits:

> 5.61 Reforms to make the state pension fairer and more widely available will be implemented in April 2010 including a reduction in the number of qualifying years required for entitlement to the full basic State Pension and reforms to the system for crediting those with caring responsibilities to reflect the different ways in which people contribute to society. As a result of these changes around 70 per cent of women reaching state pension age will be entitled to a full basic State Pension compared to 50 per cent without reform. By 2025 around 90 per cent will be entitled to a full basic State Pension. **Building on these reforms, the Government announces that grandparents and other adult family members who care for their grandchildren or other members of their family aged 12 or younger for 20 hours or more a week will be able to gain National Insurance credits toward the basic State Pension from April 2011**.[85]

The Conservative-Liberal Democrat Coalition Government launched a consultation in October 2010 on "introducing new NI credits for grandparents and certain other adult family members who provide familial childcare for children under the age of 12, from the 2011/12 tax year."[86] The Explanatory Memorandum to the *National Insurance Contributions Credits (Miscellaneous Amendments) Regulations 2011 (*2011 No 709) explained how the new credits would be awarded:

80 Ibid, c920
81 Ibid, c921
82 Ibid, c922
83 Ibid, c925
84 Ibid, c926
85 HM Treasury, Budget 2009, March 2009
86 DWP, National Insurance credit changes – public consultation, October 2010

7.8 Weekly Class 3 National Insurance credits will be made available to help specified adults who provide care for a child under 12, to satisfy the conditions of entitlement to a basic state pension and bereavement benefits. The National Insurance credits cannot be awarded automatically; they must be applied for. National Insurance credits will be transferred from Child Benefit recipients to an eligible applicant.

7.9 Since 2008, it has been possible to transfer Home Responsibilities Protection and now National Insurance credits from Child Benefit recipients (for example from mother to father), as long as the person from whom the National Insurance credits are being transferred has a qualifying year and does not need the protection for their basic state pension (or their State Second Pension). A similar condition will apply in relation to specified adults caring for a child under 12. This avoids any problem that such relatives might be treated more favourably than parents. An application countersigned by the Child Benefit recipient is required, although discretion on countersigning may be applied in certain circumstances.

7.10 Applications will need to be made after the end of the relevant tax year so checks can be made that the Child Benefit recipient has a qualifying year. The need for the Child Benefit recipient to have a qualifying year removes the risk that the person needs the National Insurance credit to satisfy the conditions for entitlement for their own State Pension. There will not be any time limits on applications.

7.11 Unlike transferring National Insurance credits between Child Benefit recipients where there is a need for them to live at the same address, for these National Insurance credits, it is unlikely (although possible) that the applicant will live at the same address as the Child Benefit recipient at the time of the application. Therefore, the same address or surname is not being used as a means of validation.

7.12 Where applications are made by more than one person, the applications will be reviewed before any National Insurance credits are awarded. Awarding National Insurance credits for the relevant weeks rather than complete years will reduce the volume of such "rival" applications. So too, will the need for applications at the end of the relevant tax year; it will only be possible to determine whether National Insurance credits may be transferred some time after the relevant tax year has ended. This results from the condition (as with transfers between parents) for the Child Benefit recipient to have a qualifying year by other means (National Insurance credits or National Insurance contributions). This means that patterns of childcare can be recorded and submitted with the application – for instance, a child may spend alternate weeks with their different grandmothers and at the end of the year, each grandmother can apply for the weeks they provided childcare.