March 2019

**Pension Credit reform: Mixed aged couples**

**Scottish Parliament: Social Security Committee**

**Background**

The law is due to change on 15 May 2019, so that a ‘mixed age couple’ (that is a couple where one partner is a pensioner and the other under pension age) will be considered to be a ‘working age’ couple for the purposes of means-tested benefits.

Up to now, mixed age couples have been able to choose to claim either Pension Credit or working age benefits. However, on 14 January 2019 the UK Government announced that from 15th May 2019, **both partners in a couple will need to have reached State Pension age in order to claim Pension Credit or pension age Housing Benefit**.

While this change has been on the statute books since 2012, the announcement was made quietly through a Written Ministerial statement on a busy day in UK Parliament just four months before it was due to come into effect. Full details of the impact have not been published, nor do we yet have detailed information about how it will operate in the wide range of circumstances that people may be in.

The UK Government has said that currently **115,000 mixed age couples** across the United Kingdom are receiving Pension Credit and or Housing Benefit. **Couples that claim after 15 May could be as much as £140 a week, or £7000 a year, worse off** compared to a couple claiming now - this represents the difference between the standard Universal Credit and Pension Credit rates for couples. In practice the ‘loss’ will depend on the circumstances of the couple.

Under Universal Credit the older partner in a mixed age couple will not be subject to work requirements, but as a couple, they could face a much lower income than under the current system.

**Age Scotland’s Position**

Age Scotland strongly opposes the changes to Pension Credit which introduces new rules about mixed age couples. Until now, mixed age couples have been able to choose whether they claim Pension Credit or working age benefits. However, after May 15th 2019, a couple will have to wait until they have both reached their State Pension Age in order to claim Pension Credit.

Any situation where an older person would be better off living alone claiming Pension Credit, than living as a couple claiming Universal Credit is unacceptable. This financial penalty for having a younger partner is likely to increase the numbers of older people living in poverty, having a negative impact on their wellbeing, not to mention potentially straining a couple’s relationship and decision to live together.

To make matters worse, Pension Credit is a passporting benefit, meaning couples will not be able to claim other forms of assistance. This includes cold weather payments, housing benefit, Council Tax Reduction, and they’ll also be affected by the ‘bedroom tax’, will not have access to claim social fund funeral payments, and may not be entitled to the warm home discount. This will have a major impact on those affected, and can be a particularly stressful set of circumstances for older people, who under the current eligibility measures would have been assessed as on a low income and in need of extra financial support.

These new rules will see the younger partner potentially forced to claim working age benefits, such as Universal Credit which has strict conditionality requirements around seeking work, such as signing on at the jobcentre, qualifying as an unpaid carer, or proving they are not well enough to work. It may also subject the younger partner to age discrimination, making it difficult for them to find a job especially if they are returning to work after a long career gap.

These changes are only supposed to affect new claimants from 15th May 2019. Age Scotland is encouraging anyone who thinks they may be affected by the changes to call our Freephone helpline on 0800 12 44 222 for a free benefit and entitlements check before the changes comes into effect.

**How many people will be affected?**

When the UK Government made this announcement in January no public information was available as to the number of people it would affect.

Since then, basic headline figures have been made available by the Department for Work and Pensions (DWP) who have estimated that across the UK 15,000 couples will be affected in 2019/20, rising to 30,000 in 2020/21 and further to 40,000 in 2021/2020.[[1]](#footnote-1)

The impact on people in receipt of State Pension living in Scotland is unclear. Despite a number of requests and approaches to the UK Government, formally and informally, there has been no analysis of the number of people this will impact in the devolved nations or regions of England.[[2]](#footnote-2)

**The Impact of Scotland: Unclear**

The following question to the Department for Work and Pensions was answered on 21 February 2019

**Margaret Greenwood** (Wirral West): To ask the Secretary of State for Work and Pensions, pursuant to the Answer of 12 February 2019 to Question 217093 on Pension Credit, what estimate she has made of the number of couples affected in each region of the UK in (a) 2019-20, (b) 2020-21 and (c) 2021-22 by the changes to be introduced in May 2019 to the eligibility for Pension Credit of couples where one partner has reached state pension age and the other has not.

**Answered on 21 February 2019**

**Guy Opperman:** The Welfare Reform Act 2012 amended entitlement conditions for Pension Credit so as to require both members of a couple to have reached the qualifying age for Pension Credit before the couple can be entitled to it.

The change will not affect mixed age couples who are entitled to Pension Credit and/or pension age Housing Benefit immediately before the implementation date unless their entitlement to both those benefits subsequently ends.

**The number of mixed age couples that are estimated to be affected by forthcoming changes in each region of the UK in (a) 2019-20, (b) 2020-21 and (c) 2021-22 is not available.**

Pension Credit is already an under claimed benefit. The Department for Work and Pensions (DWP) estimates that 40% of those eligible to claim Pension Credit do not do so, in fact, claimant rates have actually fallen among those aged 75 and over.[[3]](#footnote-3) There are a variety of reasons why people do not claim benefits they are entitled to, such as lack of knowledge, stigma, incorrect assumptions about eligibility, the potential stress of making a claim, and not knowing where to find advice and support.

Age Scotland research as part of the *Money Matters Project* in 2017/18 found that many older people struggle financially, with four in ten people over the age of fifty reporting that they feel financially squeezed (38.42%) or are struggling (3.14%).

We believe this move will push more older people under the poverty line in Scotland and further exacerbate pensioner poverty. The Scottish Government estimate relative pensioner poverty before housing cost was 17% (170,000 pensioners each year) in the three-year period 2014-17.[[4]](#footnote-4)

**Mistakes by the Department for Work and Pensions**

Age Scotland’s helpline encountered a scenario where a couple who were on Universal Credit and were told (inaccurately) by the DWP that they could not claim Pension Credit when the eldest partner reached their State Pension age, and instead were told that they would have remain on Universal Credit. This was in excess of £500 per calendar month less than what they would have received under Pension Credit. Fortunately, this couple were able to claim Pension Credit as the DWP rectified their mistake, but this case highlights the difference in income that couples will face when they are unable to claim Pension Credit under the new rules.

**Consequences of this decision**

While the UK Government says that Pension Credit was not designed for working age claimants, Universal Credit was certainly not designed for pensioners - for example, it includes no additional support for a couple where one member is not expected to work because they are over State Pension age.

The changes to Pension Credit are also likely to have a greater impact on women, whose State Pension ages have already risen, and are likely to be the younger partner who has to either continue working or claim working age benefits, despite the likelihood they will already have unpaid caring duties.

We are also concerned that new mixed age couple rules can have the unintended consequence of discouraging some people to seek work. This is particularly relevant to couples who receive Pension Credit under the current rules, who may rightly fear that if the younger partner took temporary work they would lose entitlement to Pension Credit when that work ended.

In our submission to the Social Security Committee on the impact of Universal Credit on In-work poverty, we provided the following example:

**Hypothetical Example**

Cathy is 56 and her husband Richard is 66. Richard receives the new State Pension of £164.35 a week. Two months ago Cathy was made redundant from her full-time job, so they now receive Pension Credit top up, making their income £248.80 a week. They also receive Housing Benefit and Council Tax Reduction and are passported to cold weather payments, help with health costs and eligibility to apply to the Scottish Welfare Fund.

Cathy would like to go back to work again, however, the only jobs she can find are short-term contracts. She is also concerned that she may need to spend more time at home to support Richard if his health deteriorates.

The couple must seriously consider whether Cathy should look for work as if she takes up a new job and has to later leave, they will not be able to reclaim Pension Credit. Richard’s pension income is above the Universal Credit criteria threshold meaning they cannot claim it, and are likely to have to contribute towards their rent and council tax as they will be classed as a working age couple despite Richard being 66.

They will not be able to claim the higher level of support through Pension Credit for another 11 years when Cathy reaches her State Pension age of 67.

So they would lose around £340 a month for 11 years – approximately £44,590

As the State Pension Age increases there will be a greater number of older people surviving on working age benefits for longer, instead of benefits such as Pension Credit that they would otherwise have been entitled to.

We urge the Committee to seriously consider the impact the changes to Pension Credit eligibility will on pensioner poverty, and encourage the Scottish Government to make every effort to mitigate these.

**Could or should the Scottish Government consider any mitigation measures**

The Scottish Government have already used their powers to mitigate against UK Government welfare reforms.

The Discretionary Housing Payment is used to assist those people living in Scotland affected by the *Under Occupancy Penalty* (Bedroom Tax), where the amount of rent tenants can claim Housing Benefit for is reduced by 14% for one additional bedroom and 25% for two or more additional bedrooms.

The cost of the Scottish Government mitigating this in 2018/19 stands at nearly £50million.

As the UK Government have been unable to release the numbers of people they estimate this policy will affect in Scotland, it is hard to predict an accurate cost in mitigation. But if you take a rudimentary 10% population share for each year at the maximum anticipated shortfall it could cost the Scottish Government in the region of £11million in 2019/20, £22million in 2020/21 and £29million in 2021/22.

It would be preferable for the UK Government to reverse this decision as there are considerable knock-on effects with regard to the passported entitlements. However, for the UK Government to reverse this policy it is likely to require primary legislation in the House of Commons. With the UK Parliament currently dominated by Brexit, it is hard to determine the likelihood of this happening, especially before the changes are implemented in May 2019. We would encourage the Scottish Government to explore how they could support older people who are affected by these changes, and for the UK Government to reverse this measure.

**Want to find out more?**

As Scotland’s national charity supporting people over the age of 50, Age Scotland works to improve older people’s lives and promote their rights and interests. We aim to help people love later life, whatever their circumstances. We want Scotland to be the best place in the world to grow older.

Our Policy, Communications and Campaigns team research, analyse and comment on a wide range of public policy issues affecting older people in Scotland.

Our work is guided by the views and needs of older people themselves.

**Further information**

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1. https://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2019-02-06/217672/ [↑](#footnote-ref-1)
2. https://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2019-02-18/222730/ [↑](#footnote-ref-2)
3. 3https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\_data/file/757268/inc ome-related-benefits-estimates-of-take-up-2016-17.pdf [↑](#footnote-ref-3)
4. https://news.gov.scot/news/poverty-in-scotland-2 [↑](#footnote-ref-4)