

Changes to Pension Credit

Scottish Parliament Members' Debate: S5M-15570

May 2019

Introduction

Pension Credit is an important top up benefit for older people who are on a low pension income.

For those on a State Pension lower than the basic level, Pension Credit tops up their income to £167.25 per week if they are single, or £255.25 a week for a couple.

If you're what is called a 'mixed aged couple', in other words one of you is of pensionable age and the other is younger than their state pension age, you will no longer be able to claim pension credit.

The UK Government is due to change the rules for these people on 15 May 2019, so that a 'mixed age couple' will instead be considered a 'working age couple' for the purpose of means-tested benefits.

This will have a devastating impact on the poorest pensioners, with couples as much as £7,000 a year worse off – providing they are able to claim Universal Credit. If not, this figure is considerably higher.

Any situation which leaves an older person 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, and potentially straining a couple's relationship and indeed decision to live together.

Key Points

Couples will be £7,000 a year worse off

Couples that claim after 15 May could be as much as £140 a week, or £7,000 a year, worse off. This is of course if the couple can claim Universal Credit, if not they will be considerably worse off.

3,800 households will be affected

The Scottish Government estimates that 3,800 households will be affected by 2021/22.

Pension Credit is already underclaimed

Approximately 40% of older people entitled to claim Pension Credit do not do so. These changes will further exasperate this.

Pensioner poverty

Research from Age Scotland found that four in ten people over 50 feel financially squeezed and 40% of pensioner couples find it hard to afford to pay their energy bills.

Scottish Government figures for 2015-18 show that 180,000 pensioners (18%) in Scotland were living in relative poverty.

Age Scotland is encouraging everyone who would be eligible for pension credit to claim it before the 15 May. We offer free benefit checks for older people seeking to find out more about their entitlements. Our free helpline is available Monday to Friday 9am – 5pm on 0800 12 44 222.

Pension Credit as a ‘passporting’ Benefit

As Pension Credit is a ‘passporting benefit’ this means that mixed aged couples will no longer be automatically entitled to other forms of financial assistance. This includes cold weather payments, maximum 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.

According to our calculations (based on a variety of simple assumptions), a mixed aged couple in Glasgow whose only source of income is a £160 per week State Pension (and would otherwise be entitled to Pension Credit) would be **£10,777 a year worse off if they relied only on their state pension and received no other income support.**

Scenario 1, based on mixed age couple renting a one bed council tax band C property, paying rent of £510 a month, receiving a state pension of £160 per week ¹ - Pension Credit	
Glasgow	
State Pension (weekly)	160
Pension Credit (weekly)	95.25
Housing Benefit (weekly)	117.69
Council Tax Reductions (weekly)	22.52
Health Vouchers	90
Cold Weather Payment	25
Total benefits received per week	395.46
Total benefits received per month	1581.84
Total benefits received per year	19097.08
Total annual state pension income	8320
Income lost if no benefits received and only receive state pension	10777.08

¹ Calculated using Age UK’s benefit calculator <https://benefitcheck.ageuk.org.uk/Home/Start/>

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.

We have also investigated how the same mixed age couple fare if they were to claim Universal Credit – a decisively less generous benefit and well documented in its difficulty to claim and sustain payments.

Scenario 2, based on mixed age couple renting a one bed council tax band C property, paying rent of £510 a month, receiving a state pension of £160 per week ² - Universal Credit	
Glasgow	
State Pension (weekly)	160
Universal Credit (weekly)	72.81
Housing Benefit (weekly)	0
Council Tax Reductions (weekly)	22.52
Health Vouchers	90
Cold Weather Payment	0
Total benefits received per week	255.33
Total benefits received per month	1021.32
Total benefits received per year	12345.84
Total annual state pension income	8320
Annual mixed age couple total loss	6751.24

² Calculated using Age UK's benefit calculator <https://benefitscheck.ageuk.org.uk/Home/Start/>

As you can see, this couple would be **£6,751.24 worse off under the Universal Credit rules** than the current Pension Credit situation. For those older people on the lowest of incomes, this is devastating.

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. 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.

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 know that almost two-fifths of older people who are entitled to Pension Credit do not claim their due. In fact, claimant rates have actually fallen among those aged 75 and over. 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's Money Matters Project found that many older people struggle financially, with four in ten people over the age of fifty reporting that they feel financially squeezed or struggling.

According to Scottish Government figures in 2015-18 there were 180,000 pensioners³ (18%) living in Scotland who were in relative poverty, before housing costs.

We urge the Scottish Government and UK Government to address these issues in order to fight poverty among older people.

³ <https://www.gov.scot/publications/poverty-income-inequality-scotland-2015-18/pages/6/>

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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