

## Benefit changes for mixed age couples

### February 2019

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. Age UK believes this is unfair and the change should not go ahead because:

- Pensioners could face a heavy financial penalty for having a younger partner. This could affect the health and wellbeing of those affected and is likely to increase the numbers of older people living in poverty.
- Pensioners should not be put in a situation where they would be better off living alone and claiming Pension Credit than living as a couple receiving Universal Credit. The change could put pressure on existing relationships and may affect the decisions of couples wanting to live together.
- Although the intention is to protect those who are receiving pensioner benefits before 15 May, they could lose entitlement if their circumstances change – even if this is only for one day.
- The Universal Credit system was designed for people of working age, not 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.
- If the change does go ahead, it is essential that benefit take up is maximised in advance of 15 May, and that those receiving benefits at the time are aware of the implications of a change in circumstances.

This paper provides information about the change, and the impact it is likely to have based on our understanding of the position and will be updated when we have more information. Please note, this paper is not intended to be used by people making decisions about their own position who should seek information and advice based on their individual circumstances.

## Background

Pensioners who need to claim means-tested support may be entitled to Pension Credit and/or help with housing costs through Housing Benefit and Council Tax Reduction.<sup>1</sup> There is a different system of means-tested support for younger people which is in the process of major reform. For people under State Pension age, new benefit claims are now for Universal Credit, which is replacing two tax credits and four different means-tested benefits. The means-tested benefit systems for older and younger people have been growing further apart. Some of the main differences are:

- **Levels of payment:** The standard rate of Pension Credit guarantee is paid at a higher level than the standard rate of Universal Credit and this gap has widened. Over recent years Pension Credit guarantee has been uprated, at least in line with earnings, while working age benefit levels have been frozen or increases restricted.
- **Work-related requirements:** Universal Credit has strict requirements around seeking work or needing to be assessed as unable to work or look for work, whereas there are no work-related conditions for Pension Credit. Failing to meet requirements can see Universal Credit payments subject to sanctions i.e. reductions in amounts.
- **Treatment of earnings:** For Pension Credit, usually just £5 a week (£10 for a couple) of earnings from work are ignored after which earnings reduce payments £1 for £1. Under Universal Credit, earnings reduce benefit by a 63% taper. So, for example, if earnings rise by £100 a month, benefit reduces by £63.

Up to now, mixed age couples (couples where one partner is a pensioner and the other under pension age) have been able to choose to claim either Pension Credit or working age benefits. However, under legislation agreed by Parliament back in 2012, but not yet introduced, both partners in a couple will need to have reached State Pension age in order to claim Pension Credit or pension-age Housing Benefit. On 14 January the Government announced that this change will be introduced on 15<sup>th</sup> May 2019.

The change only applies to new claims so mixed age couples receiving Pension Credit and/or pension-age Housing Benefit on 14 May 2019 can continue to do so as long as they remain entitled to one of these benefits. (Claims can be backdated for up to three months so people can start to receive these benefits if they meet the entitlement conditions on 14 May 2019 and make a claim by 13 August 2019.)

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

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<sup>1</sup> 'Pensioners' are defined as those who have reached State Pension age which is gradually rising from 65 in November 2018 to 66 by April 2020.

## The reason for the change and Age UK's view

In announcing the starting date for the new rules, the Minister stated that Pension Credit was 'not designed to support working age claimants' saying the change 'will ensure that the same work incentives apply to the younger partner as apply to other people of the same age, and taxpayer support is directed where it is needed most'.<sup>2</sup>

The change is likely to have a major impact on many of those affected. The timing is particularly unfortunate as many of the younger partners will also have been affected by rises in State Pension age (for women) and the linked rise in Pension Credit age (affecting both men and women). Whereas in 2010 a woman aged 60 with a partner aged 65 would both be entitled to their State Pension and both be considered pensioners for Pension Credit, after 15 May 2019 they will have to wait an extra 6 years to be in this position.

We understand the importance of paid work and of course many younger partners in mixed age couples are in employment. However, for others this is simply not an option due to ill health, disability, or caring responsibilities. There are also those who wish to work but have great difficulties finding a job in later life – we know that ageism remains rife in the labour market. It can be especially hard for those trying to return to work after a period out of the labour market, perhaps because they were caring for a parent until the time of their death.

While the 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. Indeed, even for those for whom it was intended, there have been well publicised problems. We believe it is not appropriate to extend the system to include older people with younger partners at this stage.

## The financial impact of mixed age couples losing Pension Credit and other support

The Government has said that currently 115,000 mixed age couples are receiving Pension Credit and or pension-age Housing Benefit.<sup>3</sup> The figures are broken down in this way:

- Pension Credit only 34,000
- Housing Benefit only 25,000
- Pension Credit and Housing Benefit 55,000

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<sup>2</sup> House of Commons written statement (HCWS1249), 14 Jan 2019.

<sup>3</sup> <https://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2019-01-24/212389>

These couples will continue to receive benefit, unless their circumstances change, but this gives an indication of the numbers who will be affected going forward.

At the time of writing we do not have any more information about the circumstances of these couples, or about the average benefit payments they receive now compared to the new system. However, couples could be up to £7000 worse off if they claim after 14 May, as compared to a couple claiming now - this represents the difference between the standard Universal Credit and Pension Credit rates for couples. In practice, the impact will be different for different couples. The amount of benefit received depends on a range of factors including: a couple's financial resources, whether they have extra needs due to disability or caring responsibilities, and their housing costs. The box below gives an example of the impact for a hypothetical couple.

### **Mixed age couples – the impact of changes for a hypothetical couple**

Peter, aged 70, draws a State Pension of £140 a week. His wife Jean, aged 62 gave up work five years ago to care for her father who has recently died. They own their home and have a few hundred pounds savings.

They receive Pension Credit to top up their joint income to **£248.80** a week (the standard rate of Pension Credit for a couple rising to **£255.25** from April 2019).

#### **After the rules change....**

Peter and Jean's position will be protected if they are still receiving Pension Credit when any changes come in - as long as their circumstances stay the same.

However, a couple in this situation who need to claim benefits for the first time after 15 May 2019 would not be entitled to Pension Credit due to Jean's age. Peter's State Pension is too high for them to receive Universal Credit (currently £498.89 a month, around £114.80 a week, and not due to change in April 2019.)

So, their total joint income will just be Peter's State Pension (around £143.50 a week from April 2019). If Jean cannot find a job, which may be difficult given her age and time out of the labour market for caring, this will be their income for another 4 years until Jean reaches SPA at age 66. By this time Peter will be 74.

#### **If Peter was single.....**

However, if Peter was living on his own, because they separate, or Jean dies, he would be able to claim Pension Credit in which case his State Pension will be topped up to £163.00 a week (£167.25 from May 2019) – considerably more than the Universal Credit standard rate for a couple.

While we do not have estimates of numbers likely to be affected going forward, the Government expects to save £45 million in 2019/20 rising to £220 million in 2021/22.<sup>4</sup> This represents limited savings in terms of the overall social security budget but will have a big impact on household income for couples affected.

## **Housing Benefit and other benefits**

### **Housing Benefit**

The change will also affect mixed age couples who need help to pay their rent. If they are not already entitled to benefit<sup>5</sup> on 14 May 2019, they will have to claim Universal Credit (which can include a housing element) rather than Housing Benefit. This could result in a much lower level of support:

- In general, allowances under Universal Credit are less generous.
- Mixed age couples living in social housing with spare bedrooms could have their benefit restricted (due to what is commonly called 'the bedroom tax'). Currently, this restriction does not apply to pensioners but, in the future it will apply to a pensioner who has a partner of working age.

### **Council Tax Reduction**

This means-tested support towards council tax is run by local authorities. Currently, in England, the benefit for pensioners (including mixed age couples) is based on national rules (known as the default system) whereas local authorities are able to design their own, often less generous, schemes for people under pension age.<sup>6</sup> At the time of writing (early February 2019) we do not know if there are plans to change the position for mixed age couples.

### **'Passported' benefits**

If mixed age couples cannot claim Pension Credit they could also lose linked (passported) support such as cold weather payments and, in some situations, help with certain health costs.

### **Overall financial impact**

Overall, Age UK is concerned that the changes could have a major impact on the income of some pensioners with a younger partner affecting their health and wellbeing. It is also likely to increase the numbers of pensioners living in poverty at a time when the overall level of pensioner poverty, has started to rise.

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<sup>4</sup> <https://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2019-01-24/212389>

<sup>5</sup> Pension-age Housing Benefit or Pension Credit.

<sup>6</sup> In Scotland and Wales the schemes continue to be based on national rules.

## Protection for those already receiving Pension Credit and/or pension-age Housing Benefit and when this can be lost

Mixed age couples receiving Pension Credit or pension-age Housing Benefit<sup>7</sup> on the 14 May 2019 will continue to be able to receive benefits as long as they remain entitled to one or both.<sup>8</sup> Furthermore, if they are receiving either Pension Credit or pension-age Housing Benefit, they will be able to apply for the other one in the future.

However, if they are only receiving one of these benefits and lose that entitlement, or lose entitlement to both Pension Credit and pension-age Housing Benefit, they will not be able to reapply in the future. Instead they will only have access to Universal Credit.

There are no 'linking rules' so even a break in entitlement of one day prevents a couple receiving pensioner benefits again until the youngest reaches State Pension age – which could be several years.

Mixed age couples could lose their entitlement to Pension Credit and/or Housing Benefit if, for example:

- Their income increases – for example because one of them takes on a temporary job.
- They are receiving only Housing Benefit and inherit a modest sum which takes their savings to just above £16,000. After drawing on their savings for a few months to pay the rent, their savings fall to below £16,000. However, as it will be a new claim any application will have to be for Universal Credit.
- They are temporarily abroad for a period of more than 28 days – for example to spend time with a relative who is seriously ill.
- They no longer qualify for benefit because they lose an additional amount - for example if the carer addition stops because they, or the person they care for, has been in hospital for a number of weeks or the cared for person dies.

The impact of receiving earnings could produce a strong disincentive to work among mixed age couples already in receipt of Pension Credit and/or Housing Benefit, contrary to the Government's aims. Many jobs are insecure and do not provide a guaranteed level of earnings. Someone in a mixed age couple, aged say 60, will need to think very carefully about taking on a job and losing Pension Credit, especially if it is not a permanent well paid job and/or they have health problems so are uncertain if they will be able to work until they reach State Pension age at 66. And in the run up to 15 May

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<sup>7</sup> If couples are receiving Housing Benefit on 14 May alongside a means-tested working age benefit (Universal Credit, Income Support, income-based Jobseeker's Allowance, income-related Employment and Support Allowance) then the position is different. The ability for protection for couples receiving Housing Benefit to claim Pension Credit at a later date applies to the type of Housing Benefit for people who have reached State Pension age – described here as 'pension-age Housing Benefit'.

<sup>8</sup> As stated above those who are entitled on 14 May can make a backdated claim up to 13 August.

there will be people who may be better off stopping work prior to the changes, in order to establish Pension Credit entitlement.

## **The timing of the announcement**

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 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.

Organisations who provide information and advice (and we suspect those administering the scheme) have had little time to fully understand and prepare for the changes, or to ensure that those who could be affected are fully aware of the implications.

We know that currently, many older people are not claiming the benefits they are entitled to, particularly with Pension Credit. It is very important that all those who should be claiming Pension Credit and/or Housing Benefit do so, but particularly mixed age couples who might lose out on the opportunity to receive pensioner benefits for some years if they do not claim before May 15. It is also essential that mixed age couples in receipt of benefit are fully aware of the potential impact of losing entitlement due to a change in circumstances.

## **Conclusion**

As set out in this paper, the benefit changes for mixed age couples could have major implications for those affected. Pensioners should not be penalised financially because they have a younger partner and the Government should reconsider this change.

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