

Chapter E5: Benefit cap

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Legislation Used in Chapter E5

Abbreviation	Full Title
UC Regs (NI) 16	The Universal Credit Regulations (Northern Ireland) 2016 No. 216
SS (OB) Regs (NI)	Social Security (Overlapping Benefits) Regulations (Northern Ireland) 1979 No. 242
WR (NI) Order 15	The Welfare Reform (Northern Ireland) Order 2015 No. 2006
WR Act (NI) 07	Welfare Reform Act (Northern Ireland) 2007
UC (TP) Regs (NI) 16	The Universal Credit (Transitional Provisions) Regulations (Northern Ireland) 2016 No. 226
Armed Forces and Reserve Forces (Compensation Scheme) Order 2011	The Armed Forces and Reserve Forces (Compensation Scheme) Order 2011 No. 517
SS C&B (NI) Act 92	Social Security Contributions and Benefits (Northern Ireland) Act 1992
Personal Injuries (Civilians) Scheme 83	The Personal Injuries (Civilians) Scheme 1983 No. 686
Income Tax (E&P) Act 2003	Income Tax (Earnings and Pensions) Act 2003
NMW Regs	The National Minimum Wage Regulations 1999
TC Act 02	Tax Credits Act 2002
JS (NI) Order 95	The Jobseekers (Northern Ireland) Order 1995 No. 2705

Chapter E5: Benefit cap

What is the benefit cap

Introduction

E5001 This chapter gives guidance on the benefit cap. The benefit cap is applied to welfare benefits to which a

1. single person **or**

2. couple

is entitled¹.

1 WR (NI) Order 15, art 101(1)

E5002 The benefit cap applies

1. where a

1.1 single person has **or**

1.2 couple have

total entitlement to welfare benefits which exceeds the relevant amount during the reference period **and**

2. to reduce the entitlement to welfare benefits where 1. applies by an amount

2.1 up to **or**

2.2 equalling

the excess during any period which is of the same length as the reference period¹.

Note: See E5031 for guidance on reducing total entitlement where the Universal Credit award includes a childcare costs element².

1 WR (NI) Order 15, art 101(2); 2 UC Regs (NI) 16, reg 81(1)(b)

Definitions

E5003 E5004 - E5013 give guidance on terms used for benefit cap purposes.

Couple

E5004 Couple means

1. joint claimants¹ **or**
2. a single claimant who is a member of a couple² and also the other member of that couple³.

References to a couple includes each member of that couple individually⁴.

Note: See Chapter E2 for guidance on when a single claimant is a member of a couple.

1 UC Regs (NI) 16, reg 78(a); 2 WR (NI) Order 15, art 45; 3 UC Regs (NI) 16, reg 78(b); 4 reg 78

Reference period

E5005 The reference period is the assessment period for an award of Universal Credit¹.

Note: See Chapter E2 for guidance on the meaning of assessment period.

1 UC Regs (NI) 16, reg 79(2)

Relevant amount

E5006 The relevant amount is determined by dividing the applicable annual limit by 12¹.

Note: Where the calculation results in a fraction of a penny, it is disregarded if it is less than half a penny and otherwise is treated as a penny².

1 UC Regs (NI) 16, reg 80A(1); 2 reg 7(1)

Applicable annual limit

E5007 The applicable annual limit is

1. £14,753 for a single claimant who is not responsible for a child or qualifying young person¹ **or**
2. £22,020 for
 - 2.1 joint claimants² **or**
 - 2.2 a single claimant who is responsible for a child or qualifying young person³.

Note 1: The monthly equivalents are £1,229.42 and £1,835.00.

Note 2: See Chapter F1 for the meaning of child and qualifying young person.

Note 3: Where a member of a couple makes a claim for Universal Credit as a single person⁴ who is not responsible for a child or qualifying young person, the relevant amount is that at 1..

1 WR (NI) Order 15, art 101(5A); UC Regs (NI) 16, reg 80A(2)(a); 2 WR (NI) Order 15, art 101(5A); UC Regs (NI) 16, reg 80A(2)(b)(i) 3 WR (NI) Order 15, art 101(5A); UC Regs (NI) 16, reg 80A(2)(b)(ii); 4 reg 3(2)

E5008 – E5011

Single person

E5012 A single person is a person who is not a member of a couple¹.

Note: See E5007 for guidance on the relevant amount where a member of a couple makes a claim for Universal Credit as a single person².

1 WR (NI) Order 15, art 101(7); 2 UC Regs (NI) 16, reg 3(2)

Welfare benefits

E5013 [See ADM Memo 17/20] Welfare benefits¹ are

1. Bereavement Allowance²
2. Child Benefit³
3. Child Tax Credit⁴
4. Employment and Support Allowance⁵ (including income-related)⁶
5. Housing Benefit⁷
6. Incapacity Benefit⁸
7. Income Support⁹
8. Jobseeker's Allowance¹⁰ (including income-based)¹¹
9. Maternity Allowance¹²
10. Severe Disablement Allowance¹³
11. Universal Credit
12. Widow's Pension¹⁴

13. Widowed Mother's Allowance¹⁵**14. Widowed Parent's Allowance¹⁶.**

1 *WR (NI) Order 15, art 101(7)*; 2 *SS C&B (NI) Act 92, sec 39B*; 3 *sec 137*; 4 *TC Act 02, s 1(1)(a)*;
5 *WR Act (NI) 07, sec 1*; 6 *sec 1(7)*; 7 *SS C&B (NI) Act 92, sec 129*; 8 *sec 30A*; 9 *sec 123*;
10 *JS (NI) Order 95, art 3*; 11 *art 3(4)*; 12 *SS C&B (NI) Act 92, sec 35 & sec 35B*; 13 *sec 68*;
14 *sec 38*; 15 *sec 37*; 16 *sec 39A*

E5014 – E5015

When the benefit cap applies

General

E5016 Unless E5042 et seq applies, the decision maker should apply the benefit cap where the welfare benefits to which a

1. single person **or**
2. couple

is entitled during the reference period exceed the relevant amount¹.

1 UC Regs (NI) 16, reg 79(1)

How to determine total entitlement to welfare benefits

Welfare benefit not awarded for a month

E5017 Where a welfare benefit is awarded in respect of a period that is not a month, the monthly amount is calculated in the same way as for unearned income¹. Where this calculation results in a fraction of a penny that fraction is

1. disregarded if it is less than half a penny **or**
2. treated as a penny if it is half a penny or more².

Note: See Chapter H5 for guidance on the calculation of the monthly amount of unearned income.

1 UC Regs (NI) 16, reg 80(5); reg 73; 2 reg 7(1)

Example 1

Alison is entitled to Widowed Parent's Allowance of £156.65 a week. The monthly amount is £678.82 (i.e. £156.65 x 52/12).

Example 2

Howard and Bernadette have 10 children. Bernadette receives Child Benefit of £752.60 every four weeks, her entitlement being £188.15 a week. Their eldest child Chloe leaves school in June 2026. However, Child Benefit for Chloe remains in payment until the terminal date. For the period spanning the terminal date, Bernadette receives Child Benefit of £716.80, her entitlement being two weeks of £188.15 and two weeks of £170.25. Thereafter, Bernadette receives Child Benefit

of £681.00 every four weeks, her entitlement being £170.25 a week. Howard and Bernadette's assessment period ends on the 15th of every month. For the assessment period ending 15.8.26, the monthly amount is £815.32 (i.e. £188.15 x 52/12) and for the assessment period ending 15.9.26 and subsequent periods until any further change it is £737.75 (i.e. £170.25 x 52/12) (see Chapter A4 for guidance on supersession where a relevant benefit, including Child Benefit, ceases or is reduced mid-assessment period).

Amount of welfare benefits

E5018 Unless E5019 - E5022 apply, the amount of a welfare benefit used to determine total entitlement to welfare benefits is the amount to which a

1. single person **or**
2. couple

is entitled during the reference period¹. Where the welfare benefit is taken into account as unearned income for the purposes of an award of Universal Credit, the amount used is the amount taken into account².

1 UC Regs (NI) 16, reg 80(1); 2 reg 80(4) & reg 66

E5019 Where

1. there is entitlement to a welfare benefit **but**
2. that welfare benefit is

2.1 not paid **or**

2.2 reduced

because of receipt of an overlapping benefit¹

the amount of that welfare benefit used to determine total entitlement is the amount in payment².

1 SS (OB) Regs (NI); 2 UC Regs (NI) 16, reg 80(1)

Example

Cecilia is entitled to Severe Disablement Allowance of £103.85 a week and Widow's Pension of £47.00 a week. As Severe Disablement Allowance and Widow's Pension are overlapping benefits, Cecilia receives Widow's Pension in full (£47.00 a week) and Severe Disablement Allowance of £56.85 a week (i.e. £103.85 - £47.00). The decision maker decides that the monthly amount of Severe Disablement Allowance used to determine Cecilia's total entitlement to Severe Disablement

Allowance as a welfare benefit is £246.35 (i.e. £56.85 x 52/12). The monthly amount of Widow's Pension is £203.67 (i.e. £47.00 x 52/12).

E5020 Application of the benefit cap will reduce the level of entitlement to Universal Credit. Therefore, when calculating total entitlement to all prescribed welfare benefits for the purposes of the benefit cap, decision makers should use the level of entitlement before application of the benefit cap. Where the welfare benefit is Universal Credit, the amount¹ used is that before any reduction²

1. in accordance with E5031 et seq **or**
2. for a sanction³.

Note: See E5013 for guidance on welfare benefits and Chapters K1 - K9 for guidance on sanctions.

1 UC Regs (NI) 16, reg 80(2); 2 reg 81; 3 reg 80(2); WR (NI) Order 15, arts 31 & 32

Example

Richard and Jacqueline claim Universal Credit. They have two children. Their Universal Credit entitlement is £2,274.85. However, Jacqueline has a higher-level sanction due to ceasing paid work by reason of misconduct. A reduction of £331.54 is imposed. As the amount of £2,274.85 is higher than the relevant amount of £1,835.00, the decision maker decides that the benefit cap applies. The decision maker also decides that the reduction of £331.54 for Jacqueline's sanction is deducted from the relevant amount of £1,835.00 so that Richard and Jacqueline receive Universal Credit of £1,503.46.

Disregard

E5021 Employment and Support Allowance is disregarded as a welfare benefit¹ when a person is disqualified² from receiving it because they

1. have limited capability for work due to their own misconduct **or**
2. fail without good cause to follow medical advice **or**
3. fail without good cause to observe the rules of behaviour.

1 UC Regs (NI) 16, reg 80(3); 2 WR Act (NI) 07, sec 18

Housing Benefit

E5022 Although Housing Benefit¹ is listed as a welfare benefit in legislation it is not to be included when calculating the amount of welfare benefits for Universal Credit purposes. The amount to be used is therefore nil².

1 SS C&B (NI) Act 92, sec 129; 2 UC Regs (NI) 16, reg 80(2A)

E5023 – E5030

Reduction of Universal Credit

E5031 Where the benefit cap applies to an assessment period for an award of Universal Credit, the amount of the award is reduced

1. by the excess¹ **or**
2. unless E5033 applies, by the excess minus any amount included in the award for the childcare costs element in relation to that assessment period².

Note: See Chapter F7 for guidance on childcare costs element.

1 UC Regs (NI) 16, reg 81(1)(a); 2 reg 81(1)(b)

E5032 For the purposes of E5031, the excess is the total amount of welfare benefits that the

1. single person is **or**
2. couple are

entitled to in the reference period, minus the relevant amount¹ (see E5006).

1 UC Regs (NI) 16, reg 81(3)

Example 1

Raj claims Universal Credit. He is single and is not responsible for a child or qualifying young person. Raj's Universal Credit amount is £1632.56. This exceeds the relevant amount of £1,229.42. The decision maker reduces Raj's Universal Credit amount by £403.14, the amount of the excess.

Example 2

Kevin and Tanya claim Universal Credit. They have four children but do not have childcare costs. Tanya is pregnant and receives Maternity Allowance of £194.32 a week. Their Universal Credit amount is £1,040.68 (i.e. £1,882.73 from a standard allowance plus four child elements, less £842.05 Maternity Allowance). Tanya also receives Child Benefit of £323.00 every four weeks, her entitlement being £80.75 a week. Kevin and Tanya's total welfare benefits are £2,232.65 (i.e. Universal Credit of £1,040.68, Child Benefit of £349.92 (£80.75 x 52/12) and Maternity Allowance of £842.05 (£194.32 x 52/12)). This exceeds the relevant amount of £1,835.00. The decision maker reduces Kevin and Tanya's Universal Credit by £397.65, the amount of the excess.

Example 3

Ivan and Bridget claim Universal Credit. They have four children and have joint monthly earnings of £390.00 with childcare costs of £450.00 a month. Their Universal Credit amount is £2,901.60 (i.e. standard allowance plus elements and 85% childcare costs, less earnings). Bridget also receives Child Benefit of £323.00 every four weeks, her entitlement being £80.75 a week. Ivan and Bridget's total welfare benefits are £3,251.52 (i.e. Universal Credit of £2,901.60 and Child Benefit of £349.92 (£80.75 x 52/12)). This exceeds the relevant amount of £1,835.00. The decision maker reduces Ivan and Bridget's Universal Credit by £1,034.02 (i.e. the amount of the excess (£1,416.52) minus the childcare costs element, which is 85% of their costs (£382.50)).

E5033 E5031 2. does not apply where the childcare costs element is greater than the excess¹.

Note: See Chapter F7 for guidance on childcare costs element which is also subject to a cap so the amount may not be 85% of the costs.

1 UC Regs (NI) 16, reg 81(2)

Example

Leonard and Penny claim Universal Credit. They have one child and have joint monthly earnings of £825.00 with childcare costs of £800.00 a month. Their Universal Credit amount is £2,238.38 (i.e. standard allowance plus elements and 85% childcare costs, less earnings). Penny also receives Child Benefit of £108.20 every four weeks, her entitlement being £27.05 a week. Leonard and Penny's total welfare benefits are £2,355.60 (i.e. Universal Credit of £2,238.38 and Child Benefit of £117.22 (£27.05 x 52/12)). This exceeds the relevant amount of £1,835.00. However, the amount of childcare costs element, which is 85% of their costs (£680.00) exceeds the excess (£520.60). Therefore, the decision maker does not reduce Leonard and Penny's Universal Credit.

E5034 – E5041

When the benefit cap does not apply

Receipt of certain benefits

E5042 [See **ADM Memo 4/24**] The benefit cap does not apply where

1. the limited capability for work and work-related activity element is included in the award of Universal Credit¹ **or**
2. a claimant is receiving
 - 2.1 Employment and Support Allowance which includes the support component² **or**
 - 2.2 Industrial Injuries Benefit³ (see E5043) **or**
 - 2.3 “Attendance Allowance”, as defined in regulation 2 of the Universal Credit (Northern Ireland) Regulations⁴ (see E5044) **or**
 - 2.4 Pension Age Disability Payment⁵ **or**
 - 2.5 a War Pension⁶ (see E5045) **or**
 - 2.6 a guaranteed income payment under specified legislation⁷ **or**
 - 2.7 Disability Living Allowance⁸ **or**
 - 2.8 Scottish Adult Disability Living Allowance⁹ **or**
 - 2.9 Personal Independence Payment¹⁰ **or**
 - 2.10 Child Disability Payment¹¹ **or**
 - 2.11 Adult Disability Payment¹² **or**
 - 2.12 Carer’s Allowance¹³ **or**
 - 2.13 Carer Support Payment¹⁴ **or**
 - 2.14 Guardian’s Allowance¹⁵ **or**
3. a child or qualifying young person for whom a claimant is responsible, is receiving
 - 3.1 Disability Living Allowance¹⁶ **or**
 - 3.2 Scottish Adult Disability Living Allowance¹⁷ **or**
 - 3.3 Personal Independence Payment¹⁸ **or**
 - 3.4 Child Disability Payment¹⁹ **or**
 - 3.5 Adult Disability Payment²⁰ **or**

3.6 Carer's Allowance²¹ **or****3.7** Carer Support Payment²² **or**

- 4.** a claimant, or a qualifying young person for whom a claimant is responsible, entitled to a payment at **2.2** to **2.11** or **3.1** to **3.5** but is not receiving it because of²³

4.1 hospitalisation **or****4.2** residence in**4.2.a** a care home **or****4.2.b** an institution **or**

- 5.** the carer element is included in the award of Universal Credit²⁴.

1 UC Regs (NI) 16, reg 83(1)(a); 2 reg 83(1)(a); 3 reg 83(1)(c); 4 reg 83(1)(d); 5 reg 83(1)(da);
 6 reg 83(1)(e); 7 reg 83(1)(f); Armed Forces and Reserve Forces (Compensation Scheme) Order 2011,
 art 15(1)(c) or 29(1)(a); 8 UC Regs (NI) 16, reg 83(1)(g); 9 reg 83(a)(fa); 10 reg 83(1)(h);
 11 reg 83(1)(ia); 12 reg 83(1)(ib); 13 reg 83(1)(j); 14 reg 83(1)(ja); 15 reg 83(1)(k);
 16 reg 83(1)(g); 17 reg 83(1)(fa); 18 reg 83(1)(h); 19 reg 83(1)(ia); 20 reg 83(1)(ib); 21 reg 83(1)(j);
 22 reg 83(1)(ja); 23 reg 83(1)(l); 24 reg 83(1)(b)

Example

Peter and Jenny claim Universal Credit. They have three children but no childcare costs. Their Universal Credit amount is £2,074.02 (i.e. £2,276.73 standard allowance plus elements less £202.71 Industrial Injuries Disablement Benefit). Jenny also receives Child Benefit of £251.40 every four weeks, her entitlement being £62.85 a week. In addition, Peter receives Industrial Injuries Disablement Benefit of £46.78 a week. Peter and Jenny's total welfare benefits exceed the relevant amount of £1,835.00. However, as Peter is receiving Industrial Injuries Disablement Benefit the decision maker decides that the benefit cap does not apply.

Industrial injuries benefits

E5043 For the purposes of E5042 **2.2** Industrial Injuries Benefits means¹

- 1.** Industrial Injuries Disablement Benefit
- 2.** Reduced Earnings Allowance
- 3.** Retirement Allowance
- 4.** Industrial Death Benefit.

1 UC Regs (NI) 16, reg 2(1); SS C&B (NI) Act 92, Part 5

“Attendance Allowance”

E5044 For the purposes of E5042 **2.3** “Attendance Allowance” means¹

1. Attendance Allowance²
2. Constant Attendance Allowance and Exceptionally Severe Disablement Allowance which is paid with Industrial Injuries Disablement Benefit because disablement has been assessed at 100%³
3. payments for attendance under the Civilian’s Personal Injury Scheme⁴ or any similar payments which are made to people who receive a disablement pension because of war injuries suffered as civilians or civil defence volunteers
4. any payment for attendance which is a part of War Disablement Pension (including severe disablement occupational allowance paid with Constant Attendance Allowance)
5. Armed Forces Independence Payment⁵.

1 UC Regs (NI) 16, reg 2(1); 2 SS C&B (NI) Act 92, sec 64; 3 sec 104 & sec 105;

4 Personal Injuries (Civilians) Scheme 83, art 14 - 16, 43 or 44;

5 Armed Forces and Reserve Forces (Compensation Scheme) Order 2011

Meaning of war pension

E5045 For the purposes of E5042 **2.5** a war pension is

1. any pension or allowance payable under specified legislation¹ to a widow, widower or surviving civil partner **or**
2. a pension payable to a person as a widow, widower or surviving civil partner under any power of His Majesty except than under an enactment to make provision about pensions for or in respect of persons who have
 - 2.1 been disabled **or**
 - 2.2 died in consequences of service as members of the armed forces of the Crown² **or**
3. a payment which is made to a widow, widower or surviving civil partner of a person whose death was attributable to service in a capacity analogous to service as a member of the armed forces of the Crown and whose service in such capacity ended before 31.3.73 under
 - 3.1 the Order in Council of 19.12.1881 **or**

- 3.2 the Royal Warrant of 27.10.1884 **or**
 - 3.3 the Order by His Majesty of 14.1.22³ **or**
 - 4. a pension
 - 4.1 paid by the government of a country outside the United Kingdom **and**
 - 4.2 which is analogous to any of the
 - 4.2.a pensions **or**
 - 4.2.b allowances **or**
 - 4.2.c payments
- at 1. - 3.⁴.

¹ UC Regs (NI) 16, reg 83(2)(a); *Income Tax (E&P) Act 2003*, s 639(2);

² UC Regs (NI) 16, reg 83(2)(b); ³ reg 83(2)(c); ⁴ reg 83(2)(d)

E5046 – E5050

Earnings

E5051 The benefit cap does not apply to an award of Universal Credit in relation to an assessment period where

- 1. the
 - 1.1 claimant's earned income **or**
 - 1.2 couple's combined earned income (if the claimant is a member of a couple)

is equal to or exceeds the amount that a person would be paid at the higher national minimum wage rate¹ (the national living wage) for 16 hours a week, converted to a net monthly amount by multiplying by 52 and dividing by 12² **or**

- 2. the assessment period
 - 2.1 falls within a grace period (see E5052) **or**
 - 2.2 is an assessment period in which a grace period begins or ends³.

Note 1: Earned income does not include any income a person is assumed to have because of the minimum income floor⁴ (see ADM Chapter H4).

Note 2: See ADM Chapter H3 for guidance on the calculation of earned income for employed earners and ADM Chapter H4 for guidance on the calculation of earned income for self-employed earners.

Note 3: The calculation at **1.** can be met by a combination of employed and self-employed earnings.

Note 4: For the purposes of the calculation at **1.**, any fraction should be rounded **down** to the nearest whole pound⁵.

1 NMW Regs, reg 4; 2 UC Regs (NI) 16, reg 82(1)(a); 3 reg 82(1)(b);
4 reg 82(4) & reg 63; 5 reg 7(2)(za)

Example

Gill claims Universal Credit and has limited capability for work (but not limited capability for work and work-related activity). She is single and is not responsible for a child or qualifying young person. She is a self-employed hairdresser and has earnings of £896.66 in the assessment period. Gill's Universal Credit amount is £1,311.59 (i.e. standard allowance plus elements, less earnings). Gill's total welfare benefits exceed the relevant amount of £1,229.42. However, as Gill's earnings exceed the higher national minimum wage rate for 16 hours a week in the assessment period ($\text{£}12.71 \times 16 \text{ hours} \times 52 \text{ weeks} / 12 \text{ months} = \text{£}881.22$, rounded down to £881.00), the decision maker decides that the benefit cap does not apply.

Meaning of grace period

E5052 A grace period is a period of 9 consecutive months

1. which begins on the most recent of
 - 1.1 a day falling within the current period of entitlement to Universal Credit which is the first day of an assessment period in which
 - 1.1.a the claimant's earned income **or**
 - 1.1.b the couple's combined earned income (if the claimant is a member of a couple)is less than the amount calculated in E5051¹ **or**
 - 1.2 a day falling before the current period of entitlement to Universal Credit which is the day after a day on which the claimant has ceased paid work²
2. in respect of which the condition in E5053 applies.

Note 1: For the purposes of E5052 **1.2** the grace period will still apply if there is a gap between the claimant ceasing paid work and making a claim to Universal Credit as long as the condition in E5053 applies.

Note 2: Where the conditions for a grace period to begin are met the grace period will continue uninterrupted for the full nine months.

1 UC Regs (NI) 16, reg 82(2)(a); 2 reg 82(2)(b)

E5053 E5052 applies where, in each of the 12 months immediately preceding the day in E5052 1.1 or 1.2

1. the claimant's earned income **or**
2. the couple's combined earned income (if the claimant was a member of a couple)

was equal to or exceeded the amount calculated in E5051¹.

1 UC Regs (NI) 16, reg 82(3)

Example 1

Cliff and Jean claim Universal Credit on 1.11.25 as Cliff finishes work on 31.10.25. On that day Cliff received earnings of £3,592.27. He had received that amount in each of the preceding 12 months. They have no children and no other income. Cliff and Jean's Universal Credit amount is £2,329.06 (i.e. standard allowance plus elements). This exceeds the relevant amount of £1,835.00. However, as Cliff's earnings exceeded the higher national minimum wage rate for 16 hours a week in each of the preceding 12 months, the decision maker decides that Cliff and Jean are eligible for a grace period which will run from 1.11.25 to 31.7.26 and that the benefit cap does not apply until 1.8.26.

Example 2

Sheldon and Amy receive Universal Credit of £2,369.15 (i.e. standard allowance plus elements, less earnings). Their assessment period ends on the 12th of each month. They have two children but no childcare costs. In addition to Universal Credit, Amy receives Child Benefit of £173.20 every four weeks, her entitlement being £43.30 a week. Sheldon also has earnings of £1,030.57, which he had received for more than 12 months. The benefit cap did not apply. Sheldon's hours reduce and on 31.3.26 he receives £823.41. The decision maker decides that Sheldon and Amy are eligible for a grace period which will run from 13.3.26 to 12.12.26 and that the benefit cap does not apply until 13.12.26.

Example 3

Tony finishes work on 31.1.26 and claims Universal Credit on 1.2.26. His Universal Credit amount is £1,550.14 (i.e. standard allowance plus elements). This exceeds the relevant amount of £1,229.42. On the day he finished work Tony received

earnings of £1,360.25. However, he only received that amount for 6 months. Before that 6 month period Tony's earnings were less than the higher national minimum wage rate for 16 hours a week. The decision maker decides that Tony is not eligible for a grace period and applies the benefit cap.

Example 4

Matthew and Mary claim Universal Credit on 31.5.25 as Matthew finishes work on 30.5.25. On that day Matthew received earnings of £2,645.39. He had received more than that amount in each of the preceding 12 months. They have no children. Mary has earnings of £403.98. Matthew and Mary's Universal Credit amount is £1,919.87 (i.e. standard allowance plus elements, less earnings). This exceeds the relevant amount of £1,835.00. However, although Mary's earnings are less than the higher national minimum rate for 16 hours a week, the decision maker decides that Matthew and Mary are eligible for a grace period because of Matthew's previous earnings which exceeded the higher national minimum wage rate for 16 hours a week. The grace period will run from 31.5.25 to 27.2.26 and the benefit cap does not apply until 28.2.26.

Example 5

Faye finishes work on 24.1.26, having earned £2,249.95 a month for the previous 12 months, but does not immediately make a claim for Universal Credit while she seeks new employment and can live off her savings. On 13.4.26, having not yet found new employment, Faye makes a claim for Universal Credit. The decision maker decides that the grace period will run until 25.10.26 and the benefit cap will therefore not apply until, at the earliest, the assessment period beginning 13.11.26.

Example 6

Varada leaves her employment, at which she earned £1,565.85 each month for the previous 12 months, on 11.2.26. Three months later, Varada successfully obtains new employment which begins on 1.6.26, but the role has a lower salary so Varada makes a claim for Universal Credit on 17.5.26. A decision maker nevertheless decides that, as Varada had ceased paid work, a grace period will run from 12.2.26 to 11.11.26 and the benefit cap will not apply until, at the earliest, the assessment period beginning 17.11.26.

State Pension Age and transferring to Universal Credit through Managed Migration

E5054 The benefit cap does not apply where

1. a single claimant is of state pension age (or a joint claim where both are of state pension age) **and**
2. the claimant transfers to Universal Credit through the Managed Migration process¹.

1 UC (TP) Regs (NI) 16, reg 61C

E5055 – E5999

The content of the examples in this document (including use of imagery) is for illustrative purposes only