

pay_ your way



UNIVERSAL CREDIT

A guide to
understanding
payments
under the new
benefits scheme

UC *Universal
Credit*

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DRIVING CHANGE IN UK PAYMENTS

Universal Credit explained

About this leaflet

A new single, monthly payment called Universal Credit is starting to replace some types of benefits and tax credits. Universal Credit is paid differently to existing benefits – this leaflet explains more about the changes and how you can use different types of payments to operate your account and make the most of your money.

What is Universal Credit?

Universal Credit brings together a range of benefits and tax credits into a single monthly payment.

It replaces the following benefits and tax credits:

- Income-based Jobseekers Allowance
- Income-related Employment and Support Allowance
- Income Support
- Child Tax Credit
- Working Tax Credit
- Housing Benefit

You could be eligible for Universal Credit if you are looking for work or if you are in work but on a low income. Any benefit you receive which is not included in the above list will continue to be paid to you as usual.

For more detailed information, go to www.gov.uk/universalcredit

When will Universal Credit take effect?

Universal Credit was introduced for a few people in April 2013. The system is gradually being rolled out to the rest of the UK from October 2013, starting with people who make a new claim in certain areas. If you already claim an affected benefit, you can continue to do so as normal – you will be told when you will change to Universal Credit.

How and when will Universal Credit be paid?

You will apply online and manage your claim through an online account. How much you receive depends on your personal circumstances and will be assessed from your online application and a face-to-face interview.

If you don't have internet access you will be able to use the computers at your local Jobcentre to make the application. And if you need help making your claim online you can get face-to-face advice at your Jobcentre, from your local council or get help over the phone.

Universal Credit will be paid once a month into an account that you choose. If your partner also claims Universal Credit you will get a single payment for your household. Any financial support you get to help pay your rent will be included with your Universal Credit payment and you'll then pay your landlord yourself.



Types of account you can choose

To receive Universal Credit, you need to have an account with a bank, building society, credit union, or at the Post Office.

- **Current account** – this type of account has the most features, but you will normally need to pass a credit check to open one.
- **Basic bank account** – this is like a current account, but can't have an overdraft, and doesn't always offer all the same features.
- **'Jam jar' account** (also called a budgeting account) – this is a new type of account that divides your money into several 'pots' so you can keep money to pay bills separate from your spending money. It often has a monthly fee.
- **Post Office® card account** – this is a type of account specifically designed for receiving benefits, but you can only access it at a Post Office and you can't set up Direct Debits or standing orders to pay rent or bills.
- **Prepaid card account** – a card you can pay your Universal Credit onto. Although you can use the card to pay in shops, you won't be able to set up Direct Debits or standing orders for bills or rent. You may be charged to set up the card, to receive payments, or use cash machines.

The best type of account for your needs will depend on exactly how you use it – for example, if you use an overdraft you should look for one that charges the lowest possible interest rate. Or you could choose to open a prepaid card account to keep your spending money separate from the account you have your Universal Credit paid into, to keep track of how much you spend and avoid possible bank charges.

For more information on choosing an account, the Money Advice Service is a free, impartial service set up by government to offer advice on managing money (see page 12 for contact details).

Common questions

Can I just use cash?

You will need an account for Universal Credit to be paid into. However, once you receive the payment you can choose to draw out cash for day-to-day usage, pay by debit or credit card or top up a prepaid card. Some people find it easier to budget with cash but some bills might cost extra to pay in cash.

What is a debit card?

A type of payment card linked to a bank account that you can use to pay for goods and services in shops and online, or withdraw cash at cash machines. Money is deducted directly from the available balance of your account when you use a debit card – although it can be possible to go overdrawn.

How can I check how much money is in my account?

You will be able to check your balance for free at any cash machine where you can use your account. Most current accounts (see page 4 for a definition) offer telephone and online banking services to check your balance, although these services aren't usually available with a basic bank account. The way Jam Jar accounts work varies – although you can manage most online.

What happens if there isn't enough money in my account to make a payment?

Banks generally process regular payments (such as Direct Debits and standing orders) out of your account early in the morning. If there aren't enough funds to cover the payment first time round, a new system has been agreed which means banks retry the payment later in the afternoon. This gives you the chance to put enough funds to cover the payment into your account during the day – although you could be charged an unpaid item fee if there still isn't enough money when the payment is tried again.

Features of different accounts

At a glance...

	Current account	Basic bank account
Does it allow Direct Debits and standing orders?	Yes	Yes
Does it offer an overdraft facility?	Yes	Sometimes (some accounts offer a small buffer of £10-£15)
Can I use any cash machine?	Yes	Usually (although some providers restrict use to their own machines)
Is a debit card provided?	Yes	Sometimes
Is a cheque book provided?	Yes	No
Are credit checks needed to open the account?	Yes	No
Are there any fees and charges?	Fees and interest charged on overdrafts. Penalties for returned standing orders or Direct Debits	Usually charge penalties for returned standing orders or Direct Debits

Jam jar account	Post Office card account	Prepaid card
Yes	No	No
No	No	No
Yes	No, the card can only be used at the Post Office	Yes – although you may be charged
No	No	Most prepaid cards can be used in all the same places as a debit card
No	No	No
No	No	No
<p>Monthly fee around £10-£15</p> <p>No penalties for returned standing orders or Direct Debits</p>	No	<p>Yes. Charges vary, but can include: set-up fee, 'load' fee to top-up, cash machine fee, transaction fee</p>

How different electronic payments work

At a glance...

	Debit Card	Direct Debit
Where can I use it?	Almost everywhere	Usually for paying regular bills. Over 20,000 UK companies are authorised to accept them
Does it cost anything to use it?	Nothing if your account is in credit but a few businesses charge to accept cards or set a minimum spend	Nothing if your account is in credit
How quickly is it processed?	Usually the same day	On the due date or the following weekday
What kind of security is provided?	You won't be liable if you are a victim of fraud	A refund will be provided by the Direct Debit guarantee if something goes wrong
Do I need a bank account to use it?	Yes	Yes
Anything else I should know?	You can sometimes use a debit card to get up to £50 cashback when buying from places like supermarkets	The amount of a Direct Debit can vary, although you must be told the amount that will be taken in advance (usually ten working days)

Standing order	Online/phone payment
For paying any UK bank or building society account a fixed amount on a regular basis (such as rent or subscriptions)	You can make one-off or regular Faster Payments to any UK bank or building society account at any time
Nothing if your account is in credit	Nothing if your account is in credit
Immediately on the scheduled weekday	Your account will be debited immediately and the payee usually receives the money almost immediately
You will be refunded if you are a victim of payment fraud. If you've given incorrect details it may be difficult to get the money back	You will be refunded if you are a victim of payment fraud. If you've given incorrect details it may be difficult to get the money back
Yes	Yes
When you set one up, make sure you give the right sort code and account number. If paying a business, Direct Debit or card payments give you more protection so ask if you can pay that way	Be careful to give the right account number and sort code. If paying a business, Direct Debit or card payments give you more protection so ask if you can pay that way

Top five money management tips

1. Draw up a monthly budget

Drawing up a budget of all your household income and outgoings is important if you want to make sure you can pay all your bills and manage until the end of the month. A budget is two lists which consist of:

- Money you have coming in (from things like your benefit payments and your salary if you're working).
- Payments that you make (such as your rent, heating bills and insurance, as well as living expenses and regular and irregular spending).

The independent Money Advice Service, set up by government, offers free advice on budgeting at www.moneyadviceservice.org.uk/budget

2. Prioritise your rent payment

- Ask your landlord to move the day your rent is due closer to your benefit payment day.
- Set up an automated payment to your landlord or open a separate account just for your rent and then set up an automatic transfer so that as soon as your Universal Credit payment goes into your main account, your rent is kept separate from your spending money.
- Consider opening a 'jam jar' account – these can make it easier to manage all your bills, including your rent, by splitting your money into different pots for different types of spending. Although this type of account typically comes with a monthly fee, some housing associations offer incentives for using this type of account.

3. Get the best deal when paying your bills

- Paying by Direct Debit can be one of the most effective ways to save money on certain bills. Paying this way can help spread the cost of essentials and many gas, electricity and phone suppliers offer better deals if you choose to pay this way.
- Direct Debit ensures your payments are made on time, every time, which can help avoid penalties for late payments. It is important to be sure you have enough money in your account when the payment is taken though, as otherwise your bank may charge you.
- Many energy, gas, water and phone suppliers offer discounts for paperless billing. If you set up 'e-billing', you will receive an email when you have a new bill, which you can view as part of an online account.

4. Make sure you have access to the internet

- You will be expected to claim Universal Credit and manage your account online. If you need help getting online, your Jobcentre Plus or local library can help you to find a course. Your Jobcentre Plus and most libraries also have computers which are free to use.
- If you choose a bank account that offers online banking, you will be able to access a record of all payments going in and out of your account and be able to make payments 24 hours a day.

5. Decide whether you need a joint bank account

- If you live with your partner, and you're both eligible for Universal Credit, you will get a single monthly payment for both of you. This will be paid into either a joint or individual account.
- A joint account can make budgeting easier, but you will have equal responsibility for the money in the account and if your partner has a poor credit record, this could affect you as well.

You can find out more about how different payments work, including a jargon busting glossary at www.PayYourWay.org.uk

If you would like more information about your payment options, including anything in this leaflet, visit **www.payyourway.org.uk**, ask in your bank, or contact us using the details below.

By post:

Payments Council
2 Thomas More Square
London E1W 1YN

By email: payyourway@paymentscouncil.org.uk

By phone: 020 3217 8259

Universal Credit aims to make the benefits process more simple and accessible. For more information go to:

- **www.gov.uk/universalcredit**
- **www.workingfamilies.org.uk**
- **www.gingerbread.org.uk**
- **www.moneyadviceservice.org.uk**
0300 500 5000 (English) or 0300 500 5555 (Welsh)

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If you have difficulty reading this leaflet or know someone else who would benefit from this information in an alternative format, please call us on **020 3217 8259**, or email **press@paymentscouncil.org.uk**

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