

Redundancy, finishing work and benefits

Contents

Getting a redundancy or severance payment.....	2
If the benefit office thinks you have spent capital or savings to get more benefit	2
Not sure what type of payment you will get?	2
What happens to benefits when you stop work?	2
Agreeing to redundancy or severance.....	4
What benefits are available when work stops?	4
Help with your mortgage - a loan	9
Part time workers and finishing work.....	9
Managing your money.....	9
More information	9
Getting help and advice.....	10
This factsheet.....	10

If your job finishes due to redundancy or a voluntary severance scheme benefits you are receiving may be affected and you may need to claim other benefits. Payments you get from your employer in these situations may affect benefits. This factsheet is a summary to help you get what you are entitled to and avoid problems. Other rules apply for self-employment. It does not include any extra help you may get during Coronavirus – for which see www.newcastle.gov.uk/welfarerights if applicable.

Getting a redundancy or severance payment

When you finish work you may get statutory redundancy pay or a lump sum payment from your employer. These payments may count as capital if you are claiming a means tested benefit.

Means tested benefits for people of working age, include Income Support, Income related Employment and Support Allowance, Income based Jobseekers Allowance, Housing Benefit or Universal Credit (UC) if it applies and Council Tax Support. For people of pension age, it's Pension Credit, Housing Benefit and Council Tax Support.

If you are under pension age you cannot get most means tested benefits while you have capital (savings) of £16,000 or more. This includes your partner's capital. For every £250 you have between £6,000 and £16,000 you are treated as having a £1 (or £4.35 a month for UC) a week income, called 'tariff income'. These amounts are more generous for people of pension age. Find out your 'pension age' from www.gov.uk/calculate-state-pension.

If the benefit office thinks you have spent capital or savings to get more benefit

In this case they can treat you as though you still have the money - called notional capital. This *may* apply even if you use the money to pay off a mortgage or debts.

If you claim a benefit and it is refused or you get paid a reduced amount because of this rule it is important to seek advice. Details at the end.

Not sure what type of payment you will get?

If you have been offered or paid a lump sum because your job is ending but you not sure what type of payment it is, seek advice.

What happens to benefits when you stop work?

The following are the main means tested benefits you may be getting whilst working and what you should do when you stop work. Also see the section below 'What benefits are available when work stops'.

Working Tax Credits

You can get Working Tax Credit (WTC) when you work 'full time', which means 16, 24 or 30 hours or more a week. You must inform HM Revenue and Customs (HMRC) if your job ends or you stop working 'full time'. Phone the Tax Credits helpline on 0345 300 3900 or go to: www.gov.uk/browse/benefits/tax-credits. You can carry on getting WTC for 4 weeks after you finish work.

If you have a partner who satisfies the full-time rules, you may be able to carry on getting WTC based on their earnings. Then you have a choice:

- You can let HMRC know as soon as you stop work and they can reassess you straight away - so you should get more WTC as your income has reduced. If you get another job in the same financial year you will have to let HMRC know to avoid overpayment.
- Or you can wait until the end of the financial year to tell HMRC. You will then get any underpayment of WTC as a lump sum. Or it can be added to your next year's Tax Credits if you are still getting them.

Housing Benefit or Council Tax Support

These benefits can be paid when in and out of work. They are paid regardless of working hours but are affected by the amount of wages and other income you may have. So, it is important you notify Newcastle City Council Revenue and Benefits section when you stop work. See below.

Universal Credit

Universal Credit (UC) is replacing all working age and means tested benefits (called 'legacy benefits') apart from Council Tax Support across the UK. UC can be paid when in and out of work and the amount depends on your circumstances and income. It is paid regardless of working hours. So, if you finish work or reduce your hours, your UC may go up, whereas under legacy benefits you may have had to claim a new benefit. You cannot now normally make a new claim for 'legacy' benefits. You may have to claim UC. UC is calculated and paid monthly in arrears called 'assessment periods'. If you are paid tax through PAYE, HMRC automatically notifies DWP of changes in earnings who recalculates your UC. But it's still your responsibility to always let the DWP know. If you report your job loss in the UC monthly assessment period the job ended, the amended UC will begin from the start of that assessment period. Final earnings are taken into account in the assessment period in which they are paid.

More about Universal Credit: www.newcastle.gov.uk/universalcredit

Agreeing to redundancy or severance

If you leave your work voluntarily without good reason, you may find some or all of your Universal Credit or JSA reduced for a period - called a sanction. However, if you agree to voluntary redundancy or severance you should not be classed as leaving your job voluntarily so, you should be entitled these benefits without such restriction. But if you refuse other work you may be sanctioned for another reason, such as 'neglecting to avail' yourself of a work opportunity.

What benefits are available when work stops?

Universal Credit

First a note on Universal Credit and the benefits it's replacing

As described above Universal Credit (UC) is replacing most working age and means tested benefits (called 'legacy benefits') which are:

- Income based Jobseekers Allowance (JSA) if you are looking for work
- Income related Employment and Support (ESA) Allowance if you are not fit for work
- Income Support in some other circumstances
- Housing Benefit for help with rent
- Child Tax Credit for children
- Working Tax Credit as described above

Before UC, you would have been able to claim these legacy benefits when stopping work but in most cases, you will now have to claim UC.

All other benefits are still payable. For example:

- Council Tax Support for help with Council Tax – as that has not been replaced by Universal Credit.
- Contribution based JSA and contributory ESA have not been replaced by Universal Credit, so you can still claim them.
- Pension Credit and Housing Benefit is available if you are pension age, because Universal Credit is for working age people.
- All non means tested benefits and all contribution based benefits can still be claimed including disability benefit like Personal Independence Payment.

Those people who are on a legacy benefit and have a change in circumstances that previously would have involved a new claim for another legacy benefit will be told to claim UC instead. For more advice on this, see the table: 'What changes might lead to a claim for Universal Credit?' on our [more detailed Universal Credit webpage](#) which explains when you have to claim UC and when you do not. Secondly, those on legacy benefits may be better off on UC, so it is important to compare the present amounts on legacy benefits versus what you would get on Universal Credit. This is called a better off calculation and can be done by an [advice service](#) or use an [online calculator](#).

How do payments at the end of a job affect Universal Credit?

An occupational pension or income from a personal is taken into account as income. So too are your final earnings, including wage arrears, pay in lieu of notice and accrued holiday pay.

The following are taken into account as capital: redundancy pay (statutory and contractual), unfair dismissal awards by an employment tribunal and any pay in lieu of notice for damages for breach of contract.

How do I claim Universal Credit?

You claim Universal Credit online via the webpage:

<https://www.gov.uk/universal-credit> or this direct link: www.gov.uk/apply-universal-credit

Jobcentre Plus provide a telephone number for help and advice on making an online claim. It is available Monday to Friday, 8am to 6pm, 0800 328 5644. Like most other benefits, the DWP also provide a video relay service for British Sign Language (BSL) users and a relay service for those who cannot hear or speak on the phone.

More details about Universal Credit and who it applies to is on the website: www.newcastle.gov.uk/universalcredit

Other benefits that might be available when work stops:

Note The way final earnings and so on are treated depend on whether you were getting those benefits when working or your job ends before benefit starts.

Jobseekers Allowance

Jobseekers Allowance (JSA) is for people who are available for and 'actively seeking' work.

There are 2 types of JSA:

- **Contribution based JSA**, which you can claim if you have paid sufficient National Insurance contributions and is also called 'New style JSA'. It has not been replaced by Universal Credit.
- **Income related JSA**, but Universal Credit has replaced income related JSA for most new claims.

You can claim **Contribution based JSA (CB-JSA)** which you can get for up to 26 weeks if you have paid sufficient National Insurance contributions.

How do payments at the end of a job affect JSA?

If you get a pension from work, CB-JSA is reduced pound for pound by any amount over £50 a week.

Working full or part time?

You cannot claim CB-JSA when you are working full time which is classed as 16 hours a week or more. If you work part time (below 16 hours a week) your CB-JSA is reduced by your earnings except for £5 a week. It is £20 a week for part time firefighters and so on.

How do I claim Jobseekers Allowance?

You claim Jobseekers Allowance from Jobcentre Plus. Details www.gov.uk/jobseekers-allowance/how-to-claim

You can only get Contribution based JSA for yourself. To help with low income, you may also be able to claim Universal Credit and Council Tax Support.

Employment and Support Allowance

Employment and Support Allowance (ESA) is for people who have 'limited capability for work'. This means unfit for work. There are 2 types of ESA:

- **Contribution based ESA** which you can get if you have paid sufficient National Insurance contributions. It has not been replaced by Universal Credit.
- **Income related ESA**, but Universal Credit has replaced income related ESA for most new claims. However, it is possible that you have been getting some income related ESA whilst you have been working. In which case, when your job ends you would inform the DWP who should increase your income related ESA due to a drop in income. But remember, if you claim *another* 'legacy benefit' all your legacy benefits stop and you would then have to claim UC.

Payments at the end of a job - how is ESA affected?

Contribution based ESA is not affected by most payments including redundancy and severance payments. If you get a pension from work Contribution based ESA is reduced by half of any amount over £85 a week.

If you are still able to continue with **income related ESA** – as described above – then the following may apply.

Contractual redundancy pay or severance pay count as capital but only up to the amount of any statutory redundancy pay you would be entitled to. You can find out how much statutory redundancy pay you would get at: www.gov.uk/calculate-your-redundancy-pay

Example: Ailsa would get £3000 as a statutory redundancy payment. She actually gets £10,000 when she leaves work under a voluntary severance scheme. Only £3000 of this counts as capital for Jobseekers Allowance. The rest is ignored.

Housing Benefit and Council Tax Support

Housing Benefit (HB) and Council Tax Support (CTS) are means tested benefits, administered by local councils to help people on low incomes pay their rent and Council Tax.

As described above, Universal Credit has replaced HB for most new claims. However, it is possible that you have been getting some Housing Benefit whilst you have been working. In which case, when your job ends you would inform your City Council's Housing Benefit section who should increase your Housing Benefit due to a drop in income. But remember, if you claim another 'legacy benefit' all your legacy benefits stop and you would then have to claim UC.

The rules on how HB are affected at the end of a job are similar to income related ESA.

UC has not replaced Council Tax Support.

Contacting your City Council about Housing Benefit and/or Council Tax Support?

HB and CTS are administered by the City Council. For Newcastle residents phone 0191 278 7878 or via the Council's webpage: www.newcastle.gov.uk/services/welfare-benefits/housing-benefit/housing-benefit-and-council-tax-support-useful-forms

Tax Credits

As described above, Universal Credit is replacing Tax Credits and you cannot make a new claim for them. If you are already getting them it is only a change in circumstances. But stopping work means you will no longer satisfy the reasons for getting Working Tax Credit but Child Tax Credit can continue. However, if you need to claim Universal Credit then your Child Tax Credit will stop. You need to notify the Tax Credits office of such a change in circumstances.

Pension Credit

Pension Credit (PC) is a means tested benefit for people of pension age.

Pension Credit has two elements:

- **Guarantee credit** is a top-up for those on a low or no income and are at least 'pension age'; and
- **Savings credit** is an extra payment for people who have saved some money towards their retirement and who reached 'pension age' before 6 April 2016. So you can see Savings Credit is being phased out.

There is no upper capital cut off limit for Pension Credit. If you have capital over £10,000 you are classed as having a set amount of 'tariff income' per week.

How do I claim Pension Credit?

Pension Credit is administered by the DWP's Pension Service. You can claim it by phoning the Pension Centre on 0800 99 1234, claim it online, or download a claim form from the Government website www.gov.uk/pension-credit/how-to-claim

Other benefits

There are many other benefits which people in particular circumstances may be able to claim, for example benefits for people with disabilities, benefits for carers, benefits for children and benefits for people disabled through work.

To check what other benefits you may qualify for see our website www.newcastle.gov.uk/welfarerights

Help with your mortgage - a loan

You may get help with some of the interest part of your mortgage payments and certain loans for repairs and improvements, which from 6 April 2018 is a loan rather than an extra payment of benefit, if you qualify for:

- Income based Jobseekers Allowance (IBJSA)
- Income Support (IS)
- Income related Employment and Support Allowance (IRESA)
- Universal Credit (UC)
- Pension Credit Guarantee

You normally have to wait 39 weeks before you can get help with your mortgage interest, or nine consecutive assessment periods for UC. There is no waiting period for Pension Credit. The loan will stop if you stop being entitled to any of those benefits. For IS, IBJSA and IRESA when you and your partner return to work or increase your hours and so count as in full time work there may be a 4 week 'mortgage interest run on'. For UC, if you or your partner, do any amount of paid work the loan stops and possibly, the nine months waiting period starts again. Those who were getting help before 6 April 2018 may get some transitional protection. The amount of the loan may be limited in several ways, for example, where a non-dependant - such as a grown up son or daughter - lives in the house.

Part time workers and finishing work

If you work part time and get some of the benefits explained here while you are working, there are different rules for how payments are treated when you finish work - seek advice if this applies to you. As described above, Universal Credit has replaced the above means tested benefits and you may get more or less Universal Credit as your wages change.

Managing your money

If you would like information about managing your money after redundancy or are worried about debt you can find useful information on our website www.newcastle.gov.uk/welfarerights.

Or seek advice about debt and money management. See below.

More information

From Money Advice Service

www.moneyadvice.org.uk/en/articles/benefits-and-tax-credits-when-youve-lost-your-job

Low Income Tax Reform Group

www.litrq.org.uk/latest-news/news/191120-have-you-just-left-work-and-need-claim-universal-credit

Getting help and advice

If you are an employee of Newcastle City Council or you live in Newcastle you can phone these numbers for more information, advice and help:

Benefits. Welfare Rights Service: 0191 2772627 9:30am - 12noon
Monday to Friday

Debt. Money Matters: 0191 277 1050 8.30am - 4.30pm Monday – Friday

And you can find information about all the independent advice agencies in Newcastle on our website www.newcastle.gov.uk/benefitcontacts

This factsheet

Was written by Newcastle City Council Active Inclusion Unit and updated in **July 2021**

More information about the Active Inclusion Service and other help for professionals supporting residents with financial and related matters:
www.newcastle.gov.uk/financialinclusionforprofessionals