

Support Notes on Commissioner's Advice

Direction 53 - What to award

(Budgeting Loans)

1. Determining the maximum amount

The baseline figure issued by the Secretary of State for a single applicant with a weighting of one has been £348 since 5 November 2008. At present the maximum amounts for budgeting loan applicants are therefore as follows:

Composition of Household	Weighting	Maximum Amount
Applicant only	One	£348
Applicant and partner only	One and one third	£464
One or more children aged 18 years or under	Two and one third	£812

However, the Secretary of State may alter the baseline figure in the future.

2. Deciding whether to award all, part, or none of the maximum amount.

Once the Inspector has determined the applicant's maximum amount in accordance with Direction 53(1), he must then decide whether to make an award, and if so how much to award, in accordance with Direction 53(2)-(4):

(i) The Inspector must deduct from the appropriate maximum amount any outstanding budgeting loan debt owed by the applicant and his partner.

Some applicants have difficulty understanding the amount that is being deducted as outstanding budgeting loan debt. Two of the more common misconceptions are:

- The applicant mistakenly thinks that the amount of budgeting loan debt to be deducted should be less because he has made several repayments since the original decision.
- The applicant wrongly believes that his existing budgeting loan debt figure is too high because of a failure by Department for Work and Pensions to take the correct deductions.

Where an applicant has queried the correct figure for his outstanding budgeting loan debt it will often be necessary for the Inspector to check the amount of outstanding budgeting loan debt that existed at the time of the original decision. It is not for Inspectors to make findings on the performance of the Department for Work and Pensions on collecting repayments. The Inspector needs to establish the relevant outstanding budgeting loan debt, not what it should have been had proper deductions been made. However, where an applicant has complained about a failure to make proper deductions the Inspector should address the concerns of the applicant either in his decision, or before a decision is made by telephone or in writing.

3. *Examples*

For the sake of simplicity the examples below assume that there have been no changes of circumstance since the budgeting loan applications were made:

Example 1

A single applicant of 25 years with no child applies for a budgeting loan of £200. He satisfies the eligibility and qualifying conditions for a budgeting loan. He has outstanding budgeting loan debt of £20, and no other social fund or other debts. The Secretary of State's baseline figure is £348. The applicant has capital of £1105.

The Inspector should approach the case as follows:

- The Inspector notes that the appropriate weighting is one, and that the baseline figure is £348.
- The Inspector determines that the maximum amount is £348.
- The Inspector deducts the outstanding budgeting loan debt of £20 from the maximum amount of £348, which leaves a reduced figure of £328.
- As the amount the applicant has requested (£200) is less than £328, the most that can be awarded is £200.
- At this stage the maximum and minimum rules for awards set out in Direction 10 do not have any effect.
- The Inspector finds that the applicant has excess capital of £105, which must reduce the possible £200 award to £95.
- As £95 is less than the minimum budgeting loan award of £100 no budgeting loan award can be made.
- It is therefore unnecessary to assess the applicant's ability to repay a loan under Direction 11.

Example 2

A single applicant with one child applies for a budgeting loan of £1000. She satisfies the eligibility and qualifying conditions for a budgeting loan. She has outstanding budgeting loan debt of £600, and crisis loan debts amounting to £810. She has no capital. The ADM's suggested maximum amount is £805. The Inspector should approach the case as follows:

- The Inspector notes that the appropriate weighting is two and one third, and that the baseline figure is £348.
- The Inspector determines that the appropriate maximum amount in this case is £812.
- The Inspector deducts the outstanding budgeting loan debt of £600 from the maximum amount of £812, which leaves a reduced figure of £212.
- The lesser of the amount requested (£1000) and the figure of £212 (£812-£600) is £212, so £212 is the most that could be awarded.
- The Inspector considers Direction 53(3)-(4). The applicant has a total social fund debt of £1410. The difference between £1500 and £1410 is £90. The most that could be awarded is £90, and as this is less than £100, no budgeting loan can be awarded.

- It is therefore unnecessary to consider the capital rules under Direction 9 or to assess the applicant's ability to repay a loan under Direction 11.

Example 3

The applicant is single. He had been responsible for his son, however, his son was taken into care shortly before the applicant applied for a budgeting loan of £500. The applicant satisfies the eligibility and qualifying conditions for a budgeting loan. He has an outstanding budgeting loan debt of £570, but no other debts. He has no capital. The Secretary of State's baseline figure is £348. The Inspector should approach the case as follows:

- The Inspector notes that the appropriate weighting is one, and that the baseline figure is £348.
- The Inspector determines that the appropriate maximum amount is £348.
- The Inspector deducts the outstanding budgeting loan debt of £570 from the maximum amount of £348, which leaves a minus figure of £222. As this has resulted in a minus figure no further considerations are necessary – a budgeting loan cannot be awarded.

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