

Budgeting Loans - A Quick Guide to the New Rules

The rules (directions issued by the Secretary of State for Work and Pensions) for deciding budgeting loans have been revised from 3 April 2006. Some significant changes will affect how much people can get, depending on their circumstances.

What are the new rules?

You can only get a budgeting loan for:

- Furniture and household equipment;
- Clothing and footwear;
- Rent in advance and/or removal expenses for new accommodation;
- Improvement, maintenance and security of the home;
- Travelling expenses;
- Expenses associated with seeking or re-entering work;
- HP and other debts (for expenses associated with any of the above).

What is different?

The list of qualifying expenses has not changed.

You will only be able to get a budgeting loan if:

- You are receiving either Income Support, income based Job Seekers Allowance or Pension Credit (or payments on account of one of these benefits); and
- You have been receiving one of the benefits, or have been the partner of someone receiving one of the benefits, for the last 26 weeks (breaks of not more than 28 days are disregarded).

The basic eligibility condition has not changed.

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What are the new rules?

The maximum amount you can get will depend on how many people are in your household.

Households of different sizes are given different weightings. Household refers to the people included in your benefit claim.

There are three possible weightings:

- If you are the only person in your household your application has a weighting of one;
- A household containing you and your partner has a value of one and a third;
- A household containing you and at least one child aged 18 or under has a weighting of two and a third.

Your maximum possible loan is worked out by multiplying your household's weighting by a figure that reflects the money available in the year's budget. The figure may change periodically depending on how the budget is being spent.

E.g. If your household's weighting is one and a third and the figure based on the budget is £300, the maximum loan available is £400.

What is different?

Under the old rules, the length of time you had received benefit also affected the amount you could get. This condition has been abolished.

Extra weightings used to be added for larger households. A couple with a child would have a larger weighting than a single parent and a child, and any additional children also increased the household's weighting.

This principle has not changed.

What are the new rules?

Any existing budgeting loan debt will be taken off the maximum amount. E.g. If you already owe £150 and your maximum loan is £400, you would be left with a loan of £250.

If at the end of these steps your circumstances mean you cannot have a loan, your application will be refused.

The total you and your partner owe the Social Fund, including budgeting loans and crisis loans cannot be more than £1,500. E.g. If you owed £150 in budgeting loans and £350 in crisis loans and your partner owed a total of £400, you could borrow an extra £600.

If you and your partner have capital (such as savings or shares, or a house you own but do not live in) this may affect the amount you can receive. If both you and your partner are under 60 years old, anything over £1,000 will be taken off the loan you would otherwise receive. If either you or your partner is over 60, the capital you can have before it affects your loan is £2,000.

What is different?

Under the old rules twice the amount of budgeting loan debt would be taken off the possible maximum, so in the example opposite only £100 would be left.

The old rules included extra circumstances that could be taken into account to improve your chances of getting a payment, but these have been abolished.

Under the old rules the most you and your partner could owe was £1,000.

The limits used to be £500 for people under 60 and £1,000 if either you or your partner were over 60.

What are the new rules?

The smallest loan that can be awarded is £100.

You must be likely to be able to repay the loan. The Decision Maker will take account of your income, any existing Social Fund repayments and any other regular commitments you have.

What is different?

Under the old rules, the smallest loan was £30.

This principle has not changed.