Wordshop Benefits Update

November 2015

7 Tilton Court, Digby Road,
Sherborne, Dorset DT9 3NL
E: info@wordshop.co.uk
www.wordshop.co.uk

State benefits

- Following controversial proposals announced in the Summer Budget to alter Tax Credits, Chancellor George Osborne has promised to lessen the impact of the original plans. The reassurance comes after the House of Lords voted to delay the suggested measures in a landmark debate which has, in turn, sparked a review into the House's powers and whether the actions of the Lords have broken constitution.

  Originally intended to take effect in April next year, the changes would have seen the lowering of the threshold at which Tax Credits begin to be reduced (from £6,420 to £3,850) together with an acceleration of the tapered reduction. This would mean that benefit is reduced for many more claimants, and at a much faster rate, leaving an estimated 3 million families worse off just ten months after the announcement. There were concerns amongst MPs and Lords that the short timeframe outlined would not allow claimants to take action and budget for the impact, and research by the Institute for Fiscal Studies (IFS) suggested that on average, the cuts will leave affected families around £1,300 worse off per year.

  It has now been confirmed that the Autumn statement will be presented on 25 November, and it is expected that the Chancellor will cover his revised intentions for Tax Credits at that time. The statement will also incorporate the Government's spending review, outlining the Chancellor's future plans to remove the Budget deficit, and a forecast from the Office for Budget Responsibility (OBR).

  The State benefit rates for the coming tax year (in this case, April 2016 – March 2017) are expected to be made available either as part of the Autumn statement or shortly after it. These will be published in a subsequent issue of Benefits Update.

- The Department for Work and Pensions (DWP) has released latest statistics on Personal Independence Payment (PIP), which show an average clearance time of around 11 weeks for claims (six working days for terminal illness claims).

  During the period analysed, the majority of claimants took around four weeks to return the completed claim form (known as a 'PIP2' form), and the average time between a claim being referred to a PIP assessment provider and a decision being made was six weeks.

The statistics also covered Universal Credit (UC), the benefit which is currently being rolled out with the aim of replacing six existing forms of State benefit: Working Tax Credit, Child Tax Credit, Income Support, Income-based Jobseeker's Allowance, Income-related Employment and Support Allowance and Housing Benefit. The statistics showed that at 31 August 2015, there were 112,180 people in receipt of UC, as the rollout continues.

In the case of existing claimants of Housing Benefit and/or Child Tax Credit who are over Pension Credit age, the introduction of UC (which is classed as a 'working age benefit') will instead lead them to be moved towards a modified form of Pension Credit which will, in future, include elements for housing costs and dependent children. Originally intended to begin in October of this year, modified Pension Credit has been delayed and is now expected to become available during 2017.

- The Government's Work and Pensions Committee is conducting an enquiry into the provision of local welfare assistance. Aimed at investigating the interaction between national State benefits and local welfare assistance, the enquiry focuses on how well councils are processing claims and providing support following the Government's decision to abolish the discretionary Social Fund in 2013.

  The eligibility criteria set out by councils and the policy and administration of local welfare schemes will also be looked at, with a view to identifying any gaps in services and highlighting good practice.

- The State pension top-up scheme is now open and is available to men born before 6 April 1951 and women born before 6 April 1953.

  If you fall into this category and are interested in looking at whether you could top-up your weekly State pension (even if you are already claiming it), you can find out more at **www.gov.uk/statepensiontopup**. This site also holds an interactive calculator to help you work out how much the top-up would cost you.

General

- The introduction of new pension freedoms in April of this year has brought with it increased opportunities for scammers to target individuals who, as a result of the flexibilities, may have much larger sums of money in their bank accounts than usual. Action Fraud, the UK's national fraud and internet crime reporting centre, revealed that cases of pension liberation fraud (where a company claims to use legal loopholes to liberate pension savings which are otherwise unavailable) tripled in May, the month after the new freedoms were introduced.

  Pension liberation can attract huge tax bills for releasing pension savings unlawfully, and the Pensions Regulator launched its own campaign to crack down on these illegal practices in March.

  In addition to the existing scams, there has been a rise in investment scams. These involve the targeting of individuals who are persuaded to invest their significant savings in various 'schemes' (often identified as overseas property or fine wines). Alternatively, the approach may be made under the guise of carrying out a 'pension review', whereby an 'adviser' attends the home of a victim to discuss the pension options available to them. In this case, the person making the visit will try to gain information with which to access the fund.

  There are many websites which now claim that investing pension savings in certain products can generate a large return – these capitalise on the increasing number of people who are using the internet to research the options open to them. However, such sites and the companies behind them are often unregulated by the Financial Conduct Authority.

  If you are unsure of an offer or have been approached by an unsolicited adviser, please take care. You can find out more from the Pensions Regulator website at **www.thepensionsregulator.gov.uk**.

- On 27 October, the EU Parliament approved plans to scrap mobile roaming charges in the 28 EU member states, together with Norway, Iceland and Liechtenstein. The extra charges will end as of 15 June 2017, at which point the same costs will apply in these countries as those paid at home in the UK.

- The Consumer Rights Act 2015 came into force on 1 October, bringing with it clearer rules on refunds, faulty goods and the purchase of digital content.

  Customers who purchase faulty goods will be entitled to a full refund for up to 30 days, rather than the previous, vague condition that refunds could be made for a 'reasonable time' after the purchase. This will also protect customers from companies who try to stall or refuse a refund by attempting to repair or replace the item several times – the 2015 Act allows customers to request a refund or price reduction after one failed attempt at repair/replacement.

  To view the new Consumer Rights Act, visit the Government website: **www.gov.uk/government/publications/consumer-rights-act-2015**.

- The Financial Conduct Authority has revealed plans to introduce a time limit on Payment Protection Insurance (PPI) claims following a consultation on the subject.

  Having confirmed the implementation of a deadline date for PPI claims, the regulator has not yet published the actual date for the new deadline, but this is currently expected to be in Spring 2018.

- The Government has renewed calls to banks and energy firms to make switching quick and easy for customers, encouraging consumers to shop around for the best tariffs available to them.

  Under a set of 'Switching Principles' proposed by Business Minister Nick Boles, consumers should have access to their usage details and be able to switch between banks and other firms quickly, easily and without attracting a charge. Banking organisation the Competition and Markets Authority (CMA) has also informed banks that the switching process needs to be improved, following its investigation into the current account market.

  To find out more about the Government's proposed Switching Principles, visit **www.gov.uk/government/news/new-plans-to-make-switching-suppliers-easier-for-consumers**.

- The Government's Work and Pensions Committee has heavily criticised the new Pension Wise website which was launched earlier in the year to provide guidance on the new pension freedoms.

  Aimed at individuals who have defined contribution pension savings and who are looking to explore the avenues open to them as a result of the changes in the law, the website was declared 'not fit for purpose' by the Committee in October. Concerns were raised over the lack of an official research programme to monitor outcomes of those who use the service. The Committee also condemned the lack of published statistics with which to assess the volume of take-up of the guidance service since its launch in February.

- A major strategy to help consumers manage their money was published at the end of October, with the intention of addressing the 'stubbornly low levels of financial capability in the UK', which were highlighted by the Financial Capability Board (FCB) and the Money Advice Service.

  The ten-year strategy has been devised to improve individuals' understanding of key financial skills needed in everyday life, as research undertaken by the FCB showed that four in ten UK adults are not in control of their finances. As well as providing tools and guidance to assist adults to manage their money, the programme will include financial education in schools, to encourage children to learn effective money management, in a bid to prevent debt problems later in life.

  To find out more, or to see the wide variety of money management tools and information available, visit **www.moneyadviceservice.org.uk**.