

Factsheet 48 April 2009**Pension Credit**

This factsheet covers Pension Credit (PC), a benefit with two parts: Guarantee Credit and Savings Credit.

- Guarantee Credit is designed to make sure that people aged 60 and over have a guaranteed level of income. It is worked out by comparing your income with the amount the Government thinks you need to live on. This amount is known as the standard minimum guarantee.
- Savings Credit is paid to people aged 65 and over, who have made some retirement provision in addition to their basic State Pension.

The information in this factsheet is correct for the period April 2009 – March 2010. Benefit rates and other figures are expected to increase again in April 2010 but rules and figures sometimes change during the year.

The information given in this factsheet is applicable in England and Wales. Different rules may apply in Northern Ireland and Scotland. Readers in these nations should contact their respective national Age Concern organisations for information specific to where they live – see page 20 for details.

For details of how to order other Age Concern factsheets and information materials mentioned inside go to page 20.

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- the notification will explain to the claimant that the assessed income period set will continue indefinitely and while it is in place they do not have to tell the Pension Disability and Carers Service about changes to pensions, savings or investments.
- You can now claim Housing Benefit, Council Tax Benefit and Pension Credit in a single phone call, without needing to sign a claim form. The Pension Service will take the necessary information and send it on to the relevant local authority. This should make claiming simpler for thousands of pensioners.
- People on Pension Credit can now also spend up to 13 weeks abroad (up from four weeks) and keep their entitlement, bringing the rules broadly into line with those for Housing Benefit and Council Tax Benefit.
- From 5 January 2009, the upper limit that you can claim help for has increased to £200,000 for people who become entitled to Pension Credit within 12 weeks of them or their partner ceasing to be entitled to Income Support, Employment and Support Allowance or Jobseeker's Allowance and where that award included housing costs under the new rules.

2 What is Pension Credit?

Pension Credit is a benefit designed to ensure that people over the age of 60 have a guaranteed level of income (through the Guarantee Credit element) and people over the age of 65 are rewarded if they have made some retirement provision as well as their basic State Pension (through the Savings Credit element).

3 Qualifying conditions

To qualify for the benefit the following three conditions must be met.

- Age

To claim Guarantee Credit you will need to be over 60 years old and for Savings Credit you must be over 65 years old.

- Low income

For Guarantee Credit your income must not be above the standard minimum guarantee. There are different figures for couples and for single people (see 'Recent developments' above). For Savings Credit there is a cap to how much benefit you can receive. This is £20.40 for single people and £27.03 for couples.

- immigration requirements: you must not be subject to immigration control and must fulfil the residence requirements.

4 Income Support and Jobseeker's Allowance

Income Support is paid to people under the age of 60 who do not have to actively seek work – for example, carers and people who cannot work due to illness and disability. People under pension age who are unemployed and actively seeking work can claim Jobseeker's Allowance.

If you receive one of these benefits and are approaching 60 you should receive a letter four months before your 60th birthday explaining that you will need to claim Pension Credit instead. Men can remain on Jobseeker's Allowance until they are 65 or choose to claim Pension Credit.

5 Other benefits for people receiving Pension Credit

If you get Pension Credit you may also get Council Tax Benefit and, if you pay rent, Housing Benefit. If you are entitled to Pension Credit then you may also be able to get help towards housing costs if you are an owner-occupier through support for mortgage interest.

See section 9 *Housing costs* for more information.

6 Additional amounts paid

6.1 Severe disability

If you have a partner and you receive Attendance Allowance (or the middle or higher rate of the care component of Disability Living Allowance) you will not normally receive this addition as you will not be living alone.

But you can still receive it if:

- your partner also gets Attendance Allowance (or the middle or higher rate of the care component of DLA) or he or she is registered blind and
- you 'live alone' as described below and
- no one receives Carer's Allowance for looking after you.

If your partner also receives Attendance Allowance (or the middle or higher level of the care component of DLA) and neither of you has a carer receiving Carer's Allowance you will receive the double rate. If only one of you has a carer being paid Carer's Allowance you will receive the single rate.

'Living alone'

As mentioned above you count as 'living alone' if you live with someone else also receiving Attendance Allowance or the middle or higher care component of Disability Living Allowance or someone who is registered blind.

You also count as living alone if you live with a voluntary worker paid for by a charity, a boarder or someone under 18.

You may also count as 'living alone' if you jointly occupy your home with someone who is either the co-owner with you or your partner, or jointly liable with you or your partner to make payments to a landlord. But if this person is a close relative this rule will **not** usually apply.

Action

This is a complex area of law so if you need further information about whether you should be considered to be living alone, contact a local advice centre such as your local Age Concern or Citizens Advice Bureau.

6.2 Carers

In some circumstances a carer could receive an extra £29.50 a week through the carer addition but the person they care for would lose the severe disability addition (described above) which is worth £52.85 unless the carer is entitled to but not paid the Carer's Allowance because they receive a State Pension or other benefit instead. If you are not sure whether to claim Carer's Allowance seek advice first.

The carer addition will continue for eight weeks after you cease caring, for example if the person you cared for has died or has moved into a care home.

See Age Concern's Factsheet 55, *Carer's Allowance*, for more information.

Example

Mrs Jones is 70 and looks after her husband who gets Attendance Allowance. She applied for Carer's Allowance in May 2004 and was sent a letter saying she fulfilled the conditions but she could not receive it on top of her pension. She showed this to the social security office and now gets the extra amount for carers within the Pension Credit.

7 Working out how much Guarantee Credit you can claim

In this section we provide a step-by-step guide to what you need to do to see whether you will be eligible and, if you are, how much you will be able to claim. You may find it helpful to look at the examples provided to see how to work out parts of the calculation.

Guarantee Credit is worked out by comparing your income with the amount the Government thinks you need to live on. This amount is known as the standard minimum guarantee. This year the amount for single people is £130 per week and if you are a couple it is £198.45 per week.

If you add the standard minimum guarantee to any relevant additional amounts, it equals to the total amount you are due and is called the appropriate minimum guarantee. If you have any income, it is deducted from your appropriate minimum guarantee and the amount left is the amount of Guarantee Credit you can claim.

Action

If you have various incomes or you feel that your calculation may be too complicated, you can call the Pension Credit Helpline for help on 0800 99 1234 or contact your local advice agency, for example, Citizens Advice Bureau.

Step 1: Work out your appropriate minimum guarantee.

Your appropriate minimum guarantee is made up of the following:

- standard minimum guarantee for you (and your partner)
- additional amounts for severe disability, a carer and/or housing costs (see the table in section 1 for the additional amount figures).

Your appropriate minimum guarantee will increase if you or your partner start receiving a benefit such as Attendance Allowance, because this will mean that you will now be entitled to the severe disability additional amount. For more information on disability benefits please see Age Concern's Factsheet 34, *Attendance Allowance*, Factsheet 52, *Disability Living Allowance* and Factsheet 55, *Carer's Allowance*.

Example

Miss Johnston is a single person aged 62. She gets a State Pension of £95.25 but does not get any additional amounts for severe disabilities or caring. The amount of Guarantee Credit she will get is worked out here:

Appropriate minimum guarantee	£130
Minus income	£95.25
Guarantee Credit	£34.75

Step 2: What is your income?

Your capital is not taken into account in this calculation unless it is over £6000 (or £10,000 if you are in a care home) in which case every £500 is assumed to give you a weekly income of £1 (referred to as 'assumed income'). This applies to you regardless of whether you are single or in a couple.

Action

To check what capital counts towards this calculation see Age Concern's Factsheet 53, *Income and capital and means-tested benefits*.

Please note: From November 2009 the capital limit will increase from £6,000 to £10,000.

There are various types of weekly income that count towards this calculation including:

- pensions
- earnings
- income from annuities
- most social security benefits
- Working Tax Credit
- assumed income from savings
- rent from boarders or sub-tenants
- maintenance payments from a spouse or ex-spouse.

All income is assessed after deductions for tax and national insurance contributions and half of any contribution to an occupational or personal pension scheme. If you receive income without tax deducted but are due to pay tax on it later, get advice from your local Age Concern or Citizens Advice Bureau.

Income disregarded (ignored) altogether includes:

- Attendance Allowance and Constant Attendance Allowance
- Disability Living Allowance
- Social Fund payments
- voluntary or charitable payments (for example payments from a friend or relative)
- the special War Widow/Widower's Pension of £73.64 for 'pre-1973 widows (in addition to the £10 disregard for war widows and widowers outlined below).

Some parts of weekly income that do not count towards your income include:

- £5 of your earnings if you are single or £10 if you are a couple. A £20 disregard applies in special circumstances, such as if you or your partner are a carer or receiving certain disability benefits, or are registered disabled
- £10 War Widow's or Widower's Pension or a War Disablement Pension
- £20 of any payment from a sub tenant or boarder (lodger) and in the case of a boarder (lodger), half of any payment made above £20.

For Guarantee Credit, all your weekly income after any disregarded amounts is added together.

Example A

Mr Preston does not have any savings. He has a State Pension of £95.25 and since this is taken into account in this calculation it will form part of his income.

Example B

Mrs Bhatia has a State Pension of £95.25 and £7000 in savings. Her savings would form part of her capital. Since it is 2 x £500 over £6000, she would have a weekly assumed income of £2. Adding this to her pension will equal to £97.25. This would be her weekly income.

For more detailed information see Age Concern's Factsheet 53, *Capital, income and means-tested benefits* on how to calculate this figure.

Step 3: Deducting your income from your appropriate minimum guarantee (as calculated in step 1 and 2)

Calculation

Appropriate minimum guarantee – income = Guarantee Credit entitlement

Example

If Ms Darling's appropriate minimum guarantee is £182.85 (this figure includes a single person additional amount for severe disability of £52.85) and her income £97.25, then her weekly Guarantee Credit will be £85.60.

Appropriate minimum guarantee	£182.85
Minus income	£97.25
Guarantee Credit	£85.60

8 Working out how much Savings Credit you can claim

For Savings Credit there is a limit to how much benefit you can receive. This is £20.40 for single people and £27.03 for couples.

Unlike Guarantee Credit, there are a few types of income that do not count as 'qualifying income' for the Savings Credit.

Below is the calculation for Savings Credit. You can follow the steps to check if you might be entitled to it.

Steps 1 and 2

These are the same as for Guarantee Credit except that there are a few types of income that will not be included in the income calculation for Savings Credit.

If you added the following to your income for the Guarantee Credit calculation, you can deduct them for this calculation:

- Working Tax Credit
- Incapacity Benefit (now replaced by Employment and Support Allowance)
- contribution-based Jobseeker's Allowance
- Severe Disablement Allowance
- Maternity Allowance
- maintenance payments made by your spouse/civil partner or former spouse/civil partner.

Example

Mr Singh's total weekly qualifying income is £160.

This is made up of his State Pension of £95.25 and the rest is from his private pension. Because he is single and does not qualify for any extra amounts, his appropriate minimum guarantee is £130. Because his income is above his appropriate minimum guarantee he is not entitled to Guarantee Credit.

Step 3: Compare the Savings Credit threshold with your qualifying income (the income that can be included in this calculation – see step 2)

If your income is the same or less than the threshold amount that applies to you (see 'Recent developments' above) then you will not be entitled to Savings Credit.

If your income is higher than the threshold amount make a note of the difference for the next step.

Example

Here we will compare Mr Singh's qualifying income of £160 with his Savings Credit single person threshold of £96 (for the calculation go to the next step).

Step 4: Calculate 60% of the difference from the step 3

Example

The difference between £160 and £96 is £64 and 60% of this figure is £38.40. To work out 60%, divide by 10 and then multiply by 6 – for example, £64 divided by 10 is £6.40, and multiplying this by 6 gives £38.40. This is more than the maximum single Savings Credit figure of £20.40. Because of this, you can move to the next step.

If this difference is equal to or less than £20.40 this will be your Savings Credit entitlement.

Step 5: Calculate 40% of your total income that exceeds your appropriate minimum guarantee and deduct from your minimum Savings Credit figure to get your Savings Credit entitlement.

Example

Forty per cent of the difference between Mr Singh's income of £160 and his appropriate minimum guarantee of £130 is £12 (that is 40% of 30). To work out 40%, divide by 10 and then multiply by 4 – so £30 divided by 10 is £3, and multiplying this by 4 gives £12.

This £12 will then be deducted from his minimum Savings Credit figure of £20.40, which equals £8.40, and this will be his Savings Credit entitlement.

9 Housing costs

Your appropriate amount may also include an additional sum for certain housing costs, such as mortgage interest, if you own your own home. (Payments towards rent and service charges for tenants can be covered by Housing Benefit.)

The amount of help may be restricted if you have a loan of more than £100,000 or your housing costs are considered to be excessive. If you are getting Pension Credit or have been getting it within the last 26 weeks, you will only be able to get help with the interest on a new loan in certain specific circumstances. You can get more information on these circumstances by contacting the Pension Service. Seek advice before taking out a loan. Apart from the above restrictions, if you are aged 60 or over the housing costs that can be included are:

- mortgage interest if you are buying your home (but not the capital repayments, arrears or life insurance premiums linked to the loan)
- the interest on loans for certain home improvements and repairs
- ground rent for long leaseholders
- certain service charges.

Charges for alarm systems and wardens in sheltered housing, for example, are not covered because they are now covered by the Supporting People scheme, which also offers support to vulnerable people with:

- debt counselling
- life-skills training
- advice on paying bills
- provision of emergency alarms.

If you receive help with mortgage interest, this is normally paid directly to your lender. The amount is based on a standard interest rate and if this is less than your lender's rate you will need to make up the shortfall.

Please note

From 5 January 2009, the upper limit that you can claim help for has increased to £200,000 for people who become entitled to Pension Credit within 12 weeks of them or their partner ceasing to be entitled to Income Support, Employment and Support Allowance or Jobseeker's Allowance and where that award included housing costs under the new rules.

9.1 If you pay rent and/or Council Tax

If you receive Guarantee Credit you will be entitled to the maximum eligible amount of Housing Benefit and Council Tax Benefit.

This will often pay all your rent and Council Tax payments, although you may not get the full amount if non-dependants share your household or there are restrictions, for example because your rent is considered too high given your circumstances.

If you receive the Savings Credit but not the Guarantee Credit you may still get some help towards rent and Council Tax but not the full amount. This is because the Savings Credit is taken into account as income for the Housing Benefit/Council Tax Benefit calculation. But you will still be better off even though the overall gain may be quite small for some people.

If you make a claim for Pension Credit you should be asked if you also want to claim Housing Benefit/Council Tax Benefit. You will then be given a short three-page form, which means you don't have to give much of the same information to both the Pension Service and the local authority. If you claim Pension Credit over the phone the staff will fill out the Housing Benefit/Council Tax Benefit claim for you at the same time, and then send you the form to sign and post off to your local authority.

9.2 If you live in someone else's home

If you live in someone else's home, for example you live with your daughter and her family, your Pension Credit will be worked out in the normal way.

9.3 Boarders and hostel dwellers

If you live in a hotel, guest house, board and lodgings accommodation or a hostel, the Pension Credit will be worked out in the normal way. You will receive Housing Benefit to cover the rental element of your charges.

You will have to pay for meals, fuel, and other items not covered by Housing Benefit from your Pension Credit.

For more information see Age Concern's Factsheet 17, *Housing Benefit and Council Tax Benefit*.

10 **Care homes and paying for care**

People aged 60 and over living permanently in care homes may be entitled to Pension Credit.

In this situation a higher amount of savings is ignored – £10,000 instead of £6,000. Pension Credit will be taken into account as income but up to £5.65; (£8.45 for a couple) of the Savings Credit will be disregarded.

For more information see Age Concern's Factsheet 10, *Paying for residential care* and other related factsheets on residential care.

Action

If you wish to enter a care home, and you need financial support, contact your local authority. Your need for care will be assessed and a means test will be carried out and you will be encouraged to claim any benefits you are entitled to including Pension Credit.

11 **If you go into hospital**

If you are receiving the severe disability addition as part of your Pension Credit this will normally stop after 28 days in hospital when your Attendance Allowance or Disability Living Allowance stops. The Carer premium may also stop but otherwise your Pension Credit will keep going all the time you are hospital.

12 **If you go abroad**

If you go abroad your Pension Credit stops after 13 weeks. This came into effect in October 2008.

13 **How to claim Pension Credit**

If you want to make a claim for Pension Credit there is a free telephone number you can use to ask for a claim form or to make a claim: 0800 99 1234; textphone: 0800 169 0133. Someone will help you apply over the phone and will let you know what happens next, or if you prefer, you can ask to be sent a form to fill in. A home visit can be arranged if needed.

The line is open from 8am to 8pm Monday to Friday and 9am to 1pm Saturday. You can also download a claim form from the website: www.dwp.gov.uk; or get one from a local Pension Service outlet or some advice agencies.

For more information about making a claim for Pension Credit contact the Pension Service on 0800 731 7898 (free call). This is a central number that routes callers to their local Pension Service office.

You can now claim Housing Benefit, Council Tax Benefit and Pension Credit in a single phone call, without needing to sign a claim form. The Pension Service will take the necessary information and send it on to the relevant local authority.

You will be asked to provide evidence to support your claim within one month of making your claim. You could post a copy of it to the Pension Service. The evidence you will be asked to provide will be related to your current situation, eg income as shown in bank statements or future changes in circumstance, for example evidence that you are going through a divorce.

14 **Backdating**

Pension Credit can be backdated for up to three months as long as you have satisfied the entitlement conditions during that period.

You can claim Pension Credit up to four months before you are 60 (or 65 for Savings Credit).

15 **Changes of circumstances and reassessments**

When you receive a letter about your Pension Credit award it will tell you whether an 'assessed income period' (AIP) has been set. If it has this will mean that during the period stated (normally five years but it may be more or less) you will not need to tell the Pension Service if your 'retirement provision' changes. By retirement provision the Pension Service means income from sources such as pensions, annuities and savings.

From April 2009, people aged 80 or over who apply for Pension Credit will normally be given an AIP that lasts indefinitely, and those whose Assessed Income Period runs out after they reach 80 will not normally need to be reassessed. The indefinite AIP will not apply to someone aged 80 and over who is given a shorter AIP. But even if you are 80 years or over there are still some changes that will bring an assessed income period to an end (as described below).

Adjustments will be made for any regular increases to your State Pension and private pensions so the Pension Service will ask you about increases when you apply. For example, if your occupational pension is increased each April in line with inflation the Pension Service will make an adjustment automatically.

Thus you don't need to report increases in your retirement provision (for example a lottery win) if you have an AIP. But if you get help with rent (Housing Benefit) and/or Council Tax Benefit and you receive only the Savings Credit part of Pension Credit you need to tell the local authority if your savings go over £16,000 – whether or not you have an AIP.

If your income goes down you can ask the Pension Service to look at your claim again. For example, if you have savings over £6,000 and spend some of this you may be entitled to more Pension Credit.

See Age Concern's Factsheet 53, *Capital, income and means-tested benefits* for more information on deprivation of capital and income.

Even if an assessed income period has been set there are still changes that you will need to report such as: getting married; being widowed; going into hospital; or starting to receive a new social security benefit.

An assessed income period will not be set if you are under 65 or in certain other circumstances (for example, if your spouse is under 60). In this case you will need to report changes in your retirement pension income as well as the other changes. An assessed income period may be set at a later date.

An assessed income period will also end before the planned date if:

- you start to be treated as a member of a couple
- you stop being treated as a member of a couple (for example if your partner dies or goes permanently into a care home, or you or your partner are in hospital for more than a year)
- you go permanently into a care home
- you stop getting a pension or annuity
- your entitlement to Pension Credit ends
- you or your partner reach the age of 65.

16 **Payment**

Pension Credit is a weekly benefit. You can be paid Pension Credit by direct credit transfer into a bank, building society or post office account or by cheque.

17 **Useful organisations**

● **Benefit Enquiry Line**

Government-run information line about benefits for people with disabilities, carers and representatives.

Tel: 0800 88 22 00 (free call), textphone: 0800 24 33 55 (free call)

Website: www.direct.gov.uk/disability-money

● **Citizens Advice Bureau**

National network of free advice centres. Depending on available resources may offer benefits check and help filling forms.

Tel: 020 7833 2181 (for local contact details only – not telephone advice)

Website: www.adviceguide.org.uk

● **Disability and Carers Service**

Responsible for administration of Carer's Allowance, Attendance Allowance and Disability Living Allowance

Tel: 0845 7 12 34 56 (lo-call rate)

Website: www.dwp.gov.uk/lifeevent/benefits/dcs/

● **Carers UK**

National charity working on behalf of carers. Offers wide range of information on carers' rights and sources of help and contact details for local carers' support groups.

Tel: 0808 808 7777 (free call)

Website: www.carersuk.org

● **Pension Service (The)**

For details of state pensions, including forecasts and how to claim your pension.

Tel: 0845 60 60 265 (lo-call rate)

Website: www.thepensionservice.gov.uk

18 **Further information about Age Concern**

Visit the Age Concern website, www.ageconcern.org.uk, or call our national Information Line on 0800 00 99 66 (free call) if you would like:

- to order copies of any of the Age Concern information materials mentioned in this factsheet
- to request information in large print
- further information about our full range of information products
- contact details for your nearest local Age Concern.

Books from Age Concern

Age Concern publishes a wide range of books for older people and those who care for and work with them. The following title may be of particular interest:

Your rights to money benefits 2009-2010. All you need to know about the full range of benefits for the over 60s. £5.99 (available June 2009).

To order this book, or to view our full range of books, please visit our website www.ageconcern.org.uk/bookshop or call our book order line 0870 442 2120 (lo-call rate).

Age Concern and Help the Aged

Age Concern England and Help the Aged have joined together to form Age UK, a single charity dedicated to improving the lives of older people.

Age Concern and Help the Aged across the UK

To find out more about Age Concern and Help the Aged's work in Northern Ireland, Scotland and Wales, contact:

Age Concern Northern Ireland

Tel: 028 9032 5055

Website: www.ageconcernni.org

Scottish Helpline for Older People (Age Concern Scotland)

Tel: 0845 125 9732

Websites: www.olderpeoplescotland.org.uk

www.ageconcernscotland.org.uk

Age Concern Cymru & Help the Aged in Wales

Tel: 029 2043 1555

Website: www.accymru.org.uk

Support our work

Age Concern is the largest provider of services to older people in the UK after the NHS. We make a difference to the lives of thousands of older people through local resources such as our befriending schemes, day centres and lunch clubs; by distributing free information materials; and through our national freephone helpline – the Age Concern Information Line 0800 00 99 66.

If you would like to support our work by making a donation please call Supporter Services on 020 8765 7527 (national call rate, Monday to Friday 9.15am–5pm) or visit www.ageconcern.org.uk

Legal statement

Age Concern England (charity number 261794) has merged with Help the Aged (charity number 272786) to form Age UK, a charitable company limited by guarantee and registered in England: registered office address 207-221 Pentonville Road, London, N1 9UZ, company number 6825798, registered charity number 1128267.

Age Concern and Help the Aged are brands of Age UK. The three national Age Concerns in Scotland, Northern Ireland and Wales have also merged with Help the Aged in these nations to form three registered charities: Age Scotland, Age Northern Ireland, Age Cymru.

Disclaimer and copyright information

This guide is not a comprehensive statement of the law in this subject and Age Concern and Help the Aged cannot give individual legal or financial advice. Some rules may have changed since the publication of this guide. If you have any queries that this guide does not answer, seek further advice from one of the organisations suggested.

Please note that the inclusion of named agencies, companies, products, services or publications in this factsheet does not constitute a recommendation or endorsement by Age Concern and Help the Aged. While every effort is made to ensure accuracy, Age Concern and Help the Aged cannot be held responsible for errors or omissions.

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