Apportionment & Universal Credit (UC)

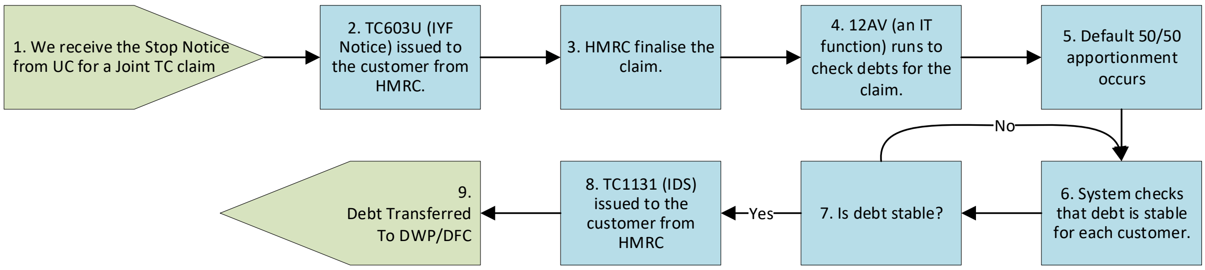
What is apportionment?

Apportionment is simply where we take a Tax Credit debt from a joint household and apportion it between the customers. Where UC is concerned, this takes place automatically and defaults to a 50/50 split. This occurs even if a portion of the debt has already been re-paid by either customer.

Why do we need apportionment for UC?

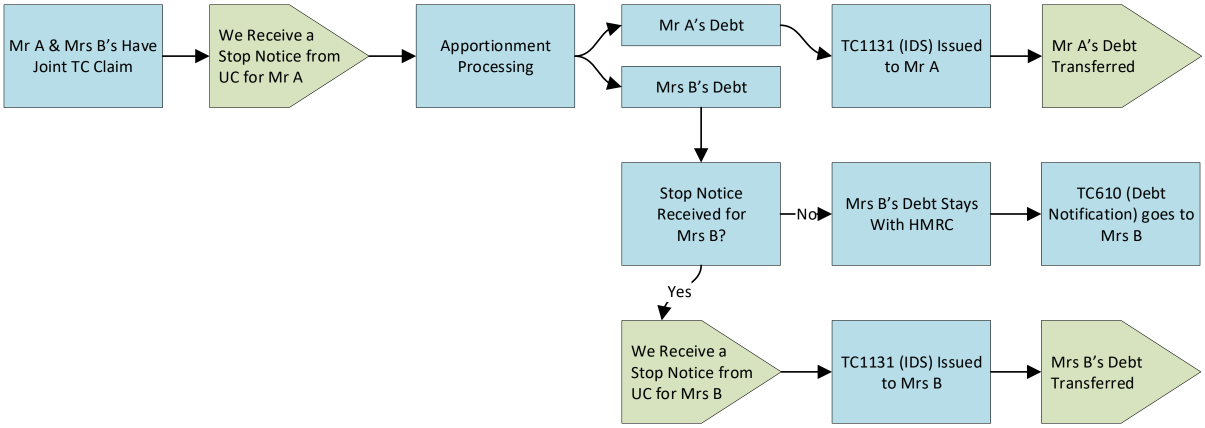
In UC, claims are managed on an individual level, even where multiple claimants form a household. Because of this Department for Work and Pensions & Department for Communities (for NI) need HMRC to split up the debt and assign it to individuals prior to transfers taking place.

High level view



The process map above provides a very simplistic high-level view of the processing that takes place following the receipt of a UC stop notice. As mentioned earlier UC claims are handled at an individual level, this means when a stop notice arrives in HMRC it only triggers debt transfer processing for that individual. The stability rules are explained in more depth in the 'Things to note' section of this document below

Example



In the example above you can see that the initial stop notice only acts on Mr A's debt, this remains true even if Mr A and Mrs B both claim UC together. It is perfectly normal for there to be some time in-between the arrival of a stop notice for each applicant. As an example, one of the primary drivers for this gap is that a stop notice can only be issued to HMRC once the individual's identity has been confirmed and verified.

This same process also applies to historic claims i.e. Mr A previously claimed Tax Credits with an ex-partner, if there is still a debt outstanding it will be apportioned and transferred once it becomes stable.

Things to note

- In April 2020 the debt transfer process was turned off due to the outbreak of COVID-19, from that point HMRC stockpiled debts for processing at a later date. The reintroduction of the processing was slowly phased in towards the end of 2020 and is expected to continue until June 2021.
- Because of this stockpiling, further delays between each claimants TC1131's (IDS) are to be expected where they have both claimed UC.
- **Stability Rules** – A debt can only transfer to UC once it has become stable, this is defined by a set of business rules that must be met prior to any transfers taking place. An example of some debt instability rules are:
    - The customer is still within the window of the right to appeal the decision or dispute their OP
    - There is an open appeal on the year a particular debt applies to
    - The debt is with a collection agency

  The stability rules are run on a per debt basis, meaning a customer may have a mixture of stable and unstable debt. The customer will receive a further TC1131 (IDS) each time an additional debt becomes stable.
- Apportionment is not fixed. If a customer has paid some or all of their fair share of a joint debt, they can request that HMRC Debt Management re-apportion the debt to fit their circumstances i.e. 30/70 or 0/100. You can find this guidance in the TC CAG by searching for 'Debt transferred to DWP' of via the link above.
- Keep in view this is just a high-level document covering one potential customer journey. If you need support for other scenarios please check the TC Debt lines to take and if not covered there please raise it via your TC Debt SPOC or the TC Debt Q&A log.