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## How to apply for Third Party Payments

A guide for new creditors

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## How to apply for Third Party Payments – A guide for new creditors

### **1. What are 'third party deductions'?**

Benefit customers should normally meet their household expenses from their income, like everyone else. But in some cases, the Department for Work and Pensions (DWP) can deduct money straight from a customer's benefit to clear debts. These are called 'third party deductions'.

The third party deduction scheme is for a vulnerable minority of benefit customers who have got arrears of essential household costs and haven't budgeted for their debts. Third party deductions are only used if there's no other way to clear the debts without putting the welfare of the customer or their family at risk.

Third party deductions can't be made on request simply for the creditor or customer's convenience. They must show that all other attempts to budget properly have failed (such as payment plans, and changing the frequency or amounts of payments).

### **2. Why are third party deductions used?**

The main use of third party deductions is as a last-resort protection for vulnerable customers in debt. By helping people with debt management, it helps them become more responsible with their finances. Third party deductions are only made where it is in the interest of the individual or family – to avoid the severe hardship caused by eviction or disconnection of utilities, and preventing imprisonment for the non-payment of council tax or fines.

Creditors (including landlords) must always first take reasonable action to help their customer with arrears.

To have third party deductions, the customer must get:

- Income Support
- Income-based Jobseeker's Allowance
- Pension Credit, or
- Income-related Employment and Support Allowance.

In some cases, third party deductions can be made from other benefits based on National Insurance contributions (Jobseeker's Allowance and Employment and Support Allowance). But only to meet the customer's financial obligation or where they'd qualify for an income-based benefit if they weren't getting a contributions-based one.

### **3. How the scheme works**

Under the scheme, DWP deducts a set amount from the customer's benefit and pays it direct to the creditor until the debt's cleared. Deductions are usually to clear arrears of housing, fuel and/or water costs.

The amount DWP can deduct is regulated. At September 2009, the rate is £3.25 per item. If there's more than one deduction, the maximum amount DWP can deduct is £9.75 (three deductions).

Once a debt is paid off, a third party deduction will usually end. In some cases where the customer obviously can't manage their money, a deduction may continue to cover ongoing costs. This only happens if there's no alternative. For ongoing fuel or water costs, DWP can change the amount deducted based on the current amount used by the customer and billed by the supplier.

### **4. Types of costs that the scheme covers**

The types of costs covered by the scheme are rated in order of importance. This is about the amount of risk to the customer or their family if the costs aren't met any other way. The scheme covers:

- housing costs, including miscellaneous accommodation costs
- hostel charges
- rent arrears (including service charges for heating or lighting)
- fuel costs,
- water charges (water then sewerage if two debts)
- council tax and community charge arrears
- fines
- Child Support maintenance (under the old scheme).

### **5. What can be included in the debt**

The total debt can include gas or electricity reconnection charges, or legal costs because of the debt.

### **6. Preventing further debt**

If a customer has a third party deduction to clear a debt, and must still pay ongoing costs, DWP can deduct a further amount to stop more debt building up.

## 7. Who can apply and how to apply

Two groups can apply to the scheme:

- customers (or their appointees), and
- creditors, suppliers or landlords.

There's a standard application form for creditors to request third party deductions (see Appendix 1). Send the completed form to the centre for the area where the customer lives – the pension centre for Pension Credit and the benefit delivery centre for all other benefits. Find the address online and input the **customer's postcode**.

» [Pension Credit cases – find pension centre](#) (Directgov) <sup>1</sup>

» [Other cases – find benefit centre](#) (Jobcentre Plus) <sup>2</sup>

## 8. Information we need to know from the application

DWP must be able to identify the customer from the details on the application for deductions. This should include the following as a minimum:

- name and address of the customer
- the customer's date of birth and National Insurance number (if known)
- name and address of the creditor making the application
- type of benefit being paid to the customer (if known)
- other payment methods which have been tried, and
- details and amount of the specified arrears.

DWP may need to contact the creditor for further information about the debt so we can make a decision. We may ask:

- to confirm the amount of the debt
- how much is needed to cover current consumption costs, or
- for any other information we need to process the application.

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<sup>1</sup> <http://pensions.direct.gov.uk/en/find-pension-centre/>

<sup>2</sup> [http://www.jobcentreplus.gov.uk/JCP/Aboutus/Ouroffices/Search/LocalOfficeSearch.aspx?type=2&name=Benefit Delivery Centre](http://www.jobcentreplus.gov.uk/JCP/Aboutus/Ouroffices/Search/LocalOfficeSearch.aspx?type=2&name=Benefit%20Delivery%20Centre)

## 9. Consent for deductions

Jobcentre Plus will ask for the customer's consent before making deductions where the total amount of all Third Party Deductions (including any amounts to cover current costs), exceeds 25 per cent of the benefit amount. These include the following costs:

- housing cost arrears (not covered by the Mortgage Interest Direct (MID) Scheme)
- rent arrears
- fuel costs (including arrears), or
- water charges (including arrears).

## 10. How DWP decides about third party deductions

To decide whether or not third party deductions are appropriate, DWP will consider:

- Is the customer getting one of the specified benefits? (see section 2)
- Is there a threat of court action, eviction or disconnection?
- Are there outstanding arrears?
- Is the customer or their partner liable for the debt? A customer **or** their partner will normally be liable for the debt if named on the bill, whilst they remain a couple. There may be occasions where we can't make third party deductions, for instance deductions may not be made if the debt is the responsibility of a partner who has left the customer (unless the partner is eligible for third party deductions in their own right),
- Is it in the interests of the family?
- Will the customer be left with sufficient amount of benefit (10p benefit) in order to qualify for passported benefits?
- Does the debt take priority over other debts?
- Are there three third party deductions already being made? If so, we'll check the priority list (see section 4). If the new debt is more important than the three already being deducted, the least important deduction will stop.

## Appendix 1 – Application for Third Party Deductions

To: The Manager Jobcentre Plus/Pension Service (Address)	From: Creditor name, address and telephone number
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<b>About the Customer</b>	
Your Customer's Name	
Name of customer receiving benefit or pension credit (if different)	
Customer's Address	
Customers phone number	
National Insurance number of customer receiving benefit or pension credit (if known)	
Date of birth of customer receiving benefit	
<b>Customer participation</b>	
Does the customer know that this application is being made?	Yes or No
Is the customer receiving the required benefit/entitlement?	Yes or No. If yes, which benefit?
Has the customer failed two payment plans on this debt?	Yes or No.
Is the customer due to receive a threat of court action?	Yes or No.
<b>Debt outstanding</b>	
What is the debt for?	
How much is the debt?	
Tell us about any other payment methods which have been tried and how or why they have failed.	