

THIS TRANSCRIPT IS ISSUED ON THE UNDERSTANDING THAT IT IS TAKEN FROM A LIVE PROGRAMME AS IT WAS BROADCAST. THE NATURE OF LIVE BROADCASTING MEANS THAT NEITHER THE BBC NOR THE PARTICIPANTS IN THE PROGRAMME CAN GUARANTEE THE ACCURACY OF THE INFORMATION HERE.

MONEY BOX LIVE

Presenter: PAUL LEWIS

TRANSMISSION: 28th MARCH 2012 3.00-3.30 RADIO 4

LEWIS: Hello. April may well be the cruellest month this year for those relying on state benefits: rules are changing, entitlements will be ending, some benefits are frozen, many will be rising less than expected, millions of over-65s will see their pension credit actually going down from last year. That's because next month sees a rare combination of the annual rise in benefits in line with inflation, but overlaid by the implementation of numerous cuts and changes to benefits to reduce the cost of welfare to the state. Letters are going out to parents who receive child tax credit, warning them they have no claim from April. But there are suggestions some of these letters may be misleading. Perhaps you've had one. Pension credit, as I said, will be going down for a couple of million people over 65. About 30,000 may lose it altogether. Housing benefit rules will be tougher, especially for those aged 25 to 34. Disability benefits will have new criteria and lone parents will soon be expected to start looking for work when their youngest child reaches 5. Now those changes are before the ones promised in the Budget last week - a flat rate state pension, a new tax charge on child benefit for high earners - and another £10 billion of welfare cuts still to be announced. So whatever your question on benefits, why not call Money Box Live now? 03700 100 444. With me today to answer your questions: Phil Agulnik is Director of the online benefits calculator Entitledto.com; Eddy Graham is Advice and Rights Manager at Child Poverty Action Group; and Sally West is the Strategy Adviser at Age UK. Our first question is from Mick who's in Crawley. Mick, your question?

MICK: Paul, good afternoon. I wanted to talk to you about ESA. I'll be as brief as I can.

LEWIS: This is employment and support allowance.

MICK: That's correct. In 2009, I lost my job as a switchboard operator (I was 57) and I applied for incapacity benefit, which is now ESA, and I was put in a work related group.

LEWIS: And Mick, just so people know. Why are you entitled to have an incapacity benefit?

MICK: Because I don't have any sight. I'm completely blind.

LEWIS: Right, okay.

MICK: So I got put in a work related group. Now on March 9th this year, I got a call from the DWP stating that as from April 30 I'll lose all entitlement to my ESA. And I just wondered ... I mean I'm sure that's correct, but are there any other sort of benefits that I might be able to claim really?

LEWIS: Okay. Eddy Graham, there are changes, aren't there?

GRAHAM: Yes, Mick, unfortunately you're going to be one of the many people affected by the time limiting of contributory ESA, and the department is intending to write to all these people in the run-up to the change notifying them that the benefit's going to come to an end. Now your options are unfortunately quite limited. The time limiting doesn't apply to people who are in the support group, so if there's a chance that you could be put into the support group rather than the work related group ...

LEWIS: Just tell us what those two groups are. Employment and support allowance is replacing incapacity benefit ...

GRAHAM: Yes.

LEWIS: ... and you're divided into two groups - people who might work, people who can't.

GRAHAM: Yes the work group is the group who the Government think would be able to work with the right kind of assistance; and the support group, which is around 5% of all people on ESA, so it's a very tightly defined group, is people who the Government believe can't work and it's not reasonable to expect them to work. Your other option, Mick, is if you could qualify for the income-related allowance because there will be some people like yourself who are maybe receiving a contributory element ...

MICK: Yes, that's correct.

GRAHAM: ... and because the amounts for the contributory and the income-related element are the same. So do you have any other income, Mick, other than your ESA?

MICK: No I don't, but I suspect what'll snooker me are savings because is that means tested?

GRAHAM: It is means tested. So, for example, if you've got savings over £16,000, you'd be ruled out completely.

MICK: Right. Yeah it's over that - yeah, yeah.

GRAHAM: Whereas if your savings were somewhere between £6,000 and £16,000, you might be entitled to some.

MICK: An amount, an element, yeah.

GRAHAM: I mean the other ... Do you receive disability living allowance?

MICK: Yes I do, but we're having a battle you see. It all seems to be battles. We're having a battle because of PIPs coming in and in fact we saw our MP last week ...

GRAHAM: Yes.

LEWIS: Somebody's going to have to explain to everyone else listening what PIPs are at this stage. *(laughter)*

GRAHAM: Well Mick receives a benefit called disability living allowance, which is to help disabled people cope with the extra costs of disability. The Government from next year is replacing that for working age people with a benefit called the personal independence payment. And the purpose of the change is quite explicit. It's to save money and roughly 20% of the expenditure on people on DLA won't qualify for the personal independence payment.

MICK: Yeah that's what we hear, that's what we hear.

LEWIS: And just to go back to ESA. At one time incapacity benefit and employment support allowance, because you'd paid contributions you could get until that condition ended. Now it's being time limited and that barrier is starting on 30th April under the new Welfare Reform Act. That's the position, isn't it?

GRAHAM: Yes. Unfortunately yes those people who've already been in receipt of contributory ESA for more than the 12 months by the time you get to 1st May, their benefit will end straightaway. So time already spent receiving the benefit before the law was changed, so it's been retrospective, and it is quite a punitive change. It will save the Government money, but, as you say Paul, people who've worked long for many years are now getting less for their contributions.

LEWIS: Phil Agulnik?

AGULNIK: Just to say that when you reach female state pension age, which is

increasing between now and the end of the decade but it's going to be 61 from this 6th April and will grow steadily upwards over the next couple of years. But when you do reach that age, you could qualify for pension credit and that's got more generous capital rules. And in fact if you qualify for the guarantee element, which is what you can get if you're on a low income, there is no upper capital limit. So it won't help you now, but it could help you in the future.

LEWIS: May I ask how old you are, Mick?

MICK: I'm 60 in 3 weeks.

LEWIS: Right, so you'd have to wait till probably another 15, 18 months before ...

MICK: Yes.

LEWIS: And then at 65, Sally West, you can get extra through what's called the savings credit, can't you, on pension credit?

WEST: Yes pension credit guarantee works like many of the other means tested benefits and brings your income up to a set amount, which, as Phil says, it's higher for older people on pension credit than it is for the means tested benefits for younger people. But on top of that, there's something called the savings credit, which can provide additional payment for people who are 65 and over who have perhaps sort of slightly higher incomes through maybe savings or private pensions. So that can bring people up to a higher level.

LEWIS: Right, well I'm sure everyone listening who's not ever had to claim benefits thinks they probably need a degree to understand all this. Can I just say if you think you might be able to get a means tested benefit, then Entitledto.com, which is Phil Agulnik's website, is free and it will help you work out what you're entitled to. And that's not just these benefits, but anything that's means tested - including tax credits, doesn't it?

AGULNIK: That's right.

LEWIS: So do try Entitledto.com. Mick, I'm sorry you're going through all these problems, but I hope we've been of some help anyway. I should also say at this point that you can listen again to the programme for all the tricky bits you missed, and there will be a transcript in a few days time that you can actually read either onscreen or print off in paper form. Now we're going to Jessica in the Midlands, it says here. Jessica, what's your question?

JESSICA: Hi, my question's about child benefit. My partner lives with me in my house and his taxable earnings are about £65,000 a year. He's about to start paying maintenance to his ex-wife of £25,000 a year, plus he will also be paying her annual mortgage of about £9,000. So before tax, the amount of his income that's left for our household is about £31,000. If we have children and I claim child benefit, will he have to pay it all back through his tax return?

LEWIS: Right, well that's one of several child benefit questions. Can we also ... Well no, we'll come onto the email I've got in a minute. The new rules on child benefit. Who wants to tackle those? Phil? And these start of course on 7th January 2013, don't they?

AGULNIK: That's right. In 2013, it's going to be 13 weeks of child benefit that's affected, and then from the following tax year it will be all of your child benefit. I'm afraid the answer is you will be affected by this change. It's based on your taxable income of you or your partner and so you will get hit. I'm sorry about that.

JESSICA: One piece of advice we were given was that the maintenance that he would be paying to his ex-wife would then be taxed as her income and that he wouldn't have to pay income tax on that £25,000. Is that incorrect?

GRAHAM: It is incorrect, yes. I mean the person receiving maintenance, it's not counted as taxable income; but the person who pays it, you're not allowed to basically offset it against your income tax.

JESSICA: Okay. So despite the fact that her household is supported entirely by him and our household was left with very little, it's me who will get punished and she will continue to receive her child benefit?

LEWIS: Yes I mean technically Jessica, it's not you. You can still claim child benefit ...

JESSICA: I know, but then he'll have to pay it ...

LEWIS: ... but he will have to pay extra tax equivalent to the child benefit you get.

JESSICA: So there will be no point in me claiming child benefit.

GRAHAM: Well the point ...

LEWIS: There might be. Can we come onto that, Eddy, just before you explain?

JESSICA: I know. Then national insurance and ...

LEWIS: (*over*) That's right. Let me just read this email out. Stay on the line, Jessica. Let me just read this email from Ann who says she can't listen, though she can listen again of course on our website. She's collecting her children from school. If the husband is earning over £60,000 so child benefit stops, what happens about national insurance credits? Eddy, you were about to explain that, I think, but that's an email from Ann.

GRAHAM: Yes, well as long ... It is important actually for people who will be affected by this - and normally it will be the mother basically - that they continue to claim child benefit because if they just think what's the point, we're going to lose it in tax, they won't get their national insurance contributions towards the state retirement pension. So although the Government initially responded by saying well this complexity could be avoided by people simply not claiming it, that's not good advice

because otherwise people will lose out. And of course another complication is that it will push another half a million people into self-assessment of tax. So Jessica and many others unfortunately are caught up with the new complexities brought in by this you know completely unnecessary and retrograde step with child benefit.

LEWIS: And as we've said before, Eddy, on Budget Call - I think we said last week - even perhaps less attractive than the position Jessica's in is if someone's already got children and a man earning more than £60,000 moves in with that person, he will be taxed on her children's child benefit even though those children are somebody else's.

GRAHAM: Yes, it's you know the complication of taxation being based on an individual basis and benefits historically are dealt with as a household.

LEWIS: Jessica, thanks very much for your call and thanks to Ann. I should say on child benefit, the very, very nitty-gritty detail will be published later in the year, but we do know most of what's going to happen. But we'll no doubt be returning to it then. Thanks, Jessica. I hope you get that sorted out. Our next caller is Philippa who's from Andover. Philippa, your question?

PHILIPPA: Hello, good afternoon. Yes it's about deferring, drawing state pension. I was 60 in February 2010 and have deferred drawing my state pension, and the value I believe increases approximately 10.4% per annum. So by 2016 whereas at the moment I will be entitled to approximately £120 a week, by 2016 it'll be £195 a week if I don't draw it. Now is that then going to be affected and brought back down to £140 a week or does it not affect you know current existing pensioners even if you don't actually draw it?

LEWIS: Again we're waiting for the full details from the Government later in the year, but I think we're pretty sure about this one, Sally, aren't we?

WEST: Yes, I mean the flat rate pension was first proposed about a year ago now, we had a paper, but we've just had further confirmation from the Chancellor in the Budget that there will be more detailed proposals very soon. But the intention all

along has been that it will only apply to people who reach state pension age after it comes in, so if it comes in in 2016 then it will be for people who get to state pension age after that date, so that won't affect you.

PHILIPPA: Fine.

WEST: Yes so there will be people of course who have got lower pensions who will miss out. But I suppose the other point for other people listening is that you mentioned that it's possible to have a pension of higher than £140 from the current system, although we expect that £140 to be a bit higher when it finally does come in (that's a figure from a couple of years ago), but the other thing that the Government has said is that if somebody's already built up pension of more than that amount - perhaps through their basic pension and the state second pension - they won't get less than they've already built up. So if the pension comes in in 2016 and you're going to reach state pension age in a couple of years time and you've already built up say £160, then that will be honoured. You just won't be able to build up any more once the pension comes in.

LEWIS: Yes, but the exact details of how they will protect them of course we're waiting to hear in the paper that's forthcoming, aren't we?

WEST: I'm afraid, like probably most of the questions we'll get asked today, it's another one where there's a lot of complexities. But hopefully in the next couple of months we'll have a paper with more firm detailed proposals.

LEWIS: So, Philippa, it won't affect you because you're already over state pension age and you're safe to defer your pension as long as you like. And, Sally, just remind us about those rules about deferring the state pension because we've had other calls and emails about this, I know. It is something that people do if, like Philippa presumably, they're quite happily working and they don't need their pension.

WEST: Yes that's right. When you get to state pension age, you don't have to draw your state pension. You can defer it, so put off drawing it. And then when you do

decide to draw it, you can either get a higher pension - as Philippa says it goes up by just over 10% a year on the basis of deferring it for a year - or if you put it off for more than a year, you can get a lump sum instead. So when you get to make that decision about drawing your pension, you can choose whether you have the higher income or the lump sum. And an advantage with the lump sum is that it isn't taken into account for means tested benefits like pension credit.

LEWIS: Okay, that's very helpful - thanks. Okay, thanks very much for your call, Philippa. And we're going to Bill now who's in Southampton. Bill, your question?

BILL: Oh hello, thank you for taking the call. My daughter's about to finish a year's maternity leave and she was wondering if she could claim jobseeker's allowance because the job she has been sort of doing for the last couple of years is quite a distance away and it would be quite a problem for her to - for many reasons - to get to and from, commute for example from Southampton to Chichester. So she was wondering if she would be penalised if she were to leave her present company for whatever reason - whether dismissed, made redundant or just asked to leave - by the people at jobseeker's allowance, the job centres?

LEWIS: Eddy Graham?

GRAHAM: Hi Bill. Can I just ask a question? Is your daughter, does she have a partner? Is she married or is she ...?

BILL: She is married, yes.

GRAHAM: And does her husband work?

BILL: Her husband works, yes.

GRAHAM: Okay, okay. So basically yes, she would be looking to claim contributory JSA and she wouldn't have any problems with her contributions because she's been

off on maternity leave. I suppose she would have a problem basically as to whether or not ... if effectively what she would be doing is resigning her employment ...

BILL: (*over*) That's right.

GRAHAM: ... as to whether or not she had just cause for giving up her job. And the DWP generally take the view that the fact it's kind of costing you money to go to work or you won't earn as much money even because of additional costs as you'd like to from your job isn't treated as just cause. If your daughter has kind of insurmountable childcare issues which would affect her ability to take the job or to go back to work, then she can always put those forward as grounds. But I think if she made a claim in the first instance, the DWP would be likely to make a decision to refuse, to basically suspend her benefit for a period of up to 26 weeks.

BILL: So they wouldn't be sympathetic towards her then?

GRAHAM: I think it depends how well, what kind of stories she can tell as to kind of like the difficulties she would have, but she'd have to be prepared for the fact that they would probably refuse the claim in the first instance.

BILL: Right.

LEWIS: Phil Agulnik?

AGULNIK: This won't help her in relation to jobseeker's allowance where it sounds unlikely that she'd qualify, but she should also consider whether if she doesn't return to work whether she'll need to repay some of her maternity leave. So she may want to return to work for a period and then if it proves difficult to keep going with the childcare, leave work then. She probably won't qualify for jobseeker's allowance, but it might be worthwhile going back for a period.

LEWIS: Okay.

BILL: I don't believe she had the enhanced maternity leave allowances. The bare minimum.

GRAHAM: Well yeah it's only sort of contractual maternity pay over and above what's in your contract.

LEWIS: But it sounds as if there might be a bit of a struggle over jobseeker's allowance. And they won't pay it for 26 weeks. Does it then start from the beginning and then she's got another 6 months to claim it? Or how does it work?

GRAHAM: Well unfortunately because she's only going to be entitled to contributory JSA, then no. I mean she'd probably find that the suspension would cancel out what ...

LEWIS: Cancel out, right.

GRAHAM: Yes, I mean it's quite a pun...

LEWIS: So it's actually not suspended? It's sort of stopped?

GRAHAM: Technically yes, but the reality is that she won't benefit from it.

LEWIS: Okay, alright. Well, Bill, that's an unfortunate position that she's in, but it's I suppose useful information to have anyway before she tries to claim. Thanks very much for your call. We're going now to West Yorkshire where Madeleine has a question for us. Madeleine?

MADELEINE: Oh good afternoon. I'm a 63 year old widow with a pension of £556 every 4 weeks. I have a mortgage in my late husband's name of approximately £64,000, which has 10 years to run. I applied for pension credit about 18 months ago and I was told I would qualify, but that I would have to get the mortgage put into my name. This I tried to do, but I lost my mortgage offer due to my solicitor being very

slow and I just wondered if there was anything that I could do about claiming it again or ...?

LEWIS: So just to be clear, Madeleine, you still have this mortgage in your late husband's name ...

MADELEINE: That's right.

LEWIS: ... even though he's no longer with us?

MADELEINE: Yes.

LEWIS: Have they not insisted it goes into your name?

MADELEINE: No they haven't because he left the house to me in his will ...

LEWIS: Right, I see.

MADELEINE: ... and the mortgage. (*laughs*)

LEWIS: Right.

GRAHAM: Well it's an unusual situation with the mortgage because normally obviously the mortgage company would insist on the mortgage being put into the name of somebody who could actually pay. I mean people quite often do have problems if like the person who's earning and paying the mortgage leaves, for example, in getting the mortgage transferred into their name. But for you, Madeleine, I think the solution is the rules do allow a person to be treated as liable to make the payments in circumstances such as this. So you're the person living in the house. The person technically on the mortgage is your husband. He's not making the payments because unfortunately he's deceased. I can't see any way that the Pension Service could refuse your claim really because you're clearly liable to meet those housing

costs and at the end of the day that determines who gets help with their mortgage, not whose name is on the mortgage.

LEWIS: Not always the full amount though, is it? Sally West?

WEST: No, I mean I was going to say just the same as Eddy in terms of I'm quite surprised that you're not getting that because if it's the payment that you need to pay in order to live in your home, then I would have expected it to be covered. So if you're having problems, I suggest perhaps you see if there's a Citizens Advice Bureau or an Age UK or someone that can help you directly and sort of liaise with the Pension Service and really check the rules and regulations because you know you're on, from what you said, quite a low income and I would expect you to get some help with that.

LEWIS: And you can always appeal against decisions of this sort if you feel they've gone the wrong way, can't you?

WEST: Yes. And the sort of help that you can get with the mortgage is about mortgage interest, so not any repayments and not any insurance linked to that, and it's linked on a sort of standard mortgage interest rate. So it doesn't necessarily mean it will cover absolutely all the mortgage ...

MADELEINE: No.

WEST: ... but I think it's certainly worth sort of pursuing. And as I say, if you're not getting anywhere then try and get some help from somebody that can sort of go through the paperwork with you and you know talk to the Pension Service on your behalf because it must be difficult meeting your mortgage out of your low income now.

MADELEINE: Yes, it's getting very difficult. *(laughs)* Oh well thank you very much. You've put my mind at rest.

LEWIS: And try and get some urgent help, Madeleine. Oh sorry, Phil, you wanted to add something.

AGULNIK: Well just to say as well as pension credit, you should also think about council tax benefit which you can get from your local authority; and on the levels of income you describe, you may find that you don't have to pay all of your council tax or you only have to pay a relatively small amount. So do contact your local authority as well as the Pension Service.

LEWIS: Okay, thanks very much. And of course if you live alone, you get 25% off, don't you? That's the figure. Now I'm going to take a couple of emails on tax credits. We've had quite a lot, I must say. This is a couple. Eamonn writes. He's not been able to find a job since he graduated. His wife works 20.5 hours a week and he believes the threshold now to get tax credits has raised to 24 hours for a couple. That's right, isn't it?

GRAHAM: Unfortunately, Paul, yes that's true. One of the things that has come into effect from this April is an increase. For couples, until recently they could work 16 hours a week and qualify for working tax credit.

LEWIS: One of them could work.

GRAHAM: Yes. Now they've got to work 24 hours between them. I mean there are some exceptions to the rules, but it's basically this is going to affect quite a lot of people basically. Many tens or hundreds of thousands of people will drop out of entitlement, so their only real option is to try and increase the hours of work between them to get them to the 24 hour threshold.

LEWIS: Well Eamonn says they've tried that and his wife's employer can't offer her ... It's only an extra 3.5 hours, but they can't be offered that. So they could well fall out of working tax credits and obviously their income is very low. There are exceptions, as Eddy said, and the Low Incomes Tax Reform Group has published an interesting piece on this very recently and there's a link to that on our website,

bbc.co.uk/moneybox, so I suggest you look at that for the exceptions for that rule. It does apply to couples. And oh this one I think is one of the exceptions. This is from Helen. Her sister works 21 hours a week and her hours are going to be cut to 16 because of a shortage of work. How will that affect her working tax credit. Now her sister, as far as I can tell, lives alone or certainly lives alone or with her sister. So what will happen in her case? Phil?

AGULNIK: Those hours of work, you need to either have children or have a disability to qualify for working tax credit.

LEWIS: This woman does have a disability.

AGULNIK: Okay, this rule is not going to affect her, so she doesn't need to worry. It's for couples with children but where no-one is disabled or the worker is not disabled, is not over 60 or is not claiming carer's allowance.

LEWIS: Right and so this lady, as long as she works 16 hours a week, she can get it? If it falls below that, then she won't be able to presumably?

AGULNIK: That's correct, yeah.

LEWIS: Okay, well thanks for that Helen. There's a couple of ... several working tax credit emails. It certainly is a very complicated business. And we're going to our next caller who is Roger in Berkshire. Roger?

ROGER: Hello, good afternoon. I have a relatively straightforward question - well to me it seems relatively straightforward. I was asked and was enquiring last week on behalf of somebody about working tax credit and why their mileage allowance was being deemed as income and treated as income by the working tax credit people. To put you in the picture completely, they work part-time. Part of that is for a local authority and they have to go out and visit parents and children at home, for which they get paid a mileage allowance, but the working tax credit people are treating that

as income. When I queried it with them, they said that their guidance is that if you are in receipt of working tax credit, if you get any mileage allowance - it doesn't matter whether it's 20p, 30p, 40p a mile - their guidelines are that must be treated as income. And I spoke to the Inland Revenue, HMRC Inland Revenue, who said "No, no, that's completely wrong" and I went back to them again and they said "No, no."

LEWIS: *(laughs)* So two parts of HMRC don't agree. Now I know Eddy Graham's been rustling through a very fat book here which may have the answer. Eddy?

GRAHAM: Well yes, I'm a bit surprised to be honest, Roger, because there is in the list ... Earnings obviously will count as income for your tax credits and some payments are disregarded as earnings, and under the tax legislation an approved mileage allowance can be disregarded from your earnings. And so I think there is some scope here to appeal the decision and challenge it because if you've just been speaking ... if you've been ringing up the helpline basically and those people work from a script, then I think what you need to do is you need to put an appeal in writing. You need to appeal against the decision that they've assessed your income at the level including the mileage allowance and point out to them that an approved mileage allowance is actually disregarded as earnings. And I think you've got reasonable grounds for success there, Roger.

ROGER: Okay, well I'll explain that to her.

LEWIS: Okay, so ...

ROGER: You know I had that conversation or to a certain extent with them that as far as I could see they were wrong ...

LEWIS: Roger, can ...?

ROGER: ... but I'm sure you're right, that they just don't understand.

GRAHAM: Put it in writing, Roger.

LEWIS: Put it in writing. Do an appeal. Okay, I have to cut you off, Roger, because I'm just trying to squeeze in a couple more. Tony in Dorset, your situation is you both want to leave the army. Can your wife claim jobseeker's allowance. Is that right?

TONY: No. Hi. My wife wants to leave the army and I want to stay in because I think we can cope with one of us being in.

LEWIS: Right, okay.

TONY: I'm just wondering because she'd be leaving the job of her own accord, would she be entitled to claim jobseeker's allowance?

LEWIS: Okay, I think that's a similar point to one we had earlier. Phil?

AGULNIK: I think she probably wouldn't because she's leaving voluntarily.

LEWIS: Okay, I think that's probably all we've got time for on that one because I just want to squeeze five seconds on Ann. She earns more than £50,000. Her daughter and grandson are moving back in. Will she have to pay tax on the child benefit - i.e. grandma? No?

GRAHAM: Only if she is the person claiming the child benefit. (*Lewis laughs*) No if somebody else in the household, if somebody else is claiming child benefit, then no.

LEWIS: No, okay, so it's just partners. Thanks very much. That's all we have time for. That was Eddy Graham of Child Poverty Action Group; Phil Agulnik of Entitledto.com; Sally West from Age UK. More on our website and you can read a transcript later: bbc.co.uk/moneybox. Back on Saturday with Money Box. Vincent Duggleby's back here to take your calls on Money Box Live next Wednesday afternoon.

