



# Herts Adviser

Updated benefits information and advice  
From Hertfordshire's Money Advice Unit

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[www.hertfordshire.gov.uk/benefits](http://www.hertfordshire.gov.uk/benefits)



Hertfordshire

## Contents

|   |    |
|---|----|
| Two child limit to end in April 2026 ...                  | 2  |
| Budget round up.....                                      | 3  |
| Winter fuel payments.....                                 | 5  |
| Universal credit migration update .....                   | 6  |
| Review of carer’s overpayments .....                      | 8  |
| Path to justice for disabled carers ....                  | 9  |
| Reductions in LCWRA element:<br>dates and deadlines ..... | 11 |
| Saving and spending.....                                  | 12 |
| Query from the MAU advice line ....                       | 13 |

## Two child limit to end in April 2026

The current two child policy means that universal credit claimants do not normally receive child elements for third and subsequent children born on or after 6 April 2017. Exceptions to the current policy include children born due to rape or a domestic abuse situation involving coercion or control (if no longer living with the perpetrator), and multiple births.

There are 5,960 households in Hertfordshire where universal credit is restricted due to the two child policy, and 350 households protected by exceptions to the policy.

From April 2026, the two child limit will end and a universal credit child element will be granted for every eligible child, regardless of family size.

The maximum amount that can be reimbursed for childcare costs for eligible universal credit claimants will increase by £736.06 per month for each additional child above the current maximum for two children.

However, the removal of the two child policy does **not** mean that every family with three or more children will see an increase in universal credit. Firstly, the overall **benefit cap** (£1,835 per month for couples and single parents outside London, with additional allowance for eligible childcare costs) will still apply to those who are not **exempt**. Eight per cent of households affected by the two child limit are currently also affected by the benefit cap. Many more households will be brought into the scope of the benefit cap if a third or subsequent child element is added. Benefit cap rates are not being increased in April 2026.

Secondly, claimants who are receiving transitional protection in their universal credit, after migrating from legacy benefits such as tax credits, will have their transitional protection eroded (reduced pound for pound) when an additional child element is added.

The Money Advice Unit’s factsheets at [www.hertfordshire.gov.uk/benefits](http://www.hertfordshire.gov.uk/benefits) cover topics including carers, disability, housing issues, retirement, and young people growing up.

Advisers in Hertfordshire can also access free E-learning courses:

- [Introduction to welfare benefits](#)
- [Benefits for older people overview](#)
- [Introduction to universal credit](#)

## Budget round up

In addition to the removal of the two-child policy (covered above), here are some of the other main announcements from the Budget affecting benefit claimants:

- The DWP has published the [uprated amounts for benefits](#) to be paid from April 2026. Most working-age benefits will increase by 3.8 per cent, in line with the consumer price index (CPI). Exceptions include the universal credit standard allowance, which is increasing by more than the CPI, and the limited capability for work-related activity element for new claimants (except those who meet severe conditions criteria or are terminally ill), where the rate is almost halving. ([See below](#)).

State pension and pension credit guarantee credit will increase by 4.8 per cent.

- **The minimum wage** for people aged 21 and over (also known as the national living wage) will increase to £12.71 per hour from April 2026. The minimum wage for 18-20 year olds will increase to £10.85 per hour, and the rate for 16-17 year olds and apprentices will be £8.00 per hour.
- The DWP will **review carer's allowance overpayments** caused by incorrect guidance, for the period from 2015 - summer 2025. Where applicable, they will cancel existing debts or return previously collected debts to affected carers. [See below](#) for further details.
- Increased earnings disregards for housing benefit and universal credit claimants in supported housing and temporary accommodation will apply from Autumn 2026, so that most claimants will not be subject to reductions in income for working more hours.
- The Public Authorities (Fraud, Error and Recovery) Bill, currently awaiting royal assent, will give the DWP new powers to issue eligibility verification notices to banks, instructing banks to confirm whether accounts receiving certain means-tested benefits meet specific eligibility criteria, such as savings thresholds.
- The government will extend the Targeted Case Review, which aims to identify incorrect universal credit claims, to 2031. The DWP also says that they will introduce reviews of pension credit claims that are at risk of being incorrect, starting from 2026 and ending in 2029.
- The government is increasing work capability assessment reassessment capacity, extending personal independence payment award reviews periods and increasing face-to-face health assessments.

- **Reforms to the Motability Scheme**

From July 2026, vehicles leased through the Motability Scheme will be subject to 20 per cent VAT on top-up payments. (Most vehicles available through the scheme require top-up payments). Insurance premium tax will also be applied at the standard rate of 12 per cent for insurance on vehicles leased through the scheme. Tax changes will not apply to vehicles designed for, or substantially and permanently adapted for, wheelchair or stretcher users.

Premium luxury car brands are being removed from the scheme with immediate effect, and overseas breakdown cover is being discontinued.

- The government confirmed that the administration of housing benefit and pension credit will be combined with a phased introduction starting in Autumn 2026.

An executive summary of the Budget is available on [gov.uk](https://www.gov.uk)

### **MAU case study – disabled child element**

We received a referral to advise on an 18 year old's benefit entitlement as they were leaving education. The adviser also checked the parent's benefits, because when a young person leaves education and claims benefits in their own right there is often an impact on the parent or carers' financial situation.

The parent works and receives universal credit. They told the adviser they thought their universal credit was correct as it included a carer element and a disabled child element. A disabled child element is added in the universal credit calculation for any child or young person included on the claim who is entitled to disability living allowance (DLA) or personal independence payment (PIP). The disabled child element is paid at the higher rate if DLA care component or PIP daily living component is awarded at the highest rate; in all other cases the disabled child element is paid at the lower rate.

In this case, we noticed that it had been wrongly paid at the lower rate from the start of the parent's universal credit claim nearly four years ago.

At this year's rates, the difference each month is around £330 per month – and as an official error, the DWP should pay arrears amounting to around £13,700.

We also advised the parent to apply for both the carer discount and the severe mental impairment council tax discount, which will reduce their council tax bill by 50 per cent.

## Winter fuel payments

People born on or before 21 September 1959 are potentially eligible for a winter fuel payment this winter. There are some exclusions, for example people who have been living in a care home continuously since 23 June 2025 will not qualify for the winter fuel payment if they are on pension credit, universal credit, or income-related employment and support allowance.

Pensioners who have an individual taxable income of over £35,000 will still receive a winter fuel payment, unless they have opted out, but most will have to repay it via the tax system.

The deadline for opting out of receiving a winter fuel payment has now passed. People who opted out but want to opt in again can do so by contacting the Winter Fuel Payment Centre before 31 March 2026.

Some people may need to apply for the payment, for example if they have deferred their state pension and are not already receiving another DWP benefit.

### How much is it worth

The winter fuel payment is worth between £100 and £300, depending on personal and household circumstances. See [gov.uk](https://www.gov.uk) for further details.

### When it will be paid

Most payments are being made automatically during November and December 2025. Eligible pensioners should receive a letter telling them how much they are getting, and which bank account it is being paid into.

If someone thinks they are eligible and they have not received a payment by 28 January 2026, they should [contact the Winter Fuel Payment Centre](https://www.gov.uk) on **0800 731 0160**.

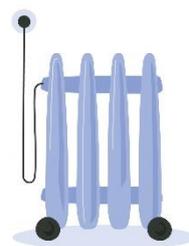
### Winter fuel payment tax charge

Legislation will be introduced in the Finance Bill 2025-26 to apply a new income tax charge on pensioners with individual taxable income over £35,000 who receive a winter fuel payment. HMRC will automatically collect the tax charge through PAYE tax codes unless the pensioner already files a self-assessment tax return. There is an exception for people entitled to a qualifying benefit (such as pension credit or universal credit) during the qualifying week (15 to 21 September 2025); they will not have to pay the tax charge, regardless of their income.

Note that only taxable income for the tax year 2025/26 counts; this could include pension income, savings interest, and/or earnings. An online [calculator](#) can help pensioners assess whether their income exceeds the threshold.

### Scam warning

Warnings have been issued about winter fuel payment scams, often involving unsolicited text messages. People should not respond to such messages.



## Universal credit migration update

In 2024, the Department for Work and Pensions (DWP) began the process of managed migration - telling claimants who receive legacy benefits (tax credits, income-related employment and support allowance (IRESA), income-based jobseeker's allowance, and/or housing benefit) to transfer to universal credit.

Claimants who receive a migration notice from the DWP should [apply for universal credit on gov.uk](#) before their 'deadline date,' which is three months after the date the migration notice was issued. If they cannot claim universal credit by the deadline date, they should contact the [universal credit migration notice helpline](#) on **0800 169 0328** before their deadline date, to request an extension.

[Transitional protection rules](#) mean that most claimants are not immediately worse off following managed migration, although subsequent changes in circumstances often result in erosion of transitional protection. 53 per cent of the households who migrated to universal credit prior to July 2025 received transitional protection.

### Update

- By October 2025, there were 8.3 million people on universal credit. The proportion of claimants in the 'no work requirements' conditionality regime (49 per cent) continues to increase.



- The managed migration process is expected to be completed within the next few months. Tax credits were abolished in April 2025, and now a commencement order has been published to prepare for the closure of the remaining legacy benefits.

From 1 April 2026, income-based jobseeker's allowance and income support will end (though claimants migrating to universal credit at that point can still get a two-week run-on.)

Changes in the law will effectively phase out IRESA, and phase out housing benefit for working aged claimants in general needs accommodation. From 14 November 2025, housing benefit terminates when a working aged claimant moves out of specified or temporary accommodation (unless getting IRESA or income-based jobseeker's allowance).

- Some former tax credit claimants have lost entitlement to universal credit after receiving it for a year, due to reaching the end of their temporary capital disregard period. The disregard applies to former tax credit claimants who had over £16,000 in capital at the point of migrating to universal credit, and it lasts for up to a year from the start of the universal credit claim.

## **Transfer to new-style ESA**

From 1 December 2025, all awards of 'old style' contribution-based employment and support allowance (ESA) have become new-style ESA. The rules for both, and the amounts paid, are the same. Claimants may be asked to agree to claimant commitments when they transfer to new-style ESA; in most cases this will be discussed over the phone, and claimants will need to agree to report any relevant changes of circumstances. The DWP has discretion to delay the preparation of a claimant commitment, for example if a claimant is unable to participate due to illness.

This change also syncs with the phasing out of income-related ESA (IRESA). Prior to 1 December 2025, claimants who had the old-style contribution-based ESA, could apply to add a top up of IRESA. This might be the case if they are awarded personal independence payment and become entitled to the severe disability premium, for example. IRESA cannot be paid as a top up to new-style ESA. Claimants who previously had old-style contributory ESA may still be able to make a backdated application for a top up of IRESA for a past period – seek advice if in doubt.

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In this case, we noticed that the disabled child element had been wrongly paid at the lower rate from the start of the parent's universal credit claim, nearly four years ago.

At this year's rates, the difference is around £330 per month – and as an official error, the DWP should pay arrears amounting to around £13,700.

We also advised the parent to apply for both the carer discount and the severe mental impairment council tax discount, which will reduce their council tax bill by 50 per cent

## Review of carer's allowance overpayments

After thousands of carers unwittingly received overpayments of carer's allowance due to confusion about earnings rules, an [Independent review of carer's allowance overpayments](#) (also known as the Sayce Review) has been completed. The DWP has agreed to implement most of the resulting recommendations.

The review found that unclear guidance on averaging fluctuating earnings prevented carers from understanding what changes to their pay needed reporting to the DWP.

The DWP now intends to reassess an estimated 26,000 historic carer's allowance overpayments (2015 to summer 2025) which were the result of incorrect operational guidance.

Most carers affected will have their cases reassessed without needing to contact DWP. Where it is found that over-payments were lower than originally calculated, carers will have their debts reduced or cancelled, with the DWP refunding any money already repaid. The DWP will also look at cases where carers have had universal credit reduced due to carer's allowance income, and subsequently had to repay overpaid carer's allowance without receiving the corresponding universal credit arrears.

Further, the DWP has said that they will update internal guidance so staff properly record and explain wage averaging decisions, and hire additional staff to process earnings notifications more quickly to prevent debts building up over time.

In the longer term, they will consider potential solutions to reduce the impact of the cliff edge, and consider automating the handling of earnings where possible using data collected by HMRC.

The earnings limit for carer's allowance is now defined as being equivalent to 16 hours' work at national living wage levels, which is currently £196 net earnings per week. For workers with fluctuating incomes, earnings from employment can be averaged over a recognisable cycle of work or over five weeks, or over another period if this means a more accurate weekly amount can be calculated.

## Copies of completed PIP forms

People who apply for personal independence payment (PIP) are given a choice of completing a form online, or receiving a form in the post (options such as large print are also available). The DWP has confirmed that customers who complete their PIP2 form online can return to their account at any time and read or print the information they previously submitted. An option to download the completed form will also be available soon.

It is often helpful to reread a previously-completed PIP form when preparing for an assessment appointment, or if it becomes necessary to challenge a DWP decision on the claim. PIP claimants, including those who have completed the paper version of the form, can also contact the DWP on **0800 121 4433** and ask for a copy of their form to be posted to them.

## Path to justice for disabled carers

A quirk in the law means that some disabled carers will need to appeal to tribunal in order to have discriminatory reductions in their benefit corrected.

The problem affects some carers who migrated to universal credit after previously receiving a legacy benefit, and later were found to have limited capability for work-related activity (LCWRA) due to their own disability. Some carers have had their universal credit reduced in this situation, despite still being a carer and having had a deterioration in their health.

When a carer claiming universal credit is found to have LCWRA, a LCWRA element replaces the carer element in their universal credit. The problem occurred when affected carers had transitional protection included in their universal credit award, because the DWP eroded (reduced) the transitional protection by the full amount of the LCWRA element. This left some people around £200 per month worse off.

The **MJ case** is a decision of the Upper Tribunal which found that the DWP's approach to this type of case was discriminatory. The Upper Tribunal held that the transitional element should be eroded only by the difference between the LCWRA element and the carer element, rather than by the full amount of the LCWRA element. The effective date of the MJ decision is 29 January 2025.

This decision was good news for carers in similar circumstances, but getting the benefit they are due is proving complex. The DWP says that at present the universal credit system cannot manage to correct these benefit awards automatically. Their intention is to have the system updated and to change the Universal Credit (Transitional Provisions) Regulations 2014, and then reconsider cases where carers were awarded LCWRA element for an assessment period ending on or after 29 January 2025.

### **Carers who had benefit reduced before 29 January 2025**

The DWP say that the **anti test case rule** means that they cannot apply the MJ judgement to most claimants who had LCWRA element awarded and transitional protection eroded for an assessment period ending before 29 January 2025.

These claimants could, however, get an increase in benefit by appealing to a first tier tribunal, because the anti-test case rule does not restrict tribunals in the same way that it restricts the DWP.

The DWP has now revised its **guidance** for decision makers. They now recognise that tribunals can, and should, apply the MJ judgement even to cases where the claimant had universal credit reduced for an assessment period ending before 29 Jan 2025. The DWP should not oppose such appeals.

A more detailed explanation and advice is available on the **Child Poverty Action Group website**. Claimants should seek advice if they have been affected by this issue

## MAU case study: splitting the rent

A mother with sons aged 23, 14 and 12 was referred to the Money Advice Unit for a benefit check. The family had recently moved into a privately-rented three-bedroom house; the tenancy was a joint tenancy in the names of the mother and 23-year-old son. Both of them claim universal credit.

The mother and son both had their universal credit calculated using a half-share of the £1800 per month total rent. That caused a problem, because the amount of universal credit housing costs payable was restricted by the local housing allowance. As a single childless person aged under 25, the level of local housing allowance for the son was just £436 per month, far less than half of the rent.

By contrast, a much higher rate of local housing allowance cap applies to the mother, since the two younger children are included in her claim. The relevant local housing allowance for her is £1,249 per month, but she was only getting £900 per month in housing costs (based on half the total rent).

Fortunately, the law allows the DWP to apportion rent in different ways if an equal split between joint tenants is not reasonable. We advised the mother and 23-year-old son to both declare on their own universal credit accounts that they intend to split the rent so the mother pays two thirds and the son pays one third of the total. The DWP agreed that this was a reasonable split in the circumstances. They adjusted universal credit housing costs, increasing the amount of housing costs paid to the

mother to £1,200 per month, while the amount paid to the son remained the same. This left the family £300 per month better off.

## Child poverty strategy

On 5 December 2025 the government announced a [child poverty strategy](#).

Proposed measures, some of which had previously been announced, include expanding free school meals to children from all families receiving universal credit, from September 2026; increased funding for free school breakfast clubs; and a pilot to reduce dependence on B&Bs as emergency accommodation.

## PIP review

The [Timms Review](#) is considering the role of PIP, PIP assessment criteria and assessment process. It is expected that the findings of the review will be announced in autumn 2026. If eligibility is restricted, this will require legislation before being implemented and it is likely that there will be some protection for existing claimants.

## New work capability assessment form

From 24 November 2025, a new combined [WCA50 capability for work questionnaire](#) form has replaced the ESA50 form (previously used for ESA claimants) and UC50 form (previously used for universal credit claimants).

Claimants who have been sent an ESA50 or UC50 form prior to the change can still complete it. The rules for the assessment have not changed.

## Reductions in LCWRA element: dates and deadlines

The limited capability for work-related activity (LCWRA) element in universal credit is currently worth £423.27 per month. From April 2026, some claimants will receive a greatly reduced rate of LCWRA element: £217.26 per month, which will be frozen for four years. Others will be able to access a higher rate of LCWRA element, £429.80 per month (equivalent to the current rate with an increase for inflation).

Existing claimants who already have LCWRA as part of their universal credit will be protected.

**From April 2026, only people in the following categories will receive the higher rate of LCWRA element:**

1. People who are **terminally ill**
2. People who meet **severe conditions criteria** (This doesn't include people who have been granted LCWRA status under the 'substantial risk' route, and will also exclude some people with fluctuating conditions.)
3. Those defined as '**pre-2026 claimants**': this means that they must have the LCWRA element included in their universal credit for their monthly assessment period including 5 April 2026, and then remain continuously entitled to the LCWRA element after that date.

People who aren't yet on universal credit including an LCWRA element may need to take action very soon to have a chance of qualifying as a pre-2026 claimant:

- New universal credit claimants must start their application, and declare themselves as unfit for work, by **5 January 2026** at the latest.
- For existing universal credit claimants who have not yet had a work capability assessment, the deadline will depend on their monthly assessment period dates, and could be as early as **6 December 2025**.
- Universal credit claimants who have limited capability for work but not limited capability for work-related activity need to request a review of their status **before the end of their assessment period that includes 5 April 2026** (Seek advice first.)
- People on new-style employment and support allowance who are in the support group and want a top up of universal credit, must claim universal credit by **5 April 2026** to keep the higher rate of LCWRA.



Where a work capability assessment is completed later, but backdated to cover the assessment period including 5 April 2026, the claimant should receive the higher rate of the LCWRA element.

## Saving and spending

### Help with cost of living

Information and advice are available to ensure that every Hertfordshire resident has the support they need to deal with the cost of living, particularly during the colder winter months. There is information on food support, advice on managing bills and webinars for older people and families too. [Cost of living webpage](#)

### Rail fares

There will be no annual increase in rail fares in England in 2026, the first such freeze in 30 years. The freeze will apply to all rail fares that are regulated by the government, which covers about 45 per cent of rail fares.

See [www.railcard.co.uk](http://www.railcard.co.uk) for details of the range of railcards which can provide savings, including the disabled person's railcard.

### Community spaces, warm places

Community spaces are free and non-judgmental places where people can spend time in a safe warm environment. Some community spaces provide free refreshments and activities. A [search tool to find community Spaces](#) is available on the Hertfordshire County Council website. The free Community Space transport scheme, provided in partnership with Community Help Hertfordshire, helps people to travel to community spaces. Transport should be booked at least 48 hours in advance.

### Extension of Help to Save Scheme

The [Help to Save](#) scheme allows some universal credit claimants to get a bonus of 50p for every £1 they save over four years. The maximum bonus over four years is £1,200. Under the current rules, a universal credit claimant can open a Help to Save account if they (or their partner if it's a joint claim) had take-home pay of at least £1 in their last monthly assessment period.

The government intends to make the Help to Save scheme permanent and, from April 2028, will expand eligibility to include all universal credit claimants who receive the child element, carer element or both.

### Increase in savings protection

People with a higher level of capital could benefit from changes to the [Financial Services Compensation Scheme \(FSCS\)](#). From 1 December 2025, the FSCS deposit protection limit has risen to £120,000.

This means that if you hold deposits or savings with a UK-authorized bank, building society or credit union and it goes out of business, FSCS can compensate you up to £120,000 per person, per authorised firm. Previously the limit was £85,000, and had been frozen since 2017. Temporary high balances following major life events, such as a house sale or inheritance, are protected up to a limit of £1.4 million for up to six months.

Note that if you have money in multiple accounts with multiple banks that are part of the same banking group they will be treated as one bank.

## Query from the MAU advice line

Every working day, the Money Advice Unit answers benefits queries from statutory and voluntary organisations on our advice line on **01438 843444** (9.30 am - 12.30 pm) or by email at [moneyadvice.unit@hertfordshire.gov.uk](mailto:moneyadvice.unit@hertfordshire.gov.uk) This advice line is for professionals only.



### Question

My client applied for personal independence payment (PIP) back in August 2024, but was refused. She requested a reconsideration, and then an appeal. While waiting for the PIP appeal to be looked at, she received a universal credit migration notice and had to migrate from income-related employment and support allowance (IRESA) to universal credit. Her universal credit started in June 2025.

In November 2025, she finally had her PIP appeal hearing and was awarded enhanced rates of PIP, backdated to August 2024. This is a big relief, as she lives alone and has been struggling financially. Is there anything else she can claim?

### Answer

The backdated award of PIP enhanced daily living component means that she is likely to qualify for arrears of IRESA: severe disability premium (provided that nobody is going to claim arrears of carer's benefits for looking after her), and enhanced disability premium (if she did not already have that). She should contact DWP ESA to make sure they are aware of her PIP award and ask them to recalculate her IRESA for the past period between August 2024 and June 2025. (This is known as a supersession.)

The retrospective increase in IRESA may mean that she could qualify for an increase in universal credit. When migrating to universal credit, entitlement to transitional protection is calculated by looking at entitlement to legacy benefits (including IRESA) on the day before the universal credit started.

After your client receives notification of the backdated increase in her IRESA, she should report this on her universal credit online journal. The DWP should then check if she qualifies for additional transitional protection, and apply that from the start of her universal credit award if appropriate (regulation 62 of the Universal Credit (Transitional Provisions) Regulations 2014).

Arrears of PIP, income-related ESA, and universal credit will be disregarded as capital for a year when calculating universal credit (or indefinitely if over £5,000 and made due to official error).

