

Advisors Toolkit Factsheet No 2.f

Fuel Direct

Income Support/income-based Jobseekers Allowance/income-related Employment, Support Allowance/Pension Credit and Universal Credit:

Fuel Direct (also referred to within the Department for Work and Pensions as 'Third party deductions from benefit') is a payment option available to recipients of the benefits listed above who have an existing fuel debt. The level of debt must be for an amount at least equivalent to the Income Support personal allowance rate for a single person aged 25 or over. <https://www.gov.uk/income-support/income-support-rates>

Fuel Direct enables a direct deduction from benefit for both ongoing consumption and for debt recovery. Please note that Fuel Direct can only be used to repay debt to a customer's current supplier. The standard debt recovery rate is based on 5% of Income Support personal allowance rate for 25+. See above link for current allowance rates.

Safeguards are in place to prevent third party deductions becoming too much of a burden. Accordingly, as well as a fixed standard debt recovery rate, there is a fixed overall maximum debt repayment level equivalent to three arrears deductions.

Universal Credit:

With the exception of Pension Credit, the qualifying benefits for access to Fuel Direct are gradually being withdrawn and are being replaced by Universal Credit (initially for new and first-time claims). Fuel Direct is a payment option available to all Universal Credit recipients, subject to certain conditions – see below.

Fuel Direct will only be applied where the level of debt accrued is equal to 25% of the client's standard allowance.

Fuel Direct debt repayment level is capped at 5% of a client's monthly standard allowance:

Total deduction (consumption plus debt repayment) will not exceed 25% of the standard allowance and any Child element, unless a client consents to higher deductions. A maximum of three third party deductions can apply at any one time and in most instances a maximum of 30% of a client's standard allowance can be used to pay deductions.

Clients in receipt of Universal Credit will not be able to remain on Fuel Direct indefinitely – when the fuel debt is repaid, deductions for ongoing consumption will stop.

Some Universal Credit recipients will be working and earning a wage as well as receiving Universal Credit. In this case, Fuel Direct will only be applied if the client's

earned income is less than the Universal Credit Work Allowance (applicable earnings disregard). A series of monthly assessments by DWP will be used to determine whether this is the case.

Please note that, where appropriate, electricity and Green Deal arrears will be repaid from Fuel Direct on a proportional basis.

It is necessary to secure the agreement of both DWP and the fuel supplier for Fuel Direct. Clients should contact their local DWP for further information.

All new benefit claims are now for Universal Credit. Thereafter there will be a managed migration from claimants on the existing system to Universal Credit.

