

February 2012

How to apply for Third Party Payments

A guide for new creditors



An Agency within the Department for

**Social
Development**

www.dsdni.gov.uk

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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 Social Security Agency (SSA) 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 fuel supply.

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 (IS)
- Income-based Jobseeker's Allowance JSA (IB)
- Pension Credit (PC)
- Income-related Employment and Support Allowance ESA (IR)
- Incapacity Benefit (IB)
- Passport to Incapacity Benefit (PIB)
- Widows Benefit (WB)

- Widowed Mothers Allowance (WMA)
- State Retirement Pension (RP)

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.

The SSA has separate arrangements for applying the TPP scheme depending on which benefit the customer is in receipt of;

Where IS, JSA(IB), PC or ESA(IR) is in payment, the Creditor should contact the relevant benefit paying office.

Where IB, PIB, WB, WMA or RP is in payment, the Creditor should contact Debt Centre NI (DCNI)

3. How the scheme works

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

The amount SSA can deduct is regulated. The rate is currently £3.55 per item. If there's more than one deduction, the maximum amount SSA can deduct is £10.65 (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 costs, SSA 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
- rent arrears (including service charges for fuel)
- fuel costs

- rates
- child support maintenance (under the old scheme only).
- integration loans

5. What can be included in the debt

The total debt can include 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, SSA can deduct a further amount to stop more debt building up.

7. TPD Applications

Two groups can apply:

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

Form PD1 is used by creditors to request third party deductions and is sent to the relevant benefit paying office for their action.

The PD1 will contain the following:

- 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)
- details and amount of the specified arrears.

SSA may need to contact the creditor for further information about the debt so they can make a decision. They may ask:

- to confirm the amount of the debt

- how much is needed to cover current consumption costs, or
- for any other information needed to process the application.

8. Consent for deductions

SSA 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
- rates
- integration loans

9. How SSA decides about third party deductions

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

- Is the customer getting one of the specified benefits? (see section 2)
- Is there a threat of 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 third party deductions cannot be made, for instance deductions may not be taken 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 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.

10. Appendix 1 Form PD1

To: The Manager Social Security Agency (Office Address)	From: Creditor name, address and telephone number
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About the Customer
Your Customer's Name
Name of customer receiving benefit (if different)
Customer's Address
Customer's phone number
National Insurance number of customer receiving benefit (if known)
Date of birth of customer receiving benefit
Debt outstanding
What is the debt for?
How much is the debt?