



Behind the Headlines: The Age Gap Tax

Sally West and Eorann Lean
May 2019

Introduction

On 15th May 2019 a pensioner with a partner who is of working age will no longer be able to make a new claim for pension-age benefits. These 'mixed age' couples will become ineligible for both Pension Credit and pension-age Housing Benefit which support the poorest of pensioners and help them stay above the poverty line. Age UK believes that this is unfair and the change should not go ahead because:

- Pensioners could face a heavy financial penalty for having a younger partner. This could affect the health and wellbeing of those affected and is likely to increase the numbers of older people living in poverty.
- Pensioners should not be put in a situation where they would be better off living alone and claiming Pension Credit than living as a couple receiving Universal Credit. The change could put pressure on existing relationships and may affect the decisions of couples wanting to live together.
- Some pensioners could be forced to keep working far into their retirement while the changes could be a disincentive to taking a temporary job for couples already receiving Pension Credit.
- The changes are a double blow to some couples who have already been affected by rises in State Pension age which, for many, came with little notice.
- Although the intention is to protect those who are receiving pensioner benefits before 15 May, they could lose entitlement if their circumstances change – even if this is only for one day.
- The Universal Credit system was designed for people of working age, not pensioners. For example, it includes no additional financial support for a couple where one member is not expected to work because they are over State Pension age.
- If the change does go ahead, it is essential that benefit take up is maximised in advance of 15 May, and that those receiving benefits at the time are aware of the implications of a change in circumstances.

How do Pension Credit and Housing Benefit support pensioners?

Pension Credit

Pension Credit is an income-related benefit that gives people financial support in retirement. It tops up a pensioner's weekly income to a guaranteed minimum level to

- £167.25 (from April 2019) if the person is single
- £255.25 (from April 2019) if they're in a couple

Pension Credit can also include additional payments when people have extra needs due to

*Name and location changed to protect identity

disability or caring responsibilities and also provides other linked (passported) support such as cold weather payments and, in some situations, help with certain health costs.

Mixed age couples will lose out both by receiving a less generous level of support under Universal Credit and because they won't have access to these linked benefits.

Housing Benefit

Housing Benefit helps low income pensioners pay their rent. Pensioners receiving Housing Benefit living in social housing don't have their benefit restricted if they have a spare bedroom (due to what is commonly called 'the bedroom tax').

After 15 May 2019, mixed age couples will have to claim Universal Credit (which can include a housing element) rather than Housing Benefit. This could result in a much lower level of support and will subject them to 'the Bedroom Tax'.

What are the changes?

Up to now, mixed age couples (where one partner is a pensioner and the other under pension age) have been able to choose to claim either Pension Credit or working age benefits. However, under legislation agreed by Parliament back in 2012, but not yet introduced, both partners in a couple will need to have reached State Pension age in order to claim Pension Credit or pension-age Housing Benefit. On 14 January the Government announced that this change will be introduced on 15th May 2019.

The change only applies to new claims so mixed age couples receiving Pension Credit and/or pension-age Housing Benefit on 14 May 2019 can continue to do so as long as they remain entitled to one of these benefits. (Claims can be backdated for up to three months so people can start to receive these benefits if they meet the entitlement conditions on 14 May 2019 and make a claim by 13 August 2019.)

Under Universal Credit, the older partner in a mixed age couple is not subject to work requirements, but as a couple, they can face a much lower income than under the current system.

What will be the impact of the changes?

In the future, mixed age couples will have to claim Universal Credit rather than Pension Credit and Housing Benefit. There are significant differences between the two systems with one of the major differences being around the levels of benefit provided. Pension Credit guarantee is paid at a higher level than the standard rate of Universal Credit for those who are not working. Over recent years this gap has widened as Pension Credit guarantee has been increased at least in line with average earnings, while working age benefit levels have been frozen or increases restricted.ⁱ

Government figures show that currently 115,000 mixed age couples are receiving Pension Credit, Housing Benefit or both.ⁱⁱ They will not be affected as long as they continue to be entitled to benefits. However, it is estimated that in 2019-20 the policy change will have an impact for 15,000 couples rising to 60,000 by 2023-24. The Government figures also

*Name and location changed to protect identity

estimate the change will save £45 million in the first year rising to £385 million. On this basis, the average annual difference in benefit received compared to entitlement under the current system, will be around £3,000 for each couple in the first year, rising to around £6,400 by 2023-24.

This paper looks more at the people behind these figures based on comments and concerns we have heard following the announcement. Some people have worked out that they are likely to be affected by the change while others worry that they could be in the future. We have also heard from people already receiving Pension Credit who know what a difference this makes to their lives and worry how they, or others in a similar position, could manage without it. While we don't necessarily know all the details of the people described in this report, they give a good picture of the types of couples who are likely to be affected.

Pensioners could face a heavy financial penalty for having a younger partner.

Although each couple's circumstance is different we believe that many pensioners will miss out on up to £140 a week or £7,000 a year. However, a minority entitled to higher levels of Pension Credit due to particular needs could miss out on much more - for one of our case studies this rises to £10,000 a year.

- **Tom will be particularly hard hit because both he and his wife have health conditions and caring duties and will potentially miss out on over £10,000 a year. This would be £72,000 in total by the time his wife (59) is also of State Pension age. He is 65 in August so is missing out by a few months.**

'My wife and I both receive Personal Independence Payment and Carers Allowance which helps us manage but it makes us very anxious as we are scared to lose it. I am going through tribunal with Universal Credit at the moment as I was awarded no points. We couldn't live without this money. My wife has Rheumatoid Arthritis so it's impossible for her to go back to work

We can't afford a social life and I can't remember the last time we had a holiday. We have a very old campervan that we use to get about but it is hard to drive with our arthritis so Pension Credit would mean we could have a car that allowed us to get out more often. I worked from before my 16th birthday as an apprentice and worked my way up to a master's degree. I'm so angry that now I need help it isn't on offer. I think the changes to the rules with only a few months' notice is morally wrong.'

- **James*, 63, from York lives with his wife Janet and is also just missing out as she is 65 in March and won't reach State Pension age until later this year.**
"When I checked the Pension Credit calculator just before the government announcement we would have received around £42 a week Pension Credit. We get by on the money we have but have had to make cut backs in recent years. This would have helped enormously – we will now not be entitled to this.
The difference would mean we would keep our car running so I can take my wife out for a change of scene when she has a good day.
Pension Credit can have a knock on effect on other benefits such as dental charges and warm home discount – which you don't get if you're denied it. This would mean even less money in our budget and the car would have to go."

*Name and location changed to protect identity

Pensioners shouldn't be financially better off alone

The policy would result in some pensioners being in the absurd position of being better off living alone than living with a younger partner as part of a couple. This is because a single pensioner is able to claim Pension Credit which tops up their State Pension to £163.00 a week (£167.25 from April 2019) – considerably more than the Universal Credit standard rate for a couple which is around £115 a week.

- **Martin* is 70 and receives a State Pension and Attendance Allowance. His wife works in a care home but he is scared of what the future will be if she has to stop.** 'I am 70 and my lovely wife is in her early 50s. I receive a state pension and the lower rate of Attendance Allowance as I am being treated for lung cancer and have COPD. My wife works full time on minimum wage so that we can afford our rent and bills.

I'm concerned that my wife will have to stop work soon. Her health means that she is starting to struggle and eventually I know she'll have to stop to help care for me.

I have looked into Universal Credit in case she has to stop after these changes. I think we'd find it really hard to afford any quality of life. We'd have to give up the car, the internet and landline meaning we wouldn't be able to see any of our family anymore or contact our grandchildren in Australia. The cost of train and bus fares would be prohibitive. My cancer care is also at a hospital some distance from me. It would be impossible to get there without a car. It's depressing to think about what our lives would be like. We might have to split up as we'd be better off single. How crazy that the Government would force us to make that decision.'

We have also heard from other older people who are concerned about how becoming a mixed age couple might affect their finances in the future:

- **Judith*:** 'at the moment I do not live with my partner who is 72, but I could possibly in the future. My partner is now in ill health and retired for many years and although at the moment I do not need to care for him, circumstances could change. However, this would mean we would potentially be worse off. I took voluntary redundancy over three and half years ago and have not been able to find work to suit my circumstances. It would not be easy to cope on a low income and we wouldn't be able to do some things we now enjoy.'
- **Edith*:** 'I will receive my State Pension in May 2019, however I am marrying again in February 2020, my husband to be is 6 years younger than me. I am unable to find work and he has just been made redundant at 59. If we had a lower income because of the wedding there would be difficult choices to make i.e. between heating and food.'

Universal Credit is not designed for pensioners

The Government wants to change the rules so that the younger partner has the same

*Name and location changed to protect identity

incentives to work as other people below State Pension age and it has said that Pension Credit was not designed for people of working age. However, Universal Credit is not designed for pensioners – for example, it does not include any additional support in recognition that an older partner is not expected to work.

In respect of work incentives, in general, many younger partners in mixed age couples are already working and do not want, or expect, to claim benefits. However, for others this is simply not an option due to ill health or caring responsibilities. By definition all couples include someone over State Pension age, some in their 70s or older, and the younger person is often aged 60 or older. Well over half (56%) of mixed age couples currently receiving Pension Credit and/or Housing Benefit receive a disability costs benefit such as Personal Independence Payment or Attendance Allowance due to care and or mobility needs.ⁱⁱⁱ And others will have conditions that mean they are not able to work.

People in mixed age couples told us what stops them from going on working:

- **Elizabeth***: ‘Life is not easy I look after my husband who is showing more and more signs of dementia every day. I also am a full time carer for my youngest son of 28 years, and a 12 year old daughter. I am on my feet nearly every day light hour seeing to the needs of everyone and running the home on my own.’
- **James**: ‘My wife suffers various illnesses which are debilitating so she can't work. I am also concerned about my caring duties because I have been diagnosed with spondylitis and arthralgia. Money is tight we don't have holidays or nights out.’
- **Grace***: ‘I worked all my life from leaving school in summer 1976, paid class 1 NI right through to being disabled in 1999. I care for my partner when the carers are not in as well as safeguarding him over night, every night and I have to forgo my own needed increases in medications at night to be able to do so, meaning I have to cope in more pain than I ought night and day. But you do what you are forced in to doing.

We barely cope now. My partner will never be able to work again and neither will I. Age is just a number to us. It is living with someone able to understand your own struggles due to constant pain and fatigue that means everything to us both, but should we be forced to separate and lose the only company we have or go without?’

Due to the limited support offered by Universal Credit, these changes, rather than supporting people into work, may force some pensioners to keep working to avoid poverty.

- **June is 62 and from Surrey. Her partner is 45 and unable to work because of his mental health. She is concerned how long she'll have to work to keep them afloat.** ‘My partner, who I've been with 21 years, is unemployed because he has PTSD. He can't leave the house, on his own, without having a panic attack. He receives benefit linked to his health conditions but it's so small that we live off my salary. I also support my grandson because I sadly lost my daughter to cancer. This would be impossible on a small pension and my partner's benefit.

I'm due to retire in 4 years but now I won't be able to. We manage ok for money at the moment but without my salary we would really struggle.

*Name and location changed to protect identity

This change means I might have to work until I'm 83, when my partner will also be of pension age, which is just ridiculous. I've worked since I was 14 and now it feels like I've lost my retirement.

I would like to be able to spend more time with my partner. If I was able to retire I'd be able to help him out of the house and we could go out together and relax. While I'm at work he's housebound. But instead I'll have to work until I drop.'

The changes, which are intended to provide incentives to work, could have the opposite effect. Those in a mixed age couple already receiving Pension Credit will have to think very carefully about starting to work – especially if the contract is temporary or working hours are not guaranteed and they may need to claim again. Others currently working are considering leaving work now in order to qualify for the support they need.

- **Martin* 70 who featured earlier and his wife have seriously considered his wife stopping work now so they could apply for Pension Credit before the changes come in.**

'I receive a State Pension and the lower rate of Attendance Allowance as I am being treated for lung cancer and have COPD. My wife works full time on minimum wage so that we can afford our rent and bills.

We've seriously discussed her stopping work now so that we can apply for Pension Credit before the change. She wants to work for as long as she can but I'm really worried that she'll have to stop after the deadline and that will leave us in a very difficult situation. I know soon she'll have to stop working in order to care for me too.

The fear of the bailiffs hammering on my front door if my wife had to stop working is too dreadful to bear and just the worry of all this is making me seriously stressed out and I am having problems sleeping.'

[It will affect those who've already been hit by rises in State Pension age.](#)

The timing means that many affected will also have been faced a rise in their State Pension age (particularly affecting women) and the linked rise in Pension Credit age (affecting both men and women). Whereas in 2010 a woman aged 60 with a partner aged 65 would both be entitled to their State Pension and both be considered pensioners for Pension Credit, after 15 May 2019 they will have to wait an extra 6 years to be in this position.

Tom (mentioned before) who is potentially missing out on over £10,000, was also affected by the rise in Pension Credit age 'I feel like I have been cheated out of Pension Credit twice now. I have Fibromyalgia and osteoarthritis and had to stop working so I decided to claim my Local Authority Pension. This is only £45 a week so I hoped to top this up with Pension Credit when I was 60 but when the State Pension age [for women] was changed I lost the ability to do that. Now it's been taken away again.

*Name and location changed to protect identity

Now I have to wait another 7 years to receive this benefit that I should be entitled to.'

- **Ellie from Leeds is really concerned about the loss of support if her husband, who is working age, loses his job**

'I have just received my pension and my husband is working but who knows what the future brings and what if he loses his job. We have already used all our savings because of the rise in SPA and I was unable to find employment due to ageism. I could not claim anything for over two years as husband was working. We still have bills to pay and we pay rent and full council tax.

I am appalled at how 1950s women have been treated and this is just another nail in our coffin. Is this the thanks we get for a lifetime of work? I have worked for 48 years but retired now and I'm really concerned about losing out on further money if my husband was no longer able to work.'

Pension Credit and Housing Benefit are a lifeline for many older people

Older people in mixed age couples who are currently receiving these benefits told us what a difference it makes to them. While many were still only just getting by, people in similar situations in the future, are likely to receive less support from Universal Credit.

- **Geraldine*:** 'Our day to day life at the moment is not good due to my husband's ill health. I am his 24 hour carer. Without Pension Credit, I would not be able to have a car which would make going out very difficult. My husband cannot be left for any length of time so when I have to shop I need to be there and back very quickly.'
- **Jackie*:** 'My partner is 47 and on full DLA. I receive Carers Allowance and basic DLA due to a back injury. We are on Pension Credit. My partner has phenylketonuria. I have an injured spine resulting also in nerve damage to my legs, causing walking difficulties. I have also just been diagnosed with fibromyalgia.
Even with the support we receive we struggle at times now. We would be in a terrible predicament without it.'
- **Debra*:** 'My Husband is disabled and I'm his full-time carer. We currently claim Housing Benefit because we are both unable work and my husband is of pension age. This helps us stay in a house that is suitable for his health conditions.
I worry about the change. How can a government say one day you need a certain amount to live on and then on a whim say no you don't, all to save money? It's an absolute disgrace.'
- **Emma*:** 'I look after my husband, who is 61, and has ischemic heart disease, COPD, Arthritis, ulcerative IBS, mixed personality disorder with bipolar and frontotemporal, Occipital and ischemic Dementia. I have interactive thyroid, migraines and depression, high blood pressure.'

*Name and location changed to protect identity

Without Pension Credit we couldn't afford our rent, as we're with a private landlord. We only get 75 pounds a week and our rent is 135 pounds a week. We pay the short fall out of Pension Credit at the moment.'

Mixed age couples already receiving Pension Credit or pension-age Housing Benefit on the 14 May 2019 can continue to do so, as long as they remain entitled to one or both.

However, if they are receiving one of these benefits and lose that entitlement due to a change in circumstances, or lose entitlement to both Pension Credit and pension-age Housing Benefit, they will not be able to reapply in the future. Instead they will only have access to Universal Credit.

There are no 'linking rules' so even a break in entitlement of one day prevents a couple receiving pensioner benefits again until the youngest reaches State Pension age – which could be several years.

Mixed age couples could lose their entitlement to Pension Credit and/or Housing Benefit if, for example:

- Their income increases because one of them takes on a temporary job.
- They are receiving only Housing Benefit and inherit a modest sum which takes their savings to just above £16,000. After drawing on their savings for a few months to pay the rent, their savings fall to below £16,000. However, as it will be a new claim any application will have to be for Universal Credit.
- They are temporarily abroad for a period of more than 28 days – for example to spend time with a relative who is seriously ill.
- They no longer qualify for benefit because they lose an additional amount - for example if the carer addition stops because they, or the person they care for, has been in hospital for a number of weeks or the cared for person dies.
- **Ken is 67 and his wife is 58. They are from Scotland and find the climate exacerbates Lucy's* arthritis.** 'My wife is disabled with arthritis and a condition which means she has broken many of her bones including her spine. She recently had to spend a year learning to walk again. My wife is in constant pain and the wet weather in Scotland makes this worse. We go to Spain because this helps with, at least, the pain caused by her arthritis but now we can't stay as long as might help her because we'll lose money we rely on. This change has been sneaked through and it's totally wrong that we might lose vital support because my wife is younger than me.'

*Name and location changed to protect identity

Ken is also considering moving to Southern England so that his wife can live in a better climate. Thankfully for them, if they move they will be able to claim Housing Benefit in a new area because they are also receiving Pension Credit. However, if their income was slightly higher taking them above the threshold for Pension Credit moving could mean giving up the financial support they need as they would have to claim Universal Credit rather than Housing Benefit.

Maximising take up of Pension Credit

If the change does go ahead, it is essential that benefit take up is maximised in advance of 15 May, and that those receiving benefits at the time are aware of the potentially disastrous implications of any change in their circumstances.

There are many cases like Juliet* below who don't claim the benefits they are due and won't know that they are about to lose out.

- **Juliet* is 64 and her husband is 66. They are from Wales and although they struggle don't claim benefits.** 'Our day to day life is just living from day to day but we claim no benefits. I retired from work with ill health 2 years ago after being told I was fit for work by a medical assessment centre, even though I could not return to work due to my mental health.

We live on my husband's old age pension but have never tried to claim any credits. We, like a lot of people, don't know about these or are worried about rejection so we just try to manage.'

We have contacted Juliet* to encourage her to go for a benefits check and we hope that she does. However, many people will not seek help or make enquiries in time. Nationally we know around three-fifths of pensioners entitled to Pension Credit have not claimed. Some of these will be mixed age couples who, if they don't claim in the next few weeks, could be missing out for several years.

Conclusion

Government figures show that many thousands of mixed age couples will be adversely affected by these changes, but the stories of real people in this report show what this will actually mean for them. Many have health problems or caring responsibilities and are struggling to manage on the income they currently have. Once people reach State Pension age they should not be denied the benefits designed to support pensioners, simply because they have a younger partner. Age UK believes the Government should stop the changes now and reconsider this policy.

ⁱ See also Age UK's briefing paper for more information about the changes https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/reports-and-briefings/money-matters/age_uk_briefing_on_benefit_changes_for_mixed_age_couples_february2019.pdf

ⁱⁱ <https://www.gov.uk/government/publications/mixed-age-couples-benefit-impacts-of-ending-access-to-pension-credit-and-pension-age-housing-benefit>

ⁱⁱⁱ <https://www.gov.uk/government/publications/mixed-age-couples-benefit-impacts-of-ending-access-to->

pension-credit-and-pension-age-housing-benefit

*Name and location changed to protect identity