

Orkney Islands Council

Loss of Benefit – Information Leaflet



1. Introduction

- 1.1 From 1 April 2013 Loss of Benefit (LOB) penalties apply to tackle fraud and error in the benefits and tax credits system for offences that occur wholly on or after 1 April 2013.
- 1.2 The LOB provisions are designed to be a deterrent against abuses of the benefit system by applying a benefit reduction penalty to those who are convicted, or who have accepted an administrative penalty for a benefit fraud offence.
- 1.3 The LOB provisions supplement the existing 'One Strike' provision to impose a restriction of benefit payment for 4 weeks when a claimant, their partner or a family member has been convicted, or had accepted a caution or an administrative penalty for a first (or non-linking) benefit fraud offence, when the whole period of the fraud was committed on or after 1 April 2010.

2. Loss of Benefit levels

- 2.1 There are 5 Loss of Benefit levels as follows:
 - 2.1.1 **Level 1** – offences which result in an Administrative Penalty (Ad Pen) will result in a LOB penalty of 4 weeks;
 - 2.1.2 **Level 2** – for a first benefit fraud conviction the LOB penalty duration will be 13 weeks;
 - 2.1.3 **Level 3** – where there are two offences, within a set time period, with the latter resulting in a conviction the LOB penalty will be for a period of 26 weeks;
 - 2.1.4 **Level 4** – a 3 year LOB penalty where there are three offences within a set time period the latter resulting in a conviction;
 - 2.1.5 **Level 5** – an immediate 3 year LOB for serious organised and identity fraud cases.
- 2.2 For repeated benefit fraud longer loss of benefit periods will apply where repeated offences have been committed within a set 5 year linking period and those offences have been committed wholly on or after 1 April 2013. This means that where three offences A, B and C, have occurred offence B must be within 5 years of A, and C within 5 years of B. Penalties following a conviction will also escalate based on the number of previous offences (including penalties as an alternative to prosecution).

2.3 The Single Fraud Investigation Service (SFIS) determines the appropriate level of penalty following a fraud offence or repeated fraud offences.

3. Benefits affected by Loss of Benefit provisions

3.1 A penalty reduction for benefit fraud will be applied to all sanctionable Department for Work and Pensions (DWP), Local Authority (LA), Her Majesty's Revenue & Customs (HMRC) and Service Personnel and Veterans Agency (SPVA) benefits. A penalty reduction can be applied to more than one benefit at the same time at the rate applicable to each benefit.

3.2 For more information on the benefits where the penalty reduction will apply please visit the government's website GOV.UK at the following weblink - <https://www.gov.uk/government/publications/new-loss-of-benefit-changes-for-claimant-fraud-overview>

4. Standard Housing Benefit Penalty Rates

4.1 The amount of benefit payable will normally be reduced by 40% of the Housing Benefit (HB) single claimant's personal allowance rate during the disqualification period if they or a member of the offender's family member is subject to no work requirements for the purposes of Section 11D of the 2007 Welfare Reform Act.

4.2 The penalty rate may be reduced to 20% rate during the disqualification period, but only if the claimant, their partner or a family member is pregnant or seriously ill.

4.3 In the case of couples, the calculation of the penalty reduction during the Disqualification Period is decided according to the rate of the personal allowance appropriate to the age of the person named as the offender.

5. How the Loss of Benefit sanction will be applied

5.1 If an offence results in an Administrative Penalty or fraud conviction the Council will notify the Single Fraud Investigation Service (SFIS), who will then advise the Council of the LOB penalty to be applied.

6. Where to find more information

6.1 More information on Loss of Benefit can be found on the government website GOV.UK at the following link - <https://www.gov.uk/search?q=loss+of+benefit&tab=government-results>