

Compensation and social security benefits

A client's guide

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Introduction

If you are claiming compensation, the person or organisation likely to be paying the compensation (“the compensator”) must notify the Compensation Recovery Unit of the Department for Work and Pensions (“DWP”) of your claim.

The DWP then sends the compensator and you or your representative a certificate of any benefits which you have received as a result of your accident, injury or disease (“the CRU Certificate”).

If you receive compensation, the compensator has to pay the DWP the total amount of the benefits listed on the CRU Certificate.

In certain circumstances, the compensator will reduce the compensation it pays you by the whole or part of the amount of the benefit it has to pay to the DWP. This note and the examples overleaf explain when this may happen.

In addition, when you receive compensation, you may become disentitled to some means tested benefits.

How much does the compensator have to pay the DWP?

The amount the compensator has to pay the DWP is related to the benefit/benefits you receive because of your accident, injury or disease. It is calculated from either the day following your accident or injury or, if you have claimed benefit as a result of disease, from the day you first claimed that benefit.

A compensator ceases to have to pay back benefit on the date that your damages are fully paid or five years after payment of benefit began, if earlier. After the compensator has paid the DWP, you can continue to receive non-means tested benefits without any further repayment.

How the compensator will reduce your compensation

In the circumstances listed below, the compensator will reduce the compensation it pays to you. These are as follows:

- Disability Working Allowance
- Reduced Earnings Allowance
- Incapacity Benefit
- Severe Disablement Allowance
- Income Support
- Sickness Benefit
- Industrial Injuries Disablement Benefit
- Statutory Sick Pay paid before 6 April 1994
- Invalidity Pension
- Unemployability Supplement
- Jobseeker’s Allowance

Care

If you make a claim for the cost of care which others have provided to you, the compensator will reduce this head of claim by the amount of any of the following benefits, if you have received them:

- Attendance Allowance
- Disability Living Allowance (care component)
- Industrial Injuries Disablement Benefit increase for Constant Attendance Allowance or Exceptionally Severe Disability Allowance

Mobility

If you claim compensation for extra travel expenses you have paid, the compensator will reduce this head of claim by the amount of any of the following benefits if you have received them:

- Disability Living Allowance (mobility component)
- Mobility Allowance

Any other benefits you are receiving cannot be deducted. Nor can the compensation awarded to you for other parts of the claim, such as pain and suffering, be reduced.

The CRU Certificate

This lists the benefits the compensator has to repay to the DWP. It is important you check the accuracy of this certificate. If you do not agree with the information on it, you have the right to ask for a review of the certificate. You can also appeal against it after you have received compensation, if your compensation has been reduced by the compensator. There is information on the certificate that tells you what to do in this situation.

Informing your benefits office of your compensation

If you receive the following benefits, you must tell the office that pays your benefit as soon

- Income Support
- Pension Credit
- Working Tax Credit
- Housing Benefit
- Child Tax Credit
- Council Tax Benefit
- Income-based Jobseeker's Allowance
- Health Benefits

Your eligibility to continue receiving these benefits may be affected by your compensation as your income and capital levels will have changed.

You may be able to continue receiving these benefits if you put your compensation money into a Special Needs Trust or a Structured Settlement.

Examples

Some examples of how your compensation may be affected by the deduction of benefits are:

1. If you are awarded £22,000 which includes £12,000 for care provided to you and you had received £10,000 attendance allowance:

Compensation award:	
Pain & Suffering	£10,000
Care	£12,000
Total Award	£22,000
DWP Benefit:	
Attendance allowance	£10,000
You receive	£12,000

The attendance allowance of £10,000 is deducted from the care damages of £12,000. You will receive the full amount of the £10,000 compensation awarded for pain and suffering and the £2,000 balance of the care claim after deduction of benefit. The compensator also has to pay £10,000 to the DWP.

2. If you are awarded £22,000 which includes £12,000 for loss of earnings and you had received £15,000 incapacity benefit:

Compensation award:	
Pain & Suffering	£10,000
Loss of Earnings	£12,000
Total Award	£22,000
DWP Benefit:	
Incapacity Benefit	£15,000
You receive	£10,000

Incapacity benefit is more than the loss of earnings claim. Compensation for loss of earnings is, therefore, reduced to nil. The balance of £3,000 in respect of incapacity benefit received is not deducted from your compensation but the compensator still has to pay it to the DWP. You receive £10,000 for pain and suffering and the compensator has to pay £15,000 to the DWP.

3. If you are awarded £22,000 which includes £10,000 for pain and suffering and £12,000 for loss of earnings and you had received £5,000 for the mobility component of Disability Living Allowance (DLA (Mobility)) and £1,000 for the care component of Disability Living Allowance (DLA (Care)):

Compensation award:	
Pain & Suffering	£10,000
Loss of Earnings	£12,000
Total Award	£22,000
DWP Benefits:	
DLA (Care)	£5,000
DLA (Mobility)	£1,000
Total Benefits	£6,000
You receive	£22,000

Neither the DLA (Care) nor the DLA (Mobility) is deducted from the compensation award because there was no compensation awarded for care or travel expenses. You receive the full amount of the compensation award and the compensator has to pay £6,000, the total amount of benefits received, to the DWP.

4. If you are awarded £30,000 which includes £15,000 for loss of earnings and you had received £1,000 pa for Industrial Injuries Disablement Benefit (IIDB) for the past eight years:

Compensation award:	
Pain & Suffering	£15,000
Loss of Earnings	£15,000
Total Award	£30,000
DWP Benefit:	
IIDB for five years	£5,000
You receive	£25,000

Although you have received IIDB for eight years, the cut-off date for repayment of benefits is five years. Only five years' worth of IIDB payments will be deducted from your compensation and

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