

Information Sheet

32 Direct Payment of Pension and Benefits

The Government has changed the way it pays your pension, benefits and Tax Credit payments. In April 2005 all pension books were replaced with the Direct Payment system. This means pension, benefits and Tax Credit payments are now paid straight into a bank, building society or Post Office card account. This information sheet looks at your choices for Direct Payment, the cheque payment exceptions service and answers some common questions.

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Introduction

From April 2003 the Government began phasing out the pension book system and replacing it with Direct Payment. Direct Payment means your pension, benefits and Tax Credit payments are paid straight into an individual account of your choice. Direct Payment doesn't affect how much money you receive, and you still get your money as often as you did through an order book. Direct Payment is generally more safe, secure and convenient than the old pension book system – you do not have to draw out your whole pension or carry more cash than you need. There will, of course, be people who can't manage an account because of disability or illness. For these people, the Government has introduced a cheque payment scheme. See page 9 for more details. **It is no longer possible to have your pension or other benefits paid through an order book.**

In this information sheet we use terms which you may not be familiar with, so we have included a Glossary on page 16.

What are my account choices for Direct Payment?

You can have your pension, benefits and Tax Credit payments paid into any of the following types of account:

- a current account with a bank or building society
- a basic or introductory account with a bank or building society
- a Post Office card account

You can pick the account which suits you best. Even if you already have a bank or building society account, you can still open another one just for your pension. In most cases you will still be able to pick up your pension from your local Post Office, whatever type of account you have.

How do the different accounts work?

Your pension, benefits and Tax Credit payments will be paid directly into your account. With all these accounts, you will be given a card and a personal identification number known as a PIN, which you will use to withdraw money. The PIN will only be four digits long. If you don't find it easy to remember the

PIN you are given, you can change it to one that you can remember at any time. Be careful not to choose a number that someone else can guess easily. Try not to use numbers like your birthday or your phone number. Also, try and avoid popular number sequences like 9876 or 1234 or 9999. A random combination of numbers is best and harder for a criminal to guess.

If you cannot get out to pick up your pension or benefits, a carer, relative or friend should be able to make arrangements with your bank, building society or Post Office so that they can collect your cash. Ask your bank or building society how a trusted 'third party' would collect your cash. If you open a Post Office card account, a second card and a different PIN can be issued to someone you trust so that they can collect your money for you. If more than one person needs to collect your money, or you are unable to operate an account because of disability or illness, see the section on cheque payment on page 9.

What do the different accounts offer?

Current accounts

With a current account you can take money out or check your balance:

- at any 'hole-in-the-wall' cash machine (although a few cash machines charge a fee to use them) whenever you want;
- over the counter at your bank or building society branch; or
- in some cases, at the Post Office.

The following banks will allow you to withdraw money from any Post Office:

- Alliance & Leicester
- Bank of Ireland
- Barclays
- Clydesdale Bank
- The Co-operative Bank
- Lloyds TSB (in England, Wales and Scotland)
- Nationwide Building Society
- Smile

These are the only banking groups that have an arrangement with the Post Office at the moment, but more may make similar arrangements in the future.

As well as giving you better access to your money than the pension book system, a current account has the following features:

- You can have a cheque book or debit card. Making more expensive purchases with cheques and debit cards is safer than carrying large amounts of cash. Also, if they get lost or stolen you can 'put a stop' on them. You can cash cheques or use a debit card at your bank or building society to withdraw money if you have difficulties remembering a PIN number. Debit and credit cards now use the chip and PIN system. If you have difficulties remembering a PIN, ask for a chip and signature card instead. You can also cash cheques at your Post Office if you bank with:
 - Bank of Ireland
 - Barclays
 - Cahoot
 - Lloyds TSB
- You can arrange for your bank or building society to make regular automatic payments from your account for things like fuel and telephone bills by setting up a 'direct debit'. Paying like this can sometimes qualify you for a discount as well as spreading costs over the year.
- You can pay cash, cheques and other direct payments into your account as well as your pension.
- You will be sent regular statements telling you how much money has been paid in, spent and withdrawn.
- You can ask for a credit card or an overdraft with your account which allows you to borrow money from your bank or building society. (This works best if you can pay the money back quickly to avoid paying interest rates or getting into long term debt.)

You should not have to pay a fee for a normal current account that is not overdrawn. Some banks and building societies offer 'extras' with a current account (like leisure discounts and free travel insurance) for a monthly fee. These are often called 'premium' current accounts and have names that include words like 'premier', 'gold', 'plus', 'additions', or 'more'. If you are offered one of these, you should decide whether you can afford the fee and whether you will get your money's worth from the 'extras'. Don't be afraid to

say no. For the purpose of receiving your pension, benefits and Tax Credit payments, a normal current account will be fine. You cannot open a bank or building society current account if you have been declared bankrupt now or in the past, you have a bad credit history or you have outstanding County Court judgements against you. If this is the case you will need to open a basic or introductory account or a Post Office card account instead.

Basic or introductory accounts

A basic or introductory account is a 'no frills' account. It has similar features to a current account (see the summary on page 8). The biggest difference is that you will not usually be able to go overdrawn or arrange an overdraft. Some basic or introductory accounts will offer you a cheque book, but a lot don't. Not many people know that this type of account exists – including some bank and building society staff. So you may need to be quite determined to get one of these.

If you have a **basic or introductory account** with one of the banks or building societies listed below you can take out cash free at any Post Office counter using your card and PIN:

- Abbey
- Alliance & Leicester
- Bank of Ireland
- Bank of Scotland
- Barclays
- Clydesdale Bank
- The Co-operative Bank
- First Trust Bank
- Halifax
- HSBC
- Lloyds TSB
- Nationwide Building Society
- NatWest
- Northern Bank
- The Royal Bank of Scotland
- Ulster Bank
- Yorkshire Bank

The Financial Services Authority (FSA) produces a leaflet on basic or introductory bank accounts called *No bank account? Why it could pay you to have one*. You can get a copy by calling the FSA consumer helpline on 0845 606 1234.

How to open a current account or a basic or introductory account

- Decide which bank or building society is best for you.
- Go into your local branch and complete an application form.
- You will need to take proof of identity. Banks and building societies are very strict about what documents they will accept. It may be best to phone in advance to find out what they need. Unfortunately some banks and building societies will only accept passports and driving licences which a lot of older people don't have.
- If you need to give someone else access to your account (a carer, friend or relative who usually picks up your pension), you should ask the bank or building society for details of how a 'third party' can collect your cash. They will discuss your options with you and help you make the necessary arrangements.
- Once your application has been processed, you will be sent your card and PIN in the post separately (for security reasons) within a few days of each other.
- You will then be able to give your new current account details to The Pension Service by filling in the form they sent you and returning it in the pre-paid envelope.

Post Office card accounts

A Post Office card account is a bit different from a current or basic or introductory account. It is only for your pension, benefits and Tax Credit payments and you can only withdraw money at the Post Office. It would probably suit you best if:

- You don't want all the features you get when you open a current or basic or introductory account like overdrafts and debit cards.
- You are unable to open a current or basic or introductory account – perhaps because you don't have the necessary proof of identity.

- You simply don't want your pension and benefits to be paid into a bank or building society account.

As with the other accounts, you will get a card and a four digit PIN. You can go into any Post Office, hand your card to the cashier and tap in your PIN into the keypad at the counter. The cashier will then give you as much or as little cash as you want (providing you have enough money in your account to cover that amount). You can also get a statement of how much money is in there.

With a Post Office card account:

- Only your pension, benefits and Tax Credit payments can go into it. You cannot pay in any other cash or cheques.
- You can only check your balance and withdraw cash from a Post Office. But the good news is that it doesn't have to be your local Post Office – it can be any Post Office, wherever you happen to be.
- You will not get paid interest on your money or be allowed to go overdrawn.
- You can arrange for a second card and PIN to be issued to someone you trust, so that they can collect your money for you. If more than one person needs to collect your pension, it would probably be best to ask for cheque payment - see page 9.

How to open a Post Office card account:

- Call 0845 60 60 265 (or 028 9054 9393 if you are in Northern Ireland) to be put through to your local Pension Office.
- Tell the operator that you want to open a Post Office card account to receive your pension. Remember, even if you already have a bank account, you are entitled to choose to have your pension paid into a Post Office card account.
- If you want to open a Post Office card account to receive your benefits you will need to phone the office which issues that benefit. You can find the contact details of the offices which deal with different benefits in 'Useful contacts' on page 15.

- After phoning to open a Post Office card account you will then be sent a 'personal invitation document'. Fill this in and take it to a Post Office. If you are not sure how to fill it in, someone at the Post Office should be able to help you.
- The Post Office will send you a 'pick-up letter' to let you know when your card has arrived at the Post Office. They will also send you a personal identification number (PIN). For security reasons they will arrive separately within a few days of each other.
- Take both of these back to the Post Office where you filled in your personal invitation document and collect your card. Your new account is ready. If you lose your card, the Post Office can issue a new one within four to five working days (see page 11).

Summary of what the different accounts offer

Will this account allow me to:	Current account	Basic account or introductory account	Post Office card account
withdraw cash at the post office?	Depends on which bank or building society your account is with	Depends on which bank or building society your account is with	Yes
withdraw cash from cash machines?	Yes	Yes	No
have a cheque book?	Yes	Depends on which bank or building society your account is with	No
Set up Direct Debits?	Yes	Yes	No

check my balance at the post office?	Depends on which bank or building society your account is with	Depends on which bank or building society your account is with	Yes
check my balance at cash machines?	Yes	Yes	No
arrange for an overdraft or go overdrawn?	Yes	No	No
Pay in cash, cheques or other direct payments?	Yes	Yes	State pension, benefits and Tax Credit payments only

Cheque payment exceptions service

Some people will not be able to manage a bank, building society or Post Office account because of disability or illness. Other people may have times when they cannot use an account - perhaps because of a short illness or when a regular carer is not around. The cheque payment system is for people who:

- have difficulty remembering and using a PIN number;
- cannot manage using a key pad at a cash machine or at the Post Office to access their money; or
- need different carers or helpers to collect their pension.

How does the cheque payment work?

Cheques will be sent to you through the post weekly or monthly. Cheques are posted to your home so that they arrive on the date that payment is due. If you receive more than one benefit the Department for Work and Pensions (DWP) will, where possible, combine them to reduce the number of cheques that you receive. The cheques can be cashed at the Post Office like a giro cheque or paid into a bank account. Like the pension book system, a carer or helper can

collect your pension or benefits for you if you sign the back of the cheque. But they will need to give proof of identity for you and themselves.

How do I arrange cheque payment?

If you or someone you care for needs this method of payment, you should tell the office that issues your pension, benefits or Tax Credit payments (you can find the contact details on page 15). You will need to briefly explain to the operator why you (or the person you are calling for) cannot use Direct Payment. The office issuing your pension, benefits or Tax Credit payments will then mark you down as needing cheque payment. If you are already using the Direct Payment scheme, but are having difficulty with it, you can contact your local DWP office and ask to be transferred to the cheque payment scheme.

Problems with cheque payment

Cheque payment is less secure than Direct Payment. Probably the biggest problem with cheque payment is that you will have to rely on the post to get it to you on time. Cheques could get lost in the post or be stolen. If this happens, you will need to contact your local DWP office as soon as possible to request an emergency payment. You may be asked to complete a form to request a replacement cheque or collect the cheque at a local benefit office. If you need the money urgently, or you can't fill in forms or travel to a local benefit office, then the DWP should be able to bring the cheque to your home. Ask to speak to the manager of the benefit office, if you are not happy with the arrangement to replace your late or missing cheque.

Questions about Direct Payment

If you have any questions about Direct Payment, such as which account options are available or how to change from cheque payments to Direct Payments, then call the office that issues your pension or benefits (contact details on page 15).

Your local CAB may also be able to help you choose the right account for you. Or call SeniorLine on 0808 800 6565 (or 0808 808 7575 if you are in Northern Ireland).

Here are some common comments and questions that Help the Aged has been asked:

What if I lose my card?

- Your bank (or building society) will have a system in place to help you if you lose your card or think it has been stolen. You should tell them immediately if you think this has happened. Go into your bank or give them a call. There will usually be a customer service or a 'lost card' telephone number on your bank statement. The card will then be stopped so no-one else can use it and you will be sent a new card and PIN. Your bank can usually arrange for you to get money out without your card until the new one arrives, but ask them how you would go about this. If you find your card after you have reported it lost or stolen, you won't be able to use it again. So it is best to destroy it and wait for your new one to arrive.
- If you have a Post Office card account you should tell the Post Office immediately if you lose your card. You can report it lost or stolen by calling the Post Office's lost card line for free on 0800 389 2101. The operator will arrange for you to get a new card in one of two ways:
 - If you have money in your account, the operator will give you a reference number and then contact your Post Office to tell them to give you a new card (sometimes called a 'vault card'). You will then be able to go into your Post Office, give the cashier your reference number, pick up your new card and use it with your existing PIN as normal. This can often be done on the same day you report your card missing (as long as there is enough time to sort it out before your Post Office closes for the day).
 - If you have no money in your account when you report your card lost or stolen, then a new card will be sent to your Post Office in four to six working days. You will be sent a letter when it is ready to collect.
- If you find your card after you have reported it lost or stolen you won't be able to use it again. So it is best to destroy it and wait for the new one to arrive.

What if I forget my PIN?

Your PIN will only be four digits long and you can change it to a number that you think you will remember any time you use your card. If you do forget it, tell your bank, building society or Post Office immediately. They will then arrange to send you a new one. While you are waiting for a new PIN:

- If you have a bank or building society account you can use your debit card (or cheque book and card) to withdraw money at the counter of any branch of your bank without needing to use your PIN. You may be able to draw cash at the Post Office if your bank or building society has an arrangement with the Post Office (see pages 3 to 5).
- If you have a Post Office card account tell the Post Office immediately if you forget your PIN by calling their helpline on 08457 22 33 44. You should get a new PIN sent to you in four to five working days. You will not be able to access your account while you wait for your new PIN. So it is a good idea to change it to one you are less likely to forget as soon as you can to avoid this inconvenience.

I don't think I will be able to use the key pad at the Post Office.

The Post Office has tried to make the keypads easy to use by working with the Royal National Institute for the Blind (RNIB). The key pads make 'beep' sounds and have markers to guide people with visual impairment. Check out the keypads when you go to the Post Office. The Post Office produces a free leaflet called *How to use the PIN Pad at a Post Office branch*. Details about how to get this leaflet are on page 15. If you do not think you will manage with the key pad, then it may be best for you to get cheque payment of your pension or benefits (see page 9).

Does my carer need Power of Attorney to draw out my pension or benefits?

Not necessarily. There are a few options when it comes to another person or 'agent' getting access to your account. In every case you must make sure it is someone you can trust.

- If you want your pension or benefits to be paid into a bank or building society account, you could set up a joint account with your 'agent' – particularly if your spouse draws your pension or benefits for you.

- If an 'agent' is needed for a limited amount of time, for example, if you can't collect your pension or benefits because of illness or a spell in hospital, your bank or building society may ask you to fill out a 'third party mandate' form. You can then name a person to use your account for you.
- If your needs are long term then you could consider granting someone Power of Attorney so they can manage your bank or building society account for you. There are different types of Power of Attorney - it is important to choose the right one for your 'agent'. For more information contact **SeniorLine** on **0808 800 6565** (or **0808 808 7575** if you are in **Northern Ireland**) or get advice from your local CAB.
- If you have a Post Office card account you can arrange for your agent to get a second card and PIN that will give them access to your account. If you have granted someone Power of Attorney, that person cannot open a new Post Office card account in their name to receive your pension or benefits. They can only gain access to your Post Office card account if they are a second cardholder.
- If you need more than one person to manage your account for you, it may be simpler to request cheque payment of your pension or benefits through the exceptions service (see page 9). It can be complicated if you have more than one person with Power of Attorney.

I don't want my pension or benefits to be paid into an account because I don't want people knowing how much money I have.

The only people who will know how much money is in your account is you, your bank or building society and any trusted person you have asked to use your account for you. Your bank cannot disclose information about your account to anyone unless you have agreed. However, there are some very exceptional circumstances when the bank has to do so by law. For example, if the information is required for a court case or it becomes a public duty (like if you have been trading with the enemy during wartime) – but these are not very likely.

If my pension builds up in my account will I lose my Pension Credit, Council Tax Benefit and Housing Benefit?

You can draw out and spend your full pension weekly if you want or save a bit in your account – it's up to you. Any savings you have would need to exceed

£6,000 in total before they started affecting entitlement to these benefits. Even if you did choose to save more than this you may still get some help. For more information on working out how much Pension Credit, Council Tax Benefit and Housing Benefit you should get, see our free advice leaflet *Can You Claim It?*. Or, call **SeniorLine** on **0808 800 6565 (0808 808 7575** if you are in **Northern Ireland**).

I used to use my pension book as proof that I receive benefits so I can get concessions. What should I do now?

Your local benefit office or The Pension Service can give you a letter confirming you get a pension or benefits. This can be used to prove your right to any concessions for people on pension or benefits.

I don't want to have my pension paid into my current account because I like to keep it separate from my other money.

You don't have to get your pension paid into your existing account – you can open a new one for the sole purpose of receiving your pension. Even if you already have, say, a disability benefit paid straight into a current account, you may decide that you want to open a Post Office card account just for your pension. You may feel you would be better off with cheque payment of your pension, even if you already have an account, because it has become impractical for you to use your account since you opened it. It is up to you, not the office issuing your pension or benefits, which account you use or whether or not you need cheque payment.

I want to support my local Post Office so it doesn't close down.

If you want to use your Post Office to collect your pension or benefits you could:

- open a Post Office card account to get your pension or benefits paid into (see pages 6 to 8); or
- open a basic, introductory or current account which allows you to take money out at the Post Office (see pages 3 to 5); or
- arrange for the cheque payment of pension or benefits if you cannot operate an account because of disability or illness (see page 9).

What will happen if the Post Office computer breaks down?

The Post Office uses a computer to give you money from your account. If it breaks down, then you should still be able to get some money.

- If you have a bank or building society account that you are using through the Post Office, you will be able to use any cash machine to get your money. If you don't want to use a cash machine, you will need to go to a branch of your bank or building society.
- If you have a Post Office card account and you desperately need your money there and then, your Post Office should be able to give you an emergency payment of up to £20.

Useful contacts

Citizens Advice

For free information on Direct Payment. Check the phone book or the library for your local Citizens Advice Bureau.

Department for Work and Pensions

0800 107 2000 (England and Scotland)

0800 107 8000 (Wales)

0800 107 5000 (Northern Ireland)

Web: www.dwp.gov.uk/directpayment

Financial Services Authority

For a copy of the free leaflet about basic or introductory accounts called *No bank account? Why it could pay to have one* call 0845 606 1234.

Help the Aged SeniorLine

For information on Direct Payment and all welfare benefit advice call 0808 800 6565 (or 0808 808 7575 if you are in Northern Ireland).

Post Office

For a copy of a free leaflet called *How to use the PIN Pad at a Post Office branch* call 0845 722 3344.

If you need information about Direct Payment, such as which account options are available or cheque payments, you will need to contact the office that deals with your pension or benefit as listed below:

- for **Carer's Allowance** contact the **Carer's Allowance Unit** on **01253 856123** and ask for the section that deals with your Carer's Allowance claim. If you are in **Northern Ireland** contact the **Disability and Carer's Service** on **028 9090 6186**.
- for **Disability Living Allowance or Attendance Allowance** contact the **Disability Benefits Unit** on **08457 123 456**. If you are in **Northern Ireland** call the **Disability and Carer's Service** on **028 9090 6178** (if you get Attendance Allowance) or **028 9090 6182** (if you get Disability Living Allowance).
- for State Retirement Pension contact The Pension Service helpline on 0845 606 0265 (028 9054 9393 if you are in Northern Ireland).
- for Tax Credits contact the Tax Credit helpline on 0845 300 3900 (0845 603 2000) if you are in Northern Ireland).

Glossary

balance	This is the amount of money you have in your account at a particular time.
basic or introductory account	A 'no frills' account you can pay money into, get cash out by card and use to pay bills directly. You can only spend or take out money if there is enough in your account.
chip and PIN	A chip and PIN card is a plastic card which has a microchip in it which holds your details. When you use a chip and PIN card you will need to type your PIN number into a keypad to make your purchase.
chip and signature	This is like a chip and PIN card but you use your signature rather than a PIN when using the card. These cards are used by people who have difficulties remembering a PIN.

credit card	A plastic card which you use to make purchases now with the bank's money and pay them back later.
current account	An account for day to day money management which has all the features of a basic or introductory account and more including a cheque book and overdraft facility (if arranged).
Debit card	A plastic card that you can use to pay for goods or services. The money is taken straight from your account. It is an alternative to paying with cash or cheque.
Direct Debit	A system for paying bills straight from your account. You sign an agreement with the organisation that gets the payment, for example, your power supplier, and they arrange the transfer of money from your account at regular intervals. You have a right to cancel the agreement at any time and will be refunded money if an error is made.
overdrawn	Going 'into the red' by spending more money than you have.
PIN	PIN stands for Personal Identification Number. It is your secret code for your account and protects your money if your card is lost or stolen. You have to remember your PIN to get access to your account with your card at a cash machine or the Post Office (depending on which account you have).
Post Office card account	A Post Office account which you can get your pension and certain benefits paid into only. It can only be accessed at the counter at the Post Office.
Power of Attorney	This is a legal arrangement where you give someone the power to manage your affairs.
third party	In this case it means a person who acts as a 'go between' between you and your bank, for example, a friend, carer or relative.

For further information contact:

Information Resources Team
Help the Aged
207–221 Pentonville Road
London N1 9UZ
Tel: 020 7278 1114

If you have access to the internet you can download our advice leaflets and information sheets by logging on to **www.helptheaged.org.uk**

SeniorLine is the free welfare rights advice and information service run by Help the Aged for older people and their carers. Trained advice workers offer free, confidential and impartial advice about:

- Welfare and disability benefits
- Community and residential care
- Housing options and adaptations
- Access to health and community services
- Equipment to assist independence
- Support for carers
- Agencies offering local practical help

Freephone: **0808 800 6565**

Textphone (Minicom): **0800 26 96 26**

9am to 4pm, Monday to Friday

If you are in **Northern Ireland**, contact **Senior Line** on **0808 808 7575**.

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