



Briefing: How do the benefit cap and the two-child limit interact?

Summary

The two-child limit and the benefit cap were introduced as part of the UK Coalition and Conservative Governments' efforts to reduce spending on working-age social security benefits. Both policies disproportionately affect larger families, those with three or more children. While there is growing recognition that both policies are contributing to rising levels of child poverty, the interaction between the two policies has been little explored and is poorly understood. Indeed, their similarities cause them to be frequently conflated by researchers, policy experts and benefit claimants: the two child-limit is often referred to as the 'two-child cap' or the 'benefit cap'.¹ This briefing corrects this gap in our knowledge base, drawing on a freedom of information request and qualitative data from interviews with families affected by both policies in Yorkshire and London.

The latest statistics show that in March 2022 more than one in four families who were benefit capped were also subject to the two-child limit - 32,327 households in all, containing over 110,000 children.² This number will grow over time as the reach of the two-child limit increases each year (the two-child limit applies to third and subsequent children born since April 2017). All families currently subject to both policies have at least one child under five in their household and often face significant barriers to work. The two-child limit and benefit cap both cause severe immediate hardship for those affected. The two-child limit also reduces the financial gains capped households will see when they enter paid work in the future (and so escape the cap but not the two-child limit). To reduce hardship and improve children's longer-term prospects both policies need to be removed. This should be a priority for any government committed to addressing child poverty and improving the life chances of all children.

Why the interaction between the benefit cap and two-child limit matters

The UK government has introduced two policies over the last decade which disproportionately affect families with three or more children ('larger families'): the benefit cap and the two-child limit. The benefit cap, introduced in 2013 and lowered in 2016, applies to working-age households working less than 16 hours a week and limits the total amount of benefit income they can receive, with an exemption if anyone in the household receives disability benefits. The two-child limit restricts means-tested child-related benefits to the first two children in a family, for all new births since 6 April 2017. The only exemptions to the two-child limit are for multiple births, children adopted or in care and children conceived as a result of rape or coercion. Both policies sever the historical connection between need and entitlement within the benefits system and have significant implications: they reduce family income, increase hardship and place a strain on familial relationships and mental health.

The latest government figures show that [1.3 million](#) children live in families affected by the two-child limit, while [300,000](#) children live in families that are capped. Many of these families will only be affected by one of the policies. However, some families will be affected by both policies at the same time, typically those who have low or no earned income (less than £658 a month in 2022/23), live in rented accommodation (support with housing costs is what causes most families to reach the benefit cap) and have a third or subsequent child aged 5 or under.

There are three main reasons it is important to consider the interaction between the two policies. The first is the growing number of children affected by both. While the government does not publish figures on the overlap, we submitted a Freedom of Information request which enables us to estimate this number. Our methodology and the full figures can be found in the Appendix to this briefing. We estimate that 32,327 households - 29% of all capped families, or over one in four - are both benefit capped and subject to the two-child limit. These households contain at least 110,000 children.² The number affected by both policies will inevitably grow over time as more children are born into a country where the two-child limit exists.

Second, all of the households affected by both of these policies currently include at least one child at a critical stage of development (aged 0-5). The importance of these first few years is increasingly recognised: for example, the [Royal Foundation](#) Centre for Early Childhood was launched by the Princess of Wales in 2021. Yet very young children are being pushed deeper into poverty by policy design. We also know that households with young children face particular barriers to work. The great majority of these families are likely to be single parent families. They are losing social security income under two different types of benefit restriction during a life stage in which accessing the paid labour market is especially challenging, and at a time that we know is vital for children's development.

Third, aside from the cumulative loss of income, the interaction between the two policies has particular, and problematic, consequences that have received little attention. The two policies operate in tandem in a way that means that the potential gains for escaping one of the policies are limited and undermined by the existence of the other policy. Gaining an exemption to the two-child limit does not help a family who is benefit capped, while moving into work and therefore escaping from the benefit cap makes less of a financial difference to a family affected by the two-child limit. Another effect that has gone unnoticed is that the benefit cap prevents families from receiving increases to Child Benefit, either through uprating or for additional children.³ In defending the two-child limit, the government has argued that 'Child Benefit

continues to be paid for all children'.⁴ But for benefit capped families this is highly misleading: while Child Benefit is paid, the amount is then fully capped back out of the family's Housing Benefit or Universal Credit. This means that the increased need which a new member of a household represents is completely ignored within our social security system, with harmful repercussions for affected households. Each of these situations is illustrated further below.

What is it like to be affected by both the benefit cap and the two-child limit?

As part of our ongoing research into the impact of the benefit cap and/or the two-child limit, we are walking alongside families in London and Yorkshire who have three or more children and are affected by either or both policies. Interviews have taken place between 2021 and 2022, with three waves of interviews enabling us to track both the presence and absence of change over time. Most of the 12 families we interviewed who are affected by both policies are single parents with young children. This is not surprising: around [one-in-three](#) of all benefit capped families are single parents with children under five, and this is more likely to be true of capped families who are also affected by the two-child limit, because by definition these families have a child currently five years old or younger.

Through our research we are witnessing the impact on families of the reduced support they are entitled to, as well as the ways in which the policies interact, sometimes with unexpected consequences. In the following, we share evidence of the experiences of being affected by both policies.

Less money

Being affected by either the benefit cap or the two-child limit or both means having less money than a family would otherwise be entitled to, and less money than the social security system considers that the family needs. For families subject to both policies, in terms of day-to-day experience, how much of the shortfall is due to the benefit cap and how much is due to the two-child limit is largely immaterial: the combined effect is routinely a substantial shortfall in income, as our qualitative interviews show.

Jessica, one of the study's participants, is a single mother of four children aged 12, 8, 7 and 3. Two of the children are currently being assessed for ADHD and autism. Jessica's marriage broke down during the pandemic, and she also lost her small business in massage therapy as a result of the lockdowns. The family was already subject to the two-child limit when she was married and working: they received £237 less per month in support as a result of the policy. Now that she is on her own and out-of-work she finds herself also affected by the benefit cap, losing £500 each month. After paying rent the family has only £60/week to live on. Jessica describes it as a "constant fight and struggle". There are multiple ways in which she feels her children are missing out, including birthday celebrations and outings with friends. One daughter is picked on for not having the right school shoes, which has affected her wanting to go to school. The same child has also had to stop going to dance classes, "the place where she was happy and thrived". What Jessica misses most is cooking for her family with the children helping:

Although we really appreciate the food bank it's not the best way to be eating every day (laughs) yeah. So, you know, the home cooked meals and things like

that, and, and that's also affected our family time cos we used to all enjoy cooking together, a different child would help me cook a nice meal every night and we'd spend two hours in the kitchen a night and that'd be a, a family activity and, you know, the food was ... full of nutrients and, you know. Yeah, I'd, I'd just love to be able to go food shopping and buy proper food. (laughs)

Being benefit capped also means families lose out from other forms of support for children such as Child Benefit. Melissa is a single mother of four children, aged 11, 7, 4 and 2. She was already benefit capped when her youngest child was born, so she would have received no additional money even if the two-child limit had not applied. After the birth she noticed that as well as not receiving any additional tax credits, her Housing Benefit payment actually went down. This is because she began receiving weekly Child Benefit payments for her youngest child but, as this is included in her total benefit allowance under the cap, her Housing Benefit was reduced by exactly the amount her Child Benefit increased by. In effect, this means that she does not receive any additional support at all for her fourth child, which is experienced as an especially punitive response to the birth of a new child. Melissa is now capped by around £210/month while also missing out on a further £237/month through the two-child limit.

It does have a bit of an impact on us, yeah, because obviously like when you're not getting nothing really for her I'm paying it out of like my other child's money... [T]hey don't really get many days out like a lot of kids do because, it's cos I simply don't have the money... Sometimes...my son wants to go to football club after school and that, but yeah, it just, it's just affording it like... So sometimes he'll come out of school and say "Mum, can I go to that?" And I'll just say to him "Well I'll see if I can afford it" or "I can't really afford it right now." And he has a little huff ... but then he's all right about it, he forgets about it by time we get out of playground kinda thing, yeah.

While the benefit cap remains in place, neither Melissa nor Jessica would see any immediate increase in their income if the two-child limit were removed: this would just increase the amount by which they were capped. They would see an immediate gain from the scrapping of the benefit cap but would benefit most if both policies were abolished.

Current barriers to paid work

Families can escape the benefit cap by moving into work that pays at least £658 a month (equivalent to working £16 hours/week at minimum wage). But our interviews with families showed that in the short-term paid work is particularly challenging for those who are affected by both the benefit cap and the two-child limit. By definition they currently have high caring responsibilities: they all have at least three children, including at least one under five. Many of the families we spoke to talked about their past jobs and future employment plans. It was clear that they saw paid work as an obvious and important step when their children were a little older. But in light of their caring responsibilities and commitment to their children it was not something that made sense for them - or even seemed possible - right now.

Kimberly is a single mother of four children aged 11, 8, 6 and 2. She is benefit capped by £143/month and her youngest child is subject to the two-child limit. Kimberly worked in care homes in the past and wants to return to work when her youngest child enters full-time school, working in cooking or catering or at the school. But her priority is to make sure she is around for her children:

No, I do want to, eventually once my, my youngest daughter's in full-time school then eventually... It's just childcare and everything else, so... I'd rather watch me kids grow up and then once she's in full-time school then, you know, just doing summat round school hours. Like even like a dinner lady (laughs) or anything like that at the school as working round their, their school hours.

Families are exempt from the benefit cap if anyone in the household receives disability benefits. But we spoke to a number of families where adults and/or children have health issues that have not (yet) resulted in benefits that enable the exemption. Bushra is a single mother whose youngest child, aged two, is tube-fed. Stress around this condition is what led to the breakdown of her marriage. Because her son's condition is considered to be short-term, she does not receive disability benefits and is affected by the cap. She is highly motivated to work, but finding childcare has been a challenge:

Every childminder that I've tried, they're all scared about his tube, they get, something happens like they think they can get in trouble ... Otherwise I'm very active; I could get a receptionist job or what I studied as a facilitator, I'm a speaker as well, motivational speaker ... But then three childminders have rejected me because of his condition; so then I kind of like, OK, slide it away, look after your child, that's it.

Markedly, Bushra, Kimberly and Melissa are all exempt from the wider employment conditionality in the social security system because of the age of their youngest children - yet are still subject to the benefit cap as well as the two-child limit.

Escaping the benefit cap while the two-child limit stays in place

In the longer term many of the families we interviewed hope to be able to escape the benefit cap by moving into paid work. But the two-child limit will remain in place. For those subject to the two-child limit, it will continue to apply as children grow, whether or not parents are working, and regardless of the additional challenges life throws at the family. Some children will spend their entire childhoods in households where resources fall short of family needs, simply because of the number of siblings they have.

The experience of one of our participants, Laura, illustrates how escaping the cap has smaller effects if a family is also subject to the two-child limit.

Laura is a single mother of three children aged 10, 4 and 3, and does not receive the child element for her youngest child. When we first spoke to Laura she was benefit capped by

£80/month. She was not in paid work because of her own ill health as well as her responsibility for caring for her children, two of whom have autism. When we returned to interview Laura a second time, she was happy and relieved to report that she was now receiving Disability Living Allowance for her youngest child, which meant that the benefit cap had been lifted:

I feel like fortunate that I'm not subject to that benefit cap anymore but I'm also really sad about the fact that I'm only in that position because I'm dealing with the difficulties of having a disabled child and it makes me think a lot about the other families that don't have a disabled child, it's almost like, you know, would I rather have the £80, would I rather be docked the £80 and not have a disabled child? ... It's kind of bizarre that you have to have a disabled child to deserve that money, you know, when I know how difficult it is to not be getting that, it's like, you know, why is anybody subject to that?

Moving off the cap means Laura's rent is now covered, and the extra support through DLA is making it less difficult for her to get by. However, the two-child limit still applies to her three-year-old so coming off the benefit cap has made £237 less difference per month than it otherwise would have done. This is money that the family will have to do without permanently.

Escaping the two-child limit while the benefit cap stays in place

Escaping the benefit cap has made an immediate and concrete difference to Laura, albeit not as large as it could have been because the two-child limit remains in place. Alisha's case illustrates the opposite situation, where the two-child limit is lifted but the benefit cap remains.

Alisha is a single mother with five children, aged 16, 9, 3, 2 and 0. Three of the children were born after the two-child limit was introduced. Alisha has experienced domestic abuse and was granted an exemption from the two-child limit under the 'rape clause' for her middle child, now aged three. However, the additional support pushed Alisha into the benefit cap, so she only received £30 extra per month, instead of the full £237. Under severe financial pressure, Alisha became re-involved with her ex-partner, in part so that she could meet her children's material needs; this led to the birth of her subsequent two children. She has now ended the relationship again and has requested an exemption for both the younger children. Yet in practice, for now, this will make no difference at all to the family's finances: it will just increase the amount Alisha is capped by a further £474 per month. In this instance, the existence of the benefit cap directly increased the financial pressures Alisha faced, which in turn led to her returning to a violent and abusive relationship.

Once the children are a little older and she is ready to return to work these exemptions should make a big difference to Alisha's entitlement. She had worked up to the birth of her fourth child, sometimes two jobs, and intends to return to paid employment when her youngest is two. But currently with three very young children as well as the impact of her own recent trauma finding a job does not feel the right step for the family:

I want to get myself physically and emotionally better. I don't want to throw myself straight back into work, I want to do that probably around the time when she's two so we get the funding for the childcare. I want to be allowed to

concentrate on, on us all feeling safe and happy again and motivating everybody in the right way.

For now, the exemptions to the two-child limit will make almost no immediate material difference to Alisha. They will only have a real impact in the longer term, once she can escape the cap. Her case underlines the importance of abolishing both policies.

What should policymakers do?

Both the benefit cap and the two-child limit deny resources to families which the social security system itself has assessed them to need, contributing to rising deep poverty among larger families. As the quotes above from affected families show, the impact of these policies is felt by everyone in the household, including all children. Research tells us that growing up in poverty affects children's immediate well-being and their development, with far-reaching and lasting consequences.

Families affected by both policies experience particular hardship compared to a situation in which neither policy existed: they are denied resources on two different counts. Despite this, the government does not publish data on the number of families or children affected by both policies. This should change. Our best estimate from a Freedom of Information Request is that, at the last count, there were more than 32,000 such families, including at least 110,000 children. Over one in four households affected by the benefit cap are also affected by the two-child limit. The number of children affected by both policies will grow each year as the reach of the two-child limit increases with every year it remains in place.

Abolishing the benefit cap would have an immediate positive impact on the 300,000 children affected by it, including the 110,000 who are also subject to the two child limit, the overwhelming majority of whom are in deep poverty. But the potential gains are curtailed for families subject to the two child limit – many of these children would remain in poverty, but less deep poverty.

Abolishing the two child limit would help the vast majority of the 1.3 million children affected by it, but not the 110,000 already subject to the benefit cap, often those in the deepest poverty. For these children, the removal of the two-child limit would only make a difference once their parents are able to earn enough to escape the benefit cap. As all families currently affected by the two-child limit contain a child aged five or under, the ability of parents to do this in the short-term is routinely very limited.

The benefit cap pushes children into deep poverty at a difficult time when their parents capacity to work is limited, while the two child limit prolongs the experience of poverty as affected families will never be able to receive means-tested support for third and subsequent children, even once they are able to move into work. Both policies are drivers of child poverty and undermine the ability of any other policy to reduce it.

The inevitable conclusion is that the government must scrap both policies as a matter of urgency, given growing evidence of the [harm](#) they cause, alongside an absence of evidence of any positive effects. Abolishing both policies would immediately relieve severe hardship and

so improve the likelihood that all children can thrive, regardless of the number of siblings they have.

About the project

This report was co-authored by Kitty Stewart, Mary Reader, Ruth Patrick and Hannah Aldridge.

The Benefit Changes and Larger Families research project is a multi-method project examining how the risk of poverty for larger families has changed as a result of recent benefit reforms. The project is a collaboration between researchers at the University of York, the University of Oxford and the LSE, with the Child Poverty Action Group as project partner. For more information visit <https://largerfamilies.study/>.

The project is funded by the Nuffield Foundation, but the views expressed are those of the authors and not necessarily the Foundation. Visit www.nuffieldfoundation.org.

Endnotes:

1. See examples in [articles](#) in [The Guardian](#) and [The Daily Mail](#).
2. 110,000 is an estimate, as we do not have a breakdown of the number of children in capped families with three or more children. We assume that 22% of these families have four children and 10% have five children, based on statistics on family size from the Family Resources Survey ([Stewart et al, 2021](#)). This is likely to be a conservative estimate, as we do not assign any families more than five children, and as family size is likely to be larger among families in receipt of benefits than in the population at large.
3. Child Benefit is paid for all children, regardless of their position in the family, although at a much lower rate than the child element of tax credits or Universal Credit (£14.45/week compared to £55/week for the child element). Since January 2013 a High Income Child Benefit Tax Charge means that families on higher incomes who claim Child Benefit see it taxed back.
4. [Baroness Steadman-Scott](#) on behalf of the Government in the House of Lords, during the second reading of the Universal Credit (Removal of Two Child Limit) Bill, 8 July 2022.

Appendix: How many households are affected by both the benefit cap and the two-child limit?

It is unfortunately not possible to gain exact data on the number of families who are affected by both the benefit cap and two-child limit. This is because data on the benefit cap is held by the Department for Work and Pensions (DWP), while data on the two-child limit is divided between the DWP and Her Majesty's Revenue and Customs (HMRC).

However, we know that the two-child limit applies (albeit with some exemptions) for all new births since April 2017 to families in receipt of benefits. We therefore submitted a Freedom of Information request to the Department for Work and Pensions (DWP) on the number of households who are affected by the benefit cap, by the age of the youngest child in the household. This enables us to develop an approximation and get a sense of how many households are within the scope of both policies.

The data is displayed in Table 1, which shows the numbers capped under either Universal Credit or Housing Benefit by family size.¹ Yellow highlighted cells represent households who could be affected by the two-child limit (i.e., households with 3 or more children in which the youngest child was born on or after April 2017).

These figures suggest that as of March 2020, **21,322 households** fell within the scope of both the benefit cap and the two-child limit. This almost doubled in the subsequent year, to **40,156 households** as of March 2021. The number affected by both policies will continue to increase as more children are born after April 2017 and therefore fall into the scope of the two-child limit. In terms of the number of children, we are able to say that *at least* 120,000 children lived in affected households in March 2021, because we know that all affected households had at least three children. The true number of children affected will of course be higher. Finally, there is an even larger number of families who could become affected by both policies at different points in time. For example, some families may currently be affected by the two-child limit alone, but if this policy was lifted without the benefit cap also being lifted, then the child element could tip them into the benefit cap.

¹ Notes:

1. Statistical disclosure control has been applied to these tables to avoid the release of confidential data. Totals may not sum due to the disclosure control applied.
2. Figures may not include very short-term capped households. This will occur in instances where a household is capped and then ceases to be capped all within the space of the monthly returns. In any such cases, the recorded data will not flag that a household has been capped.
3. These figures were calculated using the same methodology as published Benefit Cap statistics. Background information and methodology can be found here.
4. The age of the youngest child in the household is calculated at the reporting month.
5. The statistics for Universal Credit (UC) capped households include UC Full Service only.
6. UC figures are subject to revision, as in some instances UC awards may be retrospectively revised.
7. The figures are derived from data underlying published information, but this analysis has not been quality assured to National Statistics or Official Statistics publication standard and so should be treated with caution.

Table 1: Number of capped households on Universal Credit or Housing Benefit, by number of children in the household and age of youngest child

Number of children in the household	Age of youngest child in the household	March 2020	March 2021	March 2022
0 children	NA	7,245	30,664	15,934
1 or 2 children	Under 1 year old	2,716	6,274	3,808
	1 year old	3,323	8,541	4,231
	2 years old	3,071	7,935	4,245
	3 years old	2,604	6,805	3,508
	4 years old	1,954	5,850	3,028
	5 years or older	9,781	34,270	17,757
	Unknown	116	37	26
	Total	23,575	69,706	36,592
3 or more children	Under 1 year old	6,675	9,246	6,946
	1 year old	7,544	11,276	7,275
	2 years old	7,067	10,177	7,055
	3 years old	8,970	9,047	5,830
	4 years old	6,834	10,923	5,221
	5 years or older	19,817	38,803	28,325
	Unknown	183	43	25
	Total	57,082	89,518	60,682
Unknown	NA	59	155	69
Total	NA	87,954	190,041	113,273
Total number of capped households likely to be affected by two-child limit (shaded cells)		21,286	39,746	32,327
Percentage of benefit capped households likely to be affected by two-child limit		24.2%	20.9%	28.5%

Notes: Figures represent the number of households in receipt of Universal Credit or Housing Benefit (point in time caseload) who are affected by the benefit cap, by number of children in household and age of youngest child, March 2020, March 2021 and March 2022, Great Britain. Since the two-child limit applies to all families with a third or subsequent child born on or after 6 April 2017, those with a youngest child aged 2 or under in March 2020, those with a youngest child of 3 or under in March 2021 and those with a youngest child of 4 or under in March 2022 are likely to be affected. Overall numbers of capped households are considerably higher in March 2021 due to the effects of pandemic.

Source: Freedom of Information request from DWP, FOI2022/84172, November 21 2022.