

1. Home (<https://www.gov.uk/>)
  2. Business and industry (<https://www.gov.uk/business-and-industry>)
  3. Redundancy payments from the Insolvency Service  
(<https://www.gov.uk/government/publications/redundancy-payments-from-the-insolvency-service>)
- The Insolvency Service (<https://www.gov.uk/government/organisations/insolvency-service>)

Guidance

# Explaining your redundancy payments

Updated 25 August 2020

## Contents

1. Overview - explaining your redundancy payments
2. Restrictions on what we can pay
3. Determining your weekly pay
4. The types of payment we can make
5. How we make payments to you
6. Pensions
7. Why we deduct tax and National Insurance from your payment
8. Deductions for money you owed to your employer
9. Deductions for money which we have overpaid you
10. What to do if you're waiting for other payments
11. What to do if you think your payment is wrong
12. Making a claim to an employment tribunal

Print this page



© Crown copyright 2020

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit [nationalarchives.gov.uk/doc/open-government-licence/version/3](https://www.nationalarchives.gov.uk/doc/open-government-licence/version/3) (<https://www.nationalarchives.gov.uk/doc/open-government-licence/version/3>) or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: [psi@nationalarchives.gov.uk](mailto:psi@nationalarchives.gov.uk).

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at <https://www.gov.uk/government/publications/redundancy-payments-from-the-insolvency-service/explaining-your-redundancy-payment>

## **1. Overview - explaining your redundancy payments**

If you've been made redundant and your employer is insolvent, you can apply to the Insolvency Service for the money you're owed.

To apply, you must complete the online application (<https://www.gov.uk/claim-redundancy>). We'll then assess your claim and pay you the money you're entitled to.

We make separate payments for different parts of your claim, such as redundancy pay, holiday pay and arrears of pay. We will send you a letter each time we make a payment. This means you may get several different letters from us.

This page explains the types of payment you might be entitled to and how we work out how much we should pay you.

## **2. Restrictions on what we can pay**

If you were made redundant on or after 6 April 2020, your weekly pay is capped at £538. If you were made redundant before 6 April 2020, these amounts will be lower. This means if your gross weekly pay was more than this we have capped each one of your payments.

If you are owed more than the maximum we can pay, you can register as a creditor (<https://www.gov.uk/register-creditor-bankruptcy>) in the insolvency for any outstanding money you're owed.

## **3. Determining your weekly pay**

We calculate your payments based on your weekly pay. If you are not paid weekly, we will calculate what you would be paid for a working week.

Any overtime, commission or bonus pay you earn may be taken into consideration. This depends on what is in your contract of employment.

If you are paid hourly, we will calculate your weekly pay based on your hourly rate multiplied by the number of hours you worked per week.

For redundancy pay, arrears of pay and notice pay, if your number of hours worked per week varied, we will take an average across 12 weeks. For holiday pay, if your number of hours worked per week varied, we will take an average over 52 weeks.

If you do not think your weekly pay has been calculated correctly, please contact the insolvency practitioner dealing with your redundancy.

## **4. The types of payment we can make**

### **4.1 Redundancy pay**

This is compensation for being made redundant. We can pay you this if you've been working for your employer for 2 years or more, and you are classed as an employee (<https://www.gov.uk/employment-status/employee>). The amount we can pay you depends on how long you've worked for your employer and how old you are.

- your payment is based on your gross weekly rate of pay, which is the amount you earned each week you were employed before tax and National Insurance were deducted from your wage
- to calculate your weekly rate of pay, we use the information you provided in your application and the information the insolvency practitioner has given us. There's more information about how we calculate your redundancy award (<https://www.gov.uk/your-rights-if-your-employer-is-insolvent/what-you-can-get>)

## **4.2 Holiday pay accrued and holiday taken but not paid**

This is payment for holidays you took but were not paid for, or holidays you were due but did not take.

- when we work out your accrued holiday pay, we pro rata the leave you were owed. This means we look at the holidays you were entitled to take between the start of your leave year and the date you were made redundant, not the whole of your leave year
- you may also have carried over some of your entitlement from the previous year. We can consider leave carried over, however, there is a legal limit to how much leave can be carried over, and we cannot pay for leave carried over in excess of this limit
- we can pay up to a maximum of 6 weeks holiday pay. To calculate your payment, we use the information you provided in your application and the information the insolvency practitioner has given us. We do not have access to company records, so we rely on the information the insolvency practitioner has given us to verify your claim
- most holiday payments have tax deducted at the standard rate of 20% and National Insurance deducted at the standard rate of 12%

## **4.3 Arrears of pay**

This is payment for wages and other money you were owed by your employer. We can only make payments you are entitled to as part of your employment contract.

- we can only legally pay claims for arrears of pay for a period of up to 8 weeks. Most payments are taxed at a standard rate of 20% and have National Insurance deducted at a standard rate of 12%
- to calculate your payment, we use the information you provided in your application and the information the insolvency practitioner has given us. We do not have access to company records, so we rely on the information the insolvency practitioner has given us to verify your claim
- we can pay a maximum of 8 weeks arrears of pay. If you have a protective award, we can pay a maximum of 8 weeks in total for your protective award and arrears of pay

## **4.4 Notice worked but not paid**

This is payment for days you worked during your notice period after being given notice of dismissal. We can only make payments for days that you worked but your employer did not pay you for.

- we can only legally pay claims for notice worked not paid for the part of your statutory notice period you worked, up to a maximum of 12 weeks
- most payments are taxed at a standard rate of 20% and have National Insurance deducted at a standard rate of 12%

## **4.5 Loss of notice compensation, also known as statutory notice pay and pay in lieu of notice**

This is compensation for not being given all of your statutory notice entitlement.

- we can pay you one week's notice for every full year you were employed. We can pay up to a maximum of 12 weeks. If your contract entitled you to a longer notice period we will cap your payment at 12 weeks
- we are required to deduct the value of any income-related benefits you were entitled to claim during your notice period from your payment. We will do this whether or not you actually claimed them. If you start a new job we must also deduct the value of any wages you've earned during this period
- if you believe you were not entitled to claim benefits, you should contact your local Jobcentre (<https://www.gov.uk/contact-jobcentre-plus>) and ask for a letter to confirm this. If you send a copy of this confirmation letter to us, we will reassess your payment
- most loss of notice payments are taxed at a standard rate of 20%. National Insurance will be deducted at a standard rate of 12% if you were made redundant after 6 April 2018

## 4.6 Protective awards

This is compensation awarded by an employment tribunal because your employer did not consult with you before you were made redundant. You're only entitled to get this payment if you or your job role was included in the tribunal judgment.

- we can pay up to a maximum of 8 weeks in total for your protective award and arrears of pay. If the protective award was for a longer period we will cap your award at 8 weeks
- you cannot get a payment for a protective award and arrears of pay for the same time period. If you've already received money for your arrears of pay claim, we will deduct this amount from your protective award payment
- all protective award payments have National Insurance deducted at a standard rate of 12%. Your award will be taxed at a standard rate of 20% if you were made redundant in the same year the Employment Tribunal made the protective award judgment
- we may be required to deduct the value of any income-related benefits you were entitled to claim during the protected period from your payment. If this is the case, we will write to you to ask you about the benefits which you received in the protected period. If we request this information, we will not be able to process your payment until we have received this information from you

## 4.7 Other tribunal awards

The employment tribunal can make other types of award against an employer.

If your employer is solvent, we can only pay redundancy pay. We may need further information to consider your claim. If this is the case, we will write to you or your employer for this information.

If your employer is insolvent, we can pay the parts of the award that correspond to basic award or redundancy pay, holiday pay, arrears of pay, notice worked but not paid and compensatory notice pay.

To calculate the amounts that we can pay, we may have to ask you or the insolvency practitioner for further information, as the payments that we can make are subject to some limits and deductions. We will write to you to explain how we have calculated your payments.

We cannot pay the parts of the award that do not correspond to these types of payment, for example, we cannot pay an award for injuries to feelings, sexual or racial discrimination or compensatory awards.

If we are unable to pay you the full amount awarded by the tribunal, you can make a claim to the insolvency practitioner for the difference.

## **5. How we make payments to you**

We will ask for your bank details when you fill out your application for redundancy. It is important these details are correct or we cannot pay you.

Due to the Coronavirus pandemic, our offices are currently closed and we are unable to issue cheques. If you requested your payment by cheque, please provide us bank details by email so that your payment is not delayed.

Use the subject line: Bank details required to process your redundancy payment.

So that we can make this payment to you, we need to know:

- LN reference
- full name
- bank name
- sort code
- account number/roll number
- account holder name

Please make sure you email us from the address you provided when submitting your claim.

## **6. Pensions**

If your employer is insolvent and did not pay all of the pension contributions that were due in the year before the insolvency, we may be able to pay some or all of the shortfall.

The claim for a pension shortfall can only be made by the pension scheme trustees and we cannot make pension payments to individuals.

## **7. Why we deduct tax and National Insurance from your payment**

We are required to deduct tax and National Insurance from any payments we make for holiday pay, arrears of pay, notice worked but not paid, loss of notice compensation and protective awards.

We deduct tax at a basic rate of 20%. We deduct National Insurance at a standard rate of 12% unless you are on a very low income.

Find more information about National Insurance contributions (<https://www.gov.uk/national-insurance/how-much-you-pay>).

If you think you should be taxed less than this, you can apply to HMRC (<https://www.gov.uk/contact-hmrc>) for a refund.

We do not tax or deduct National Insurance from your redundancy payment award.

## **8. Deductions for money you owed to your employer**

When you complete your application, you are asked whether you owe any money to your employer. This amount will then be deducted from your payment.

If the insolvency practitioner notifies us that you owed your employer money, this will be deducted.

This could include:

- season ticket loans
- salary advances
- Directors Loan Account (DLA)

As the amount owed to your employer is tax free, we deduct the amount owed based on the net (after tax) sum you will receive.

## **9. Deductions for money which we have overpaid you**

Whilst we make every effort to calculate your payment correctly, sometimes we receive new information about your entitlement and occasionally this means that we may have overpaid you.

If we do overpay you, we will contact you about the overpayment and how to return this money to us.

If you become due any further payments from us, we will deduct the amount of any existing overpayment from the amount payable to you.

## **10. What to do if you're waiting for other payments**

In order to get your payment to you as quickly as possible, we deal with each part of your claim separately. You will receive a separate letter each time we make a payment.

If you're waiting for other payments we will contact you about this.

If we need any further information from you we will contact you directly using the email address you provided in your application.

## **11. What to do if you think your payment is wrong**

We can only review your payment if you provide evidence to show it is incorrect. This could be a copy of your employment contract or a note from the insolvency practitioner.

If you think your payment is wrong, please first contact the insolvency practitioner directly to check the information they provided about your claim.

If you have evidence to show the information we used was wrong, please email it to us. We will reassess your claim within 6 weeks of receiving your email.

Use our amendment forms (<https://www.gov.uk/government/publications/amend-your-redundancy-claim>) if you think you made a mistake or want to add information to your claim.

Please use the email address that you provided during your application. If you use another email address, we will need to verify your identity which may cause delays.

## 12. Making a claim to an employment tribunal

If you disagree with our decision, you can also make a claim to an employment tribunal (<https://www.gov.uk/employment-tribunals/make-a-claim>).

You have 3 months from the date of your letter to make a claim to an employment tribunal unless your claim is relating to redundancy pay (as opposed to holiday pay, loss of notice pay). There are different time limits if your claim includes redundancy pay which is usually 6 months from the date of your dismissal.

Before you can make an employment tribunal claim, you must first tell the Advisory, Conciliation and Arbitration Service (Acas) (<https://www.acas.org.uk/>) that you intend to go to tribunal.

If you do decide to go to tribunal, you will be asked to provide contact details for the person or organisation you're making a claim against ('respondent's details').

You should list both your former employer and the Secretary of State for Business, Energy and Industrial Strategy as respondents.

For the Secretary of State, please give the following details:

- Name: The Secretary of State for Business, Energy and Industrial Strategy
- Address: The Insolvency Service, RPS Employment Tribunal Section, PO Box 16684, Birmingham, B2 2EF

[Print this page](#)