

# Redundancy Help



A step-by-step guide.

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Losing your job can be a huge financial hit, affecting your ability to pay bills and requiring an urgent need to re-evaluate spending. If you're at risk, there are ways you can protect yourself by planning ahead. This guide details how you can prepare yourself financially and minimise the potential fallout, as well as outlining your rights to compensation.

## In this guide:

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### How to prepare for redundancy

- Are you at risk of losing your job?
- Reassessing your finances
- Job searching and networking

### If you've already been made redundant

- Redundancy pay
- 'What if my company's gone bust?'
- Your legal rights
- Where to get help

### The redundancy checklist

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# How to prepare for redundancy

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If you believe that you may be threatened with redundancy, then it is important that you prepare for it as early as possible. By preparing beforehand, you can lessen the financial impact to yourself and your family.

The most important aspect to bear in mind is to check your finances, budget and make sure how you could cope in order to avoid some of the uncertainty that redundancy brings.

## Are you at risk of losing your job?

If you've been told it's a possibility, then you're in a much better position if you take action before it happens – especially considering the current coronavirus crisis.

## Reassess your finances NOW!

The first matter is to consider and prioritise any debts you might have.

**Do a debt audit** because your credit score while you work will be better than if you lose your job since lenders will be more reluctant to give credit. For help with this, consider following the advice at <https://www.moneysavingexpert.com/loans/credit-rating-credit-score/>.



If your existing debts aren't at cheap rates, apply as soon as possible to cheaper lenders to cut costs on such items as your mortgage, credit card, loan debt, bank balances, insurances and energy provision. Websites such as [www.moneysavingexpert.com](http://www.moneysavingexpert.com) have details of the best offers and how to apply for them.

**Pay off debts** if you are able to but keep some emergency funds while you search for a new job.

**Check if you have mortgage protection** to find out what level of your mortgage payment is covered if you lose your job.

**Check if you have payment protection insurance.** These policies cover repayments of other debts such as, credit card, loan etc

Check if you have any insurance that covers **Accident, sickness and/or unemployment cover.**

**Create a budget** to see if you can cut costs on any outgoing bills.

**Explore coronavirus-related support.** Numerous measures are in place to support people whose incomes have been directly impacted by coronavirus. This includes credit card and loan help, overdrafts, car finance, and energy deals. <https://www.cas.org.uk/spotlight/money-and-debt/are-you-worried-about-paying-your-bills-because-coronavirus>

**Trade Union?** If your company or industry has a union and you're not a member, consider joining as they will be able to advise on and barter for better redundancy rights on your behalf. For help with this, visit Union Finder (<http://www.worksmart.org.uk/unionfinder/>).

## Job searching and networking

Be prepared for new opportunities that might become available by looking for new positions in the industry in which you are employed. Many job positions become available long before they're advertised publicly, so be ready to act.

Don't be afraid to ask if work's available even if you're not sure you have the relevant experience.

On a cautionary note, weigh up carefully whether to move jobs before you know more about your present position. If you are offered voluntary redundancy you might be offered a large pay-out which you may lose if you take another job too quickly.



# If you've already been made redundant?

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If this has happened, the first thing to remember is that your employer must treat you fairly. There are laws to protect you so it's important to double-check that your employer has acted fairly. If not, you might be able to claim compensation – please see (<https://www.gov.uk/dismissal/unfair-and-constructive-dismissal>)

The situation is different if your company has gone bust – see full details below.

## Furlough shouldn't impact your redundancy rights

- Any redundancy pay you're due should be based on your normal wage, not your furloughed wage (if different).
- The furlough scheme supplements, not replaces, employment law and rights.
- Being on furlough doesn't impact your statutory rights to consultation.

## What redundancy pay-out am I entitled to?

There are three main types of payment:

- **Notice of termination.** Your employer should give you proper notice of termination. If there is nothing in your contract, the minimum is a week if you have been there less than two years; then a week for each complete year (to a maximum of 12 weeks). Your employer may give you pay in lieu of notice or pay for this period without you attending.
- **Holiday pay.** If you have accrued but not used holiday days, you are entitled to be paid for these (or given the option to use them in your final weeks).
- **Redundancy pay-out.** A redundancy pay-out is effectively compensation for your loss of work. The first £30,000 is tax-free (see below) though anything above this is taxed at your marginal rate.

Many firms have their own policies which are much more generous than the legal minimum, so check your contract or staff handbook and see what it says. If it's not specified, then it will usually follow the legal minimum (see below).

## Statutory redundancy pay

After two years with your employer, you'll qualify for a minimum statutory redundancy payment (the 'redundancy pay-out' mentioned above). If you've worked there for less than two years, you have no right to any recompense.

For those who have at least 24 months' continuous service, your entitlement depends on your age and length of time at the company.

- **Under 22:** Half a week's pay for each full year of continuous service.
- **Aged 22-40:** A week's pay for each year of continuous service.
- **Over 41:** A week and a half's pay for each year of service.

**A 'week's pay' is legally capped at £538, so even if you earn more, you aren't entitled to it under the statutory payment.**

Length of service is also capped at 20 years (so any extra years don't count towards it). The maximum amount of statutory redundancy pay you can get is £16,140 (£16,800 in Northern Ireland).

If you were made redundant before 6 April 2020, you will get lower amounts.

To work out exactly what you're entitled to use the Government's calculator (<https://www.gov.uk/calculate-your-redundancy-pay>).

## The first £30,000 of redundancy pay is tax-free

Whether it's statutory (see above) or contractual redundancy pay, the first £30,000 you receive is tax-free, and no national insurance contributions are deducted either.

If you have been given any additional benefit, such as a company car or laptop, this is usually included in your £30,000. If you go over this limit and/or are a higher rate taxpayer, you may need further advice. The Government's Redundancy Overview (<https://www.gov.uk/redundant-your-rights/overview>) is also a useful resource.

As of 2018, payments in lieu of notice and/or holiday are subject to tax and National Insurance contributions.

## What if my company's gone bust?

If the company has no money left to offer redundancy pay, then you'll need to claim your statutory redundancy pay from the Redundancy Payments Service (part of the Insolvency Service).

The money you get will come from the Government's National Insurance Fund. Please contact [redundancypaymentsonline@insolvency.gov.uk](mailto:redundancypaymentsonline@insolvency.gov.uk).

## It's not just redundancy pay

If you're owed wages or holiday pay from a firm that's gone bust, you can also claim the following from the National Insurance Fund via the Redundancy Payments Service. Unlike redundancy pay, this is taxed, though it does use the same 'maximum' rule of no more than £538 a week (£560 in Northern Ireland).

**Wages.** Up to eight weeks' unpaid wages can be claimed including a payment for a protective award for failing to consult collectively.

**Holiday pay.** Up to six weeks' unpaid wages can be claimed.

**Compensatory notice pay.** One week's pay after one calendar month's service, and then one week's pay per year of service up to a maximum of twelve weeks.

**Pension.** Any unpaid pension contributions, though you'll need to contact the insolvency practitioner to help you claim.

Any further holiday pay and wages owed will be billed as 'preferential debt'. This means they'll be paid before other debts if – and only if – there's enough money when the eventual assets of your employer are calculated and divided out.

## How to claim and where to get help when your company's gone bust

To apply for Statutory Redundancy Pay, you'll need to get a claim number from the insolvency practitioner, with which you will then need to make a claim on the Insolvency Service's website (<https://www.gov.uk/claim-redundancy>). It usually takes about three to six weeks for you to receive your payment.

If you've doubts about the way your employer may have calculated your statutory redundancy pay, you can email the Redundancy Payments Service (<mailto:redundancypaymentsonline@insolvency.gov.uk>).

## Your legal rights

The legal rules surrounding redundancy are complex, but in general terms the following should take place:

- Before redundancy you should have been consulted.
- You should be given the correct amount of notice.
- All untaken holidays should be paid.

- The company should have considered whether there was an alternative job to redundancy within the firm you could do
- The process for picking who is redundant should be fair. If the company decided to choose you on a discriminatory basis, then your redundancy is unfair, giving you grounds to complain and even sue.

Additionally, if more than 20 staff are to be let go, the law says there should be a period of collective consultation (<https://www.gov.uk/staff-redundant/redundancy-consultations>) between the employer and 'appropriate' employee representatives (usually a union).

**Further reading:** For more on the legal issues surrounding redundancy read the Citizens Advice (<https://www.citizensadvice.org.uk/work/leaving-a-job/>) redundancy section.

Or contact **Stirling CAB - 01786 470239**

# The redundancy checklist

This checklist contains options that are dependent on your circumstances and should enable you to both sort your finances and help you get back on track if you've been made redundant.



## Check what employment related coronavirus support is available

Citizens Advice has coronavirus-related support in these links:

- Coronavirus Employees help  
<https://www.citizensadvice.org.uk/work/coronavirus-being-furloughed-if-you-cant-work/>
- Coronavirus self employed  
<https://www.citizensadvice.org.uk/work/coronavirus-if-youre-self-employed/>

## Are you entitled to benefits?

It is important to ensure what you might be entitled to e.g. – Universal Credit, tax credits, housing benefit, council tax support. Please see <https://www.citizensadvice.org.uk/benefits/coronavirus-check-what-benefits-you-can-get/>.

Go online or call up Jobcentre Plus on **0800 055 6688** to find out how to make a claim. In the case of Universal Credit – it may take a few weeks to get payments sorted. If you're in need of emergency cash in the short term, then ask about an Advance Payment (the money you are paid is paid back via monthly instalments).

Budget – draw up a full budget to prioritise your debts and household income and expenses.

## Deal with your debts

If you're having financial problems, don't ignore red letters. Contact your creditors to discuss the problem with them as soon as possible.

They may be able to help reduce ongoing payments.

## Check for hidden insurance

Check whether you've any insurance to help make payments on your mortgage loans or credit cards (see above).



Check for cheaper car insurance to see if it's worth cancelling or moving elsewhere.

## **Struggling with your mortgage?**

First talk to your lender to see if they can help you manage your payments by taking a mortgage holiday (particularly if struggling because of the coronavirus) or moving to an interest only mortgage. Lenders are obliged to do all they can do to help struggling borrowers.

## **Local council support schemes**

Each local authority is responsible for providing help to its residents struggling with an emergency, such as you or your families' health being at risk, not being able to afford to buy food, needing help to stay in your own home and coming out of care, hospital or prison. Contact your local council to find out for details. **Stirling Council: 01786 404040.**

## **Budgeting loans and advances**

These are only for benefit recipients, but allow a wider range of borrowing, for instance to pay for clothes and furnishings.

## **Maximise the interest on redundancy pay-outs**

If you've received a decent payoff as part of your redundancy package, you need to decide what to do with it. Normally paying off debts with savings is the key strategy but having access to enough funds to meet your outgoings is also important.

## **50% off rail travel**

Contact your local Jobcentre to apply for a 50% discount off rail travel for the unemployed. If you've been claiming jobseeker's allowance or Universal Credit for more than three months (and less than nine if you're 18-24 or 12 months if you're 25+), you're entitled to a Jobcentre Plus Travel Discount Card

Jobcentre Plus staff also have a discretionary support fund that they can allocate to help with the cost of travelling to an interview or travelling to work in your first few months.

## **Free dry cleaning for interviews**

As a gesture of goodwill, Timpson (<https://www.moneysavingexpert.com/deals/timpson/>) offers free dry cleaning if you're unemployed and need an outfit cleaned for an interview. The offer is ongoing in all its supermarket branches and selected high street shops.

## Redundancy and relationships

Losing your job can add stress to any relationship. Don't be afraid to tell family and friends your news. Hopefully they will be supportive and will be able to provide help.

## Food Banks

If you are in the position of having no funds, whilst awaiting benefits being arranged, you might be entitled to help from the local food bank. For more details please contact Stirling CAB.



**Stirling CAB** advice lines operate Monday to Thursday 10 am – 3pm call 01786 470239 or 01786 451225 to speak to an adviser. You can also email [sessionsupervisor@StirlingCAB.casonline.org.uk](mailto:sessionsupervisor@StirlingCAB.casonline.org.uk). Public information/advice is available on [www.adviceguide.org.uk](http://www.adviceguide.org.uk).

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