



Research and analysis

Removing the two-child limit on Universal Credit: Impact on low income poverty levels in the United Kingdom

Updated 4 December 2025

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Introduction

In November 2025, the UK government announced that from April 2026 it will be removing the two-child limit so that families can receive the child element of Universal Credit for all children regardless of family size. This is a key measure in the Government's agenda to tackle Child Poverty and ensure all children have the

Best Start in Life. Full details of the former will be set out soon in our comprehensive Child Poverty Strategy targeted at tackling the structural and root causes of child poverty across the country.

It is estimated that there will be 450,000 fewer children in relative low income after housing costs in the final year of parliament (financial year ending (FY) 2030) as a result of removing the two-child limit, compared to baseline projections.

Methodology

The Department for Work and Pensions' Policy Simulation Model (PSM) is used to model the impact of policies on individuals and low income poverty levels. The PSM is a static microsimulation model [\[footnote 1\]](#) based on a snapshot of the UK population from the Family Resources Survey (FRS), currently for the financial years ending (FY) 2022, 2023 and 2024. It uses caseload forecasts alongside benefit rules to simulate results such as poverty levels for each year, currently up to and including FY 2031. Because the PSM is a static model it does not capture the behavioural impacts of policies, such as changed work incentives due to reductions or increases in benefit rates, or an increase in the take-up of benefits among those already eligible but not claiming due to the increased amount.

To model the impact of policies, the PSM compares new policies to a baseline scenario, which assumes existing benefit rules, and estimates the impact of the policy change on poverty rates and incomes in the year in question. The analysis uses the most up to date model available consistent with the Office for Budget Responsibility (OBR) November 2025 forecasts.

As the poverty impacts presented are independent of the underlying trends in poverty, they are not an estimate of the total change in poverty over time

This analysis uses equivalised incomes both before (BHC) and after housing costs (AHC). Equivalised incomes are calculated at the household level. This means that individuals not directly affected by the policy can lose or gain as a result of being in the same household as someone who is impacted.

Differences in the BHC and AHC poverty impacts are seen because poverty impacts are affected by where individuals sit on the income distribution. For example, individuals in receipt of housing support will be in a different place in the distribution BHC than AHC, as their housing support is treated as income before

housing costs purposes, but is offset against housing costs after housing costs are taken into account.

Estimates are rounded to the nearest 50,000 individuals and the nearest 0.1 percentage point due to uncertainties inherent in the modelling approach.

Poverty analysis is presented for four measures of poverty: both relative and absolute low income, both before and after housing costs. Further information on the methodology behind these measures can be found in [How low income is measured in households below average income statistics - GOV.UK](#) and [Households below average income series: quality and methodology information report FYE 2024 - GOV.UK](#).

Poverty impacts

It is estimated that there will be 600,000 fewer individuals in relative low income after housing costs in the final year of parliament (FYE 2030) as a result of the removal of the two-child limit within Universal Credit, compared to baseline projections. This includes 450,000 children and 150,000 working age individuals.

It is also estimated that 2 million children will live in households that see an increase in income as a result of the removal of the two-child limit within Universal Credit in the final year of parliament (FYE 2030).

We have also published a separate document with information on households and children who are affected by the two-child limit and not affected by the benefit cap, broken down by country and parliamentary constituency, based on Universal Credit administrative data from April 2025.

The impacts of the two-child limit in Universal Credit on low income grow over time. Currently (FYE 2026) we estimate that around 300,000 children are in relative low income after housing costs as a result of the policy, equivalent to around 100 children a day since the policy was introduced in April 2017. [\[footnote 2\]](#) If the policy were to continue an additional 150,000 children (450,000 overall) would have been in relative low income after housing costs due to the two child limit by the end of the Parliament (FYE 2030). [\[footnote 3\]](#)

The impact on the numbers in other measures of low income poverty are in tables 2 to 4 below.

Table 1: Impact of the removal of the two-child limit on projected numbers and proportions of people in relative low income after housing costs (UK)

Change in relative low income AHC compared to baseline	FYE 2027	FYE 2028	FYE 2029	FYE 2030	FYE 2031
Children: Number	-300,000	-350,000	-450,000	-450,000	-450,000
Children: %pt	-2.2%	-2.6%	-3.2%	-3.2%	-3.1%
Working age adults: Number	-100,000	-150,000	-150,000	-150,000	-150,000
Working age adults: %pt	-0.2%	-0.3%	-0.4%	-0.4%	-0.3%
Individuals: Number	-400,000	-500,000	-600,000	-600,000	-550,000
Individuals: %pt	-0.6%	-0.7%	-0.9%	-0.8%	-0.8%

Table 2: Impact of the removal of the two-child limit on projected numbers and proportions of people in relative low income before housing costs (UK)

Change in relative low income AHC compared to baseline	FYE 2027	FYE 2028	FYE 2029	FYE 2030	FYE 2031
Children: Number	-250,000	-300,000	-300,000	-300,000	-300,000
Children: %pt	-1.7%	-1.9%	-2.1%	-2.1%	-2.2%
Working age adults: Number	-50,000	-100,000	-100,000	-50,000	-100,000

Working age adults: %pt	-0.2%	-0.2%	-0.2%	-0.1%	-0.2%
Individuals: Number	-300,000	-350,000	-400,000	-350,000	-400,000
Individuals: %pt	-0.4%	-0.5%	-0.5%	-0.5%	-0.6%

Table 3: Impact of the removal of the two-child limit on projected numbers and proportions of people in absolute low income after housing costs (UK)

Change in absolute low income AHC compared to baseline	FYE 2027	FYE 2028	FYE 2029	FYE 2030	FYE 2031
Children: Number	-250,000	-250,000	-250,000	-250,000	-250,000
Children: %pt	-1.8%	-1.8%	-1.7%	-1.8%	-1.9%
Working age adults: Number	-100,000	-100,000	-100,000	-100,000	-100,000
Working age adults: %pt	-0.2%	-0.2%	-0.2%	-0.2%	-0.2%
Individuals: Number	-350,000	-350,000	-350,000	-350,000	-350,000
Individuals: %pt	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%

Table 4: Impact of the removal of the two-child limit on projected numbers and proportions of people in absolute low income before housing costs (UK)

Change in absolute low income BHC compared to baseline	FYE 2027	FYE 2028	FYE 2029	FYE 2030	FYE 2031
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Children: Number	-200,000	-200,000	-200,000	-250,000	-250,000
Children: %pt	-1.4%	-1.4%	-1.5%	-1.7%	-1.7%
Working age adults: Number	-100,000	-100,000	-100,000	-100,000	-100,000
Working age adults: %pt	-0.2%	-0.2%	-0.2%	-0.3%	-0.3%
Individuals: Number	-300,000	-300,000	-300,000	-350,000	-350,000
Individuals: %	-0.4%	-0.4%	-0.4%	-0.5%	-0.5%

Note: Figures may not sum due to rounding

Statement of compliance with the Code of Practice for Statistics

The Code of Practice for Statistics (the Code) is built around 3 main concepts, or pillars:

- **trustworthiness** – is about having confidence in the people and organisations that publish statistics
- **quality** – is about using data and methods that produce statistics
- **value** – is about publishing statistics that support society's needs

The following explains how we have applied the pillars of the Code in a proportionate way.

Trustworthiness

The figures were created to support government decision making and understand the impact of policies on household incomes and individuals in low income. They are being published to give equal access to all those with an interest in them.

Quality

The data that underpins this information is taken from DWP's Policy Simulation Model which includes caseload forecasts taken from DWP and HM Revenue and Custom (HMRC) data. The analysis uses the most up to date model available consistent with the OBR November 2025 forecasts at the time of the original announcement.

The information used refers to individuals who will be affected by the change to the proposed social security measures, as above.

Value

Releasing this information serves the public interest in the poverty impacts of removing the two-child limit. The figures also help reduce the administrative burden of answering Parliamentary questions, Freedom of Information requests and other forms of ad hoc enquiry and serves public.

Further information and feedback

Contact [DWP Press Office](#) if you have any questions or feedback.

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1. A static microsimulation model is a modelling approach which uses micro-level observations, in this case from survey data, to simulate other states of the world including future states. [←](#)
 2. Using the PSM we have estimated the expected poverty rate in FYE 2026 with and without the two-child limit. This shows that in FYE 2026 there would be 300,000 fewer children in poverty if the two-child limit did not exist. Distributing this increase in poverty evenly back to the introduction of the policy in April 2017 shows that, on average, around 100 children a day moved into poverty over this period as a result of the two-child limit. [←](#)
 3. Calculated as the increase in the numbers of children in relative low income after housing costs due to the policy from FYE 2026 to FYE2030. [←](#)

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