

Public Accounts Committee

Oral evidence: Underpayments of the state pension, HC 654

Thursday 28 October 2021

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Members present: Dame Meg Hillier (Chair); Shaun Bailey; Sir Geoffrey Clifton-Brown; Peter Grant; Mr Richard Holden; Nick Smith; James Wild.

Work and Pensions Committee member also present: Stephen Timms (Chair).

Gareth Davies, Comptroller and Auditor General, David Fairbrother, Deputy Director, Treasury Officer of Accounts was in attendance.

Questions 1 - 182

Witnesses

I: Peter Schofield, Permanent Secretary, Department for Work and Pensions; Amanda Reynolds, Director General for Service Excellence, Department for Work and Pensions; Cathy Payne, Deputy Director for State Pensions and Service Excellence, Department for Work and Pensions.

Report by the Comptroller and Auditor General

Investigation into the underpayment of State Pension (HC 665)

Examination of Witnesses

Witnesses: Peter Schofield, Amanda Reynolds and Cathy Payne.

Q1 Chair: Welcome to the Public Accounts Committee on Thursday 28 October 2021. Today we are looking at the very important issue of how systemic failings at the Department for Work and Pensions led to tens of thousands of people being underpaid their state pension. The vast majority, probably around 90%, were women, due to the nature of the state pension payments to that age group and how many of them relied on pension contributions from their spouses over a number of years. This also applies to many widowed pensioners.

The Department first became aware of this issue in early 2020 and subsequent investigations revealed widespread errors over many years, and I want to put on record the Committee's recognition of the work by Sir Steven Webb, a former pensions Minister, ironically, who was one of the key people to highlight this issue, along with a journalist, Tanya Jefferies of Thisismoney.co.uk. Without their input, the National Audit Office would probably not have done its investigation or would not have done it in quite the same timeframe. This has led to the revelations that have been really critical for people.

We know the DWP is currently working to identify all affected individuals, but that has been hampered by the challenge of getting the right skilled people to deal with the multiple and complex IT systems and the many judgments that need to be made, which means that this programme will take until at least 2023 to trace the pensioners affected. We have a lot of questions of the Department today. This is a consumer failure, it has to be said. These people have been very badly affected, to different degrees, and they need to get that support, hopefully our witnesses would agree, as soon as possible.

I am really pleased today that we are joined by Stephen Timms, who is the Chair of the Work and Pensions Select Committee; he is guesting with this Committee today.

I would like to welcome our witnesses, and then we have some questions at the top end about what happened yesterday in the Budget and spending review. We have Peter Schofield, who is the Permanent Secretary at the Department for Work and Pensions; Amanda Reynolds, who is the director general for service excellence and a first-timer at the Committee today, so a very warm welcome to you, Ms Reynolds; and Cathy Payne, also at the Public Accounts Committee for the first time, who is the deputy director for state pensions and service excellence at the DWP.



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Before we go into the main session, I just wanted to ask about the spending settlement. You obviously have a slight increase in funding, but it peaks in 2022-23 and then begins to go down again. Do you want to talk through what this means for your Department? Does it cover the costs that you were hoping it would? Will you be having to make cuts and savings in spite of the spending settlement?

Peter Schofield: Thank you, Chair, and thank you for the invitation. I just wanted to say something very quickly about the state pension underpayment, just on behalf of the Department, just to put it on record.

Chair: Could we do that perhaps when we get to the main session? I was going to give you the opportunity to say something in the hope that you might have a comment to make.

Peter Schofield: Yes, fine; let me do that. In terms of the spending settlement, it is a very good settlement for DWP. There are a number of key elements to it. Our DEL position has been increasing very significantly through the pandemic, as we recruited; we doubled the number of work coaches and we also put in place a number of specific measures around the plan for jobs, of which probably the one that was spending most significantly was Kickstart. The funding we have here enables us to continue with Kickstart, finishing in March, but obviously there is a six-month tail as those starts go through to completion six months later. We have that at the start of the year.

Q2 **Chair:** Can you tell me how much it is? I have not gone through every annex of the Red Book. On page 121 of the Red Book, if anyone is following that, it has funding to extend the Kickstart scheme to March 2022. How much is that?

Peter Schofield: With this, it really depends on the demand and how that flows through. At the moment, we have something like 94,000 starts in Kickstart, and with the view to try to continue to grow that into the rest of the year. Then each of those is around £2,500 cost going into the next year, so it is a tail. I do not actually have the precise number in terms of the 2022-23 budget. On top of that, you have Restart that is continuing and growing, and that runs through to 2024 for starts, then with the further tail of three years as those last starts continue to their conclusion, continuation of SWAPs all the way through the period—that is the sector-based work academies, and JETS continuing until next autumn as planned.

The key part of this for me really is the investment in the capacity of the jobcentre network. What we saw is a doubling of the number of work coaches through the year that we are in, up to around 27,000. We need to finish doing our sums on the basis of the numbers that we have from the Treasury to work out the balance between funding of the work coach salaries, the buildings and the provision to enable that to work. I cannot give you the precise number of work coaches that we will be able to fund going forward, but it will see a continuation of quite high capacity, not back to the 13,500 that we had at the start of the pandemic.



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The key things that we want to do there are obviously the importance in terms of getting people into work. We have been very successful at getting people into work since the intensive work search numbers peaked in March. They have come down now by about 600,000 since March, so that is a success of getting people into work and we want to continue with that.

We also want now to try to grow a capability to help people on low wages to get better-paid jobs, what we are calling the in-work progression, so building on the work of Ruby McGregor-Smith, the commission that the Secretary of State launched earlier in the year.

Q3 **Chair:** If you are successful, when do you reap the rewards of that as a Department in terms of your budget? Obviously every person in a better-paid job is likely to be paying more tax, which is beneficial to the Exchequer as a whole, but it is costing you to get them to that point.

Peter Schofield: What we have is investment to do it. That is all included in the money that we have.

Q4 **Chair:** You have a target. I suppose what I am driving at is whether you have targets from the Treasury so that you have to achieve that in order to see that money flow into the Exchequer.

Peter Schofield: No, not at the moment. These are the conversations that we will be having with them as we develop, as we take the money that we have. As I say, we need to work that into, "What does that mean we can now afford to do in terms of the balance between work coach numbers and in terms of the infrastructure to enable them to be effective?"

One of the things that we are working through the Department on—I actually commissioned a review within the Department on this only recently—is how we now use the improving data that we have from universal credit to understand performance in different parts of the Department in terms of the key metric we have for jobcentres, which is movement into work. How do we understand where we are making most progress and be able to put more resource behind it?

Q5 **Chair:** This all sounds, dare I say, a bit vague at the moment, but you are working out those metrics with the Treasury.

Peter Schofield: Yes.

Q6 **Chair:** You will be able to report to our various Committees by when? When will you have some more information on that? I hate that we ask you for dates.

Peter Schofield: You always ask me this.

Q7 **Chair:** That is because every month going by that we do not have a target is a bit floppy for us as a Committee. We like to know something a little more precise. You are seeing Mr Timms's Committee, the Work and Pensions Committee.

Peter Schofield: Yes, on 24 November.



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Q8 **Chair:** Will you know by then?

Peter Schofield: I am sure I will be able to say more to Stephen's Committee on 24 November.

Chair: I am sure Mr Timms and his Committee will keep us informed.

Peter Schofield: Give us a few weeks. It is a fair question. It really is a fair question.

Chair: You have been given a settlement. We just want to know how it is being spent. It is as simple as that. We could talk about this forever, which we do not have time for today.

Q9 **Sir Geoffrey Clifton-Brown:** On the universal credit taper tax, is this difficult to implement or, because it is just a change of rate, is it a fairly simple calculation? What I am really asking is whether we are likely to face problems with this or whether it is going to go smoothly to implement.

Peter Schofield: No, the Chancellor has said we will introduce it by 1 December. I have had teams of coders working on this overnight because the basic fact is the sooner we get it in, the more quickly families will benefit. We are going to try to do it as quickly as we possibly can. The Chancellor has said by 1 December. It will definitely be by 1 December. We will see how quickly we can do it. Because universal credit is a modern system, it is much easier to change rates on universal credit than it is for our legacy systems.

Q10 **Sir Geoffrey Clifton-Brown:** In terms of parliamentary procedure, does this require primary legislation or secondary legislation?

Peter Schofield: It is secondary legislation. It does require regs, yes.

Q11 **Sir Geoffrey Clifton-Brown:** It is secondary legislation, so it can go pretty quickly through this place. What sort of numbers of people are going to benefit from this?

Peter Schofield: What the Chancellor said yesterday is 1.9 million families will benefit from this. He gave a couple of examples of the types of situation in which people would benefit. Obviously, they have to be families where someone is in work. You have the work allowance, which benefits particular types of household where they are caring for children or where there is someone who has limited capability for work, so you have the benefit there. Obviously, for households where someone is in work, they will benefit from the reduction in the taper. The great thing about the taper is it applies once you have taken into account the work allowance that applies throughout the whole of the income span through universal credit.

Q12 **Sir Geoffrey Clifton-Brown:** What about the difficult cases where someone, say, on a zero-hours contract some weeks earns some money and some weeks does not? How will that apply to them?

Peter Schofield: It applies in the normal way. The great thing about universal credit is, unlike some of our other systems, it is connected up



through data exchange with HMRC. In that month, in that assessment period when an individual has earnings, we will pick it up in real time from HMRC and we will take that into account automatically. The taper will be applied on the net earnings for that individual, so they will then see it straightaway in their assessment period going forward. In an assessment period where they do not have any earnings, we will know that as well. They obviously will get the full amount of universal credit. There will be no taper because there is no income to take into account. It is done automatically and adjusted accordingly, so long as it is through the PAYE system. If it is self-employed, they have to report their earnings.

Sir Geoffrey Clifton-Brown: That is very helpful: a good early Christmas present for 1.9 million families.

Peter Schofield: Yes, that is absolutely right.

Q13 **Stephen Timms:** Can I pursue that a little further? You have made the point that it is much easier to change the universal credit rate than with the legacy benefits. From recollection, the £20 a week increase happened overnight. On the other hand, some changes to universal credit take a long time, like the repayment of advances over two years rather than one. That took over two years, if I remember, from when it was announced to when it was done. The taper change is more in the former category than the latter, from what you have said, but does it mean you will have to not do some other things in order to make sure this is ready by 1 December?

Peter Schofield: I do not think so—marginally, but the coders were working overnight last night and will be in the next couple of days. We may well find the critical fact here is the speed of getting the regulations through as opposed to the system. In any case, the maximum it could take would be the period of five weeks between now and 1 December. That is not going to make a big difference. I really do not think it is five weeks of coding time at all.

Q14 **Stephen Timms:** Presumably some things will have to go back in the queue a bit to allow for it.

Peter Schofield: Yes, my point is it is marginal.

Q15 **Stephen Timms:** Just to pick up a point you made earlier about work coaches, you say the number has doubled but it sounded, from what you were saying, as though you expect some reduction in the number of work coaches. Is that correct?

Peter Schofield: I anticipate it. What we are seeing at the moment is the number of people in the intensive work search group coming down very significantly as we are successfully getting people into work. 27,000 is a historic high, I think I am right in saying. I imagine there will be some reduction, but my key point is we will be holding the number much closer to what it has been as opposed to going back to what it was pre-pandemic.

Q16 **Stephen Timms:** You also want to increase the support for people to



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increase their earnings; presumably that has an impact on work coach demand as well. Can you really accommodate a significant reduction in work coach numbers in the current circumstances?

Peter Schofield: Yes, it is the same: 600,000 out of the intensive work search group, and the intensive work search group is now down to about 1.9 million. It was up around 2.5 million, so you can do the maths in terms of the proportion of the fact.

The other thing is I had a conversation at this Committee in June or July about employment programmes. One of the things we talked about was that, back in the summer of last year, when we put in place the plan for jobs, our outlook for unemployment was looking very different from what it has turned out to be. We thought at the time that doubling the number of work coaches was probably as many as we could do, but it looked like it was not going to keep up with the OBR forecast at the time. In practice, everything has worked out much more happily.

We would see the demand for the intensive work search group coming down very significantly. What we have are funds from the Treasury to do other things, for example the in-work progression work and support for people who recently lost their job because of health conditions. As I said, we need to do the sums to take the money and work it through, because it is not just about funding salaries; it is also about funding accommodation to do face-to-face interventions and funding for the infrastructure, the IT and all the rest of it to make it a reality. There is a bit of planning that needs to be done before I can give you precise numbers for work coaches.

Q17 **Stephen Timms:** Were the new work coaches recruited on pretty temporary contracts? Was that always the plan?

Peter Schofield: Yes. I smile because it is, understandably, the question that my colleagues ask me at every stand-up I do. We could only recruit people on fixed-term appointments when we had money only until March next year. We had to manage our budget accordingly. Now we have a much clearer outlook for the three and a half years from now, it gives us the opportunity now to be much clearer about the number of people that we need. I am hoping for good news for many of our people in the run-up to Christmas, but I need to do the detailed planning to be able to give numbers.

Q18 **Chair:** You will know before Christmas, from what you have just said. You have just said there will hopefully be some good news before Christmas. People want to know about this.

Peter Schofield: They do. Sorry, I was slightly flippant. Absolutely, I have said to our people that I want to do it in weeks.

Chair: Otherwise they will be looking for other jobs.

Peter Schofield: That is exactly right.

Chair: It is a win-win.



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Peter Schofield: Yes, absolutely, and we have recruited some fantastic people through the pandemic, people with a whole range of different skills, so we want to keep as many of them as we can.

Chair: They have all heard that.

Q19 **Mr Holden:** Just following on a little bit from what Sir Geoffrey was saying, we know it is about 1.9 million families. Do we know what numbers we are talking about in terms of the level of benefit on average that those families are going to see from the changes in the Budget?

Peter Schofield: We need to work it through. Obviously, the Treasury published yesterday its analysis of the distributional effects when you take into account all of the spending and tax measures. You really have to look at this in the round. What the Treasury has been saying is that you have 1.9 million households that will benefit on average by about £1,000 a year. Within that you have lots of different groups and different situations. The Chancellor used the same two examples actually on the "Today" programme this morning of two types of situation. One is a single parent who is working pretty much full-time, 36 hours a week, could be something like £1,200 a year better off.

Q20 **Chair:** That is before tax.

Peter Schofield: I am not sure whether he said that.

Q21 **Chair:** I am just asking: is it before tax?

Peter Schofield: I have not done the analysis. I am repeating what the Chancellor said.

Chair: That is very wise from a civil servant.

Peter Schofield: If in doubt. We can work through what the impact of the taper is, but obviously the key thing, as the Chair says, is looking at the impact on tax as well, looking at it in the round. Yes, that was one example. The other one was a couple, one working full-time, one working half-time, but in both cases with children, so benefitting from the increase in the work allowances as well, which obviously makes a big difference, £500, when you then apply the taper.

Chair: There is not one answer for that.

Peter Schofield: Yes, exactly, there is not one answer. You have to look at different circumstances.

Q22 **Chair:** Will there be a ready reckoner on your website for people?

Peter Schofield: I had a quick look at the Treasury's analysis of distributional impact last night, which was published alongside the Budget. I have not seen their ready reckoners. There are many people who produce ready reckoners for people thinking about their benefit position.

Q23 **Chair:** The answer is that you do not know if you are going to have one, but there might be third parties that will do it.



Peter Schofield: Yes, there might be third parties who will do it.

Q24 **Mr Holden:** Just in terms of the marginal rate of tax, essentially, or the amount that you get after you have earned, the 8% is a reduction. That is in universal credit after tax, is it not?

Peter Schofield: Yes.

Q25 **Mr Holden:** What does that mean in terms of that marginal rate reduction? Is that more like 6% or 5%?

Peter Schofield: What the Treasury has been saying is that, for the particular group that you might be talking about who would be on tax as well, their marginal rate might go from around about 75% to just below 70%. It is that order of magnitude. You are right that the 8% applies to net income, so if someone is paying income tax or national insurance, it would be after that.

Q26 **Peter Grant:** The Resolution Foundation published an analysis last night that suggested that it is correct to say that a family with two adults, one working full-time and one working part-time, is better off as a result of yesterday's announcements, but a single parent who is not working is likely to be quite a bit worse off. I do not know if you have seen the analysis, but does that seem to you like a realistic analysis of what the impact is going to be?

Peter Schofield: These measures benefit families with someone in work. That is the key point I heard from Torsten Henricson-Bell on the radio this morning as well. I have not yet had a chance to read his analysis, but that is the point he is making. The families who benefit here are those that have someone in work. The point I would make is that the other aspect, the DEL funding for the Treasury, is about me trying to make sure that as many families as possible benefit from this by getting them into work. All of the programmes that we run around getting people into work and the reduction in the number of people on the intensive work search group is a sign that effectively our work is increasing the number of winners from this measure by getting more people into work.

Q27 **Peter Grant:** Another point for clarification is that all the analysis of the effect of the announcements in the Budget that we are talking about does not take any account of other changes that have been made recently, such as the end of the £20-a-week uplift to universal credit and the increase in national insurance charges that will affect some people who are working. None of that is taken into account in the Red Book because, as far as the Treasury is concerned, that is done and dusted.

Peter Schofield: No, from my reading of the Treasury's analysis of the distributional effects, it takes into account all the changes on spend and tax since 2019. It looks across the piece. I am trying to remember now. Its analysis would normally look at all the different measures and all the different things that have happened. That is a document that accompanied the Budget and you can see all of it added together. That would include



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these measures but also other things that have happened over the last few years.

Q28 Mr Holden: I did a jobs fair in my constituency recently and I would like to thank the DWP staff who came from Crook, Consett and Stanley. We had 400 people come through and a good number of them got a job afterwards. One of the things that really struck me was that MPs can be a very good link between a lot of local businesses, many of whom might not advertise through the jobcentre, either because it is a very small job and it is something they do in their window or it is a business who would not normally work with you.

I just wanted to know whether you have any further plans to work with MPs more generally, or local councillors, who might have those different relationships to help bring some of the jobseekers that you want to get, particularly out of the more difficult groups, into work?

Peter Schofield: It is a really good point, Mr Holden. Thank you for your support in your jobcentre. It is a conversation we have been having quite recently in terms of what we can do, because we know all MPs have other networks. We want to use those networks and think about how we can use you in terms of jobs fairs and other things. We are not yet in a position to announce any plans on that but watch this space. We would be keen to see what we can do.

Q29 Chair: I speak for many colleagues around the House who host job fairs, and they can be very effective. As you say, I am pleased that you recognise that politicians have networks that have different reaches. It is great that Whitehall recognises our importance and reach. Can I thank you for those questions? We want to move on to the main session about the underpayments of the state pension and it is a moment, Mr Schofield, to give you an opportunity to say something to the tens of thousands of people who are potentially affected by this. If you would like to make a statement, I would be happy to hear it.

Peter Schofield: Thank you, Chair; I am keen to. I want to apologise on behalf of DWP to all those affected by this official error that has obviously been going on for many, many years under different situations. There are lots of lessons to be learned and I know that the Committee will want to go through that. It is an excellent NAO report that helps to identify many of the points, and we want to be able to assure you over the course of the morning that we are absolutely doing what we can to take those on board, make changes and improve things.

The message for people who will have missed out is that I am absolutely sorry and we are doing everything we can now to get the money to those who are entitled to it. We are resourcing this. When I was here last, we talked about some of the pressures on resourcing in the Department, but we are looking at how we can bring the resource in—it is set out here—because we are absolutely determined to pay this money to those who are entitled by the end of 2023. The best thing we can do now for people who



have missed out is to get on and get them the money that they are entitled to.

Q30 Chair: We are going to spend this session asking you how you are doing on that, whether that is a realistic timetable and so on. The NAO highlighted very clearly that you have a lot of manual systems, manual flags and things, and yet we have always been told by the DWP that pensions is the one really simple, straightforward benefit that is always accurate. This has really blown that out of the water, has it not? Did you think it was inevitable that this was going to happen?

Peter Schofield: I have asked myself that question, as well you can imagine. There are two facts that we are holding together here. One is that the proportionate number of underpayments due to official error in the state pension system is very low. I wrote to you after my last appearance here with a full list of underpayment levels because of official error across all the different benefits. In the case of the state pension it is 0.3%, and 0.3% in the last year was around £310 million out of a total budget of £101.2 billion. That is 0.3%. In percentage terms, it is very low. As the NAO said in its report, its understanding of best practice and our understanding of best practice is that you focus your efforts on those parts of the benefit system where you have the biggest proportionate areas of fraud and error.

At one level, what I have always said to you is right. On the other hand, what we are seeing in this case is an inability to pick up patterns of underpayment, which had been going on for many years. These were patterns of underpayment in a very large system over a long period of time. Remember that in the NAO report we found errors going back to 1985. When you look at it over that scale, over that period of time, it can be a small proportion, but it ends up with 134,000 people who we currently estimate we have underpaid.

The big question for us is about how we make sure. You are right. I have spent time with agents in front of these three different systems, watching them do this and seeing how it operates, and Amanda has spent even more time than me on this. You can understand all of the points in the NAO's report, but it is more than that. It is an ability to pick up, through quality assurance, patterns that are emerging, and then our ability to do something about it quickly and address that quickly.

One of the good things that has come out of this whole thing has been learning and developing how to run scans on these very old systems that pick up these cases. We have slightly taken it for granted that we can identify the 400,000 in the haystack we need to look at. This is new technology on old platforms. What this now means—I know we will get into this—is that if we can get our quality assurance right, we pick up the patterns, we can then run regular scans—

Q31 Chair: You say you are picking up the patterns, but some of that is because you have had outside pressure from people. It is not in normal



circumstances. You have a former pensions Minister who is all over this, but he had the technical skill to see that there were challenges and issues and has obviously been a focus for some of that attention, as have some of the other consumer money websites and so on. Is it really their job to point out to you that you need to be doing different scans?

Even in the evidence we have had, we have had some quite heart-wrenching personal evidence, and we know that more will be coming because more colleagues around the House are now aware of this and beginning to talk to us about it. People are saying they have copies of bank statements from their family and so on, they have gone back to you and said there were problems, you say no and then a little while later you have done your new scanning and found that there is a problem. You are learning very slowly, it seems, on finding the errors.

Peter Schofield: We can debate that. The thing we will agree on is we need to learn faster and we need to learn faster going forward than we have been learning in the past. That is definitely right. It is all in the NAO report, I know. We got evidence from a number of sources. Steve Webb was one of them and the journalist you mentioned as well.

Chair: Tanya Jefferies, yes.

Peter Schofield: Yes, that is right, from Thisismoney.co.uk. We were also picking up things from our own work with complaints or with people writing in with questions. It was emerging. It was a picture that was emerging and I would agree with you that we need to learn. We need to do better in terms of how we take those complaints or how we take those queries or how we take the resolution of underpayments and turn it into learning. Amanda can say a bit more about that in a minute, if you would like, because one of the things she has brought into our Department has been learning from that side as well.

Q32 **Chair:** Mr Grant is going to pick this up from me in a moment, but I just wanted to pick up one bit. It was a heart-wrenching bit of evidence we had from somebody, where someone had been asked to fill out an uplift form but the form had been sent by the DWP to an address that they had moved away from 30 years previously, compounding the systemic errors. When you have an administrative error like that, how are you going to deal with that sort of situation? That is not an anonymous bit of evidence, so we will make sure we pass that on to you.

Peter Schofield: Do pass it on.

Q33 **Chair:** That is compounding. All it takes is one other human error and you really have complexity in resolving this, have you not?

Peter Schofield: Yes, human errors could be there. I do not know in that case whether it was something where they had told us of a change of address and we had not processed it.

Chair: They had plenty of other correspondence from you to their new address. We will send on the details of that particular case.



Peter Schofield: That is very helpful to know. What we are getting better at, and one of the things that we will be doing more going forward, is just the scanning between different systems that we have, being able to pick up any discrepancy and being able to address that. It is the complexity of the system, but it is also the complexity of people's lives over a long period of time. In some of the cases I have sat with the agent looking at, you think, "If I sat in Whitehall and developed a policy, I would never have thought of that being a circumstance that someone would go through." This is part if it as well, is it not?

From the operational delivery side of the civil service, one of the things we are actually getting much better at is making sure our systems respond to people's lives, rather than how Whitehall thinks they should be.

Chair: That is music to my ears, but I cynically wonder if it will ever happen. I extend the invitation to your junior civil servants to attend our surgeries any time you would like to see the reality. If you see some of the letters that your Department sends out, we are still collating some of the worst examples; they are impossible to understand. We will park that one, but that is a direct access that we all have to real life and the real impact of a couple of bad mistakes bureaucratically across maybe two Departments, and then someone is in a vortex of Whitehall bureaucratic impossibility. It is hard for us to get through that, let alone the average individual who may not even be aware initially. Anyway, that is a hobby horse of mine, which I will park for now, because we could spend all day talking about that.

Q34 **Peter Grant:** Good morning to all of our witnesses. Mr Schofield, I want to start by just being clear that we all agree on what the pensions payment system or systems are supposed to achieve. Would it be reasonable to say that the objective of the system is to make sure that everybody who should get paid a pension gets paid the right amount on time, and that somebody who should not get paid does not get paid. Is that a fair description of what the system is all about?

Peter Schofield: It is. I am trying to work out where you are going to lead me in your questioning, Mr Grant.

Chair: Just answer the question.

Peter Schofield: I know; that is what I am worried about. I would say it is a standard part of the benefit system, by and large, that people have to make a claim. That is set out in regulation. I am not sure where you are going to take me, but I make that point up front.

Q35 **Peter Grant:** I am going back to my younger days as an internal auditor, because it seems to me that there has been a significant and longstanding system failure here, and I am trying to get to the bottom of why it was not picked up. I am afraid you just happened to be at the head of the Department when it came to light. As the Permanent Secretary, during the two years or so between your taking up your post and being made aware of the problem through Steve Webb and others, what did you do to ask for



or obtain positive assurance that the system was working and that it was actually paying people on time and the right amount.

Peter Schofield: Sorry, do you mean between 2018 and 2020?

Peter Grant: Yes.

Peter Schofield: There are three levels of checking and they are set out in the NAO report. One is the assurance through the line manager, the team leader. A second is through the separate independent checks that we do on a random sample across the whole of service delivery. The third of the checks that we do is part of our fraud and error statistics.

This comes out in the NAO report quite well. The point here is that what comes out is that the levels of underpayment in the state pension are proportionately low. Following best practice, as the NAO report suggests, my focus has been particularly on those areas—I have been here in front of this Committee several times before on this very subject—where the error rates are highest, of which, for example, universal credit is one of the biggest areas from a point of view of overpayment. Disability benefits is one of the areas where there are the biggest problems in terms of underpayment. In the case of the state pension, yes, as I say, we have been on around 0.3% of total spend down to official error.

The challenge that the NAO has brought out on a number of occasions—it is something we talked about when I was last here—is how you take those statistics and turn them into detected underpayments or overpayments. That is really where we are, and that is really what we want to do. Over time we have been getting better at it, but the big change here is that we can use different scans and different quality assurance to make a difference.

The other thing that is different from where I was in 2018, if I might say so, is that my first appearance before this Committee was to talk about the underpayment, the LEAP exercise on employment support allowance. I think just the Chair was a member of the Committee at the time, but in that case we were looking at the situation where the Department became aware of a problem in about 2014, and there I was in 2018, just talking about a process where we were going to do something about it.

In this case, because of the changes I made as a result, creating the governance LEAP board, there was this whole focus of how you get a grip as soon as you know you have a problem. Through 2020, even though the Department was facing the pressures of the pandemic, we prioritised all the scans and checks that are set out in the NAO report. That all happened through 2020, at a time when I had pressures on every other front as well, because we realised suddenly that there was something here that we just needed to understand and get a grip of. The LEAP board that we created in the wake of the 2018 hearing here is something that has helped us get more of a grip.

Q36 **Peter Grant:** In terms of the system that you were using to calculate



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people's pensions and to pay them, you knew that it was out of date. You knew that it was very heavily reliant on manual transfers of critical information between different systems. You knew it also placed greater demands on the skill and understanding of the caseworkers than a more modern system would do. Did you take account of the fact that all those factors meant that the risk of error in that system was significantly higher than it was in more modern systems that had all the checks built into them automatically?

Peter Schofield: I go back to the numbers.

Q37 **Peter Grant:** I am sorry. With respect, I appreciate the numbers. We may come on to the fact that you did not actually know how serious the underpayment problem was. One of the problems was that you did not have reliable information on that. I am asking what was done—

Peter Schofield: I am just going to disagree with that. We knew the scale of underpayment. We know the scale of underpayment in the state pension. We know what it is. What was more difficult was detecting where those were actually happening; that is the big difference. All of this is within the envelope of 0.3%. The question is about how you then tackle that. Sorry, I interrupted.

Q38 **Chair:** You know the percentage but in terms of the number of people affected, Mr Grant is saying it is very uncertain.

Peter Schofield: I accept that in terms of the number of people, yes.

Q39 **Peter Grant:** To go back to my question, what account did you take of the vulnerability of that system to human error when you were deciding what kind of assurance to ask for from your staff, from your internal audit service, from anybody? Did you ask for specific additional assurance work to be done on that system to take account of the fact that you knew it was a system that was more vulnerable to error?

Peter Schofield: This is something that is regularly reviewed by internal audit, I am sure, alongside everything else. At the heart of it, there is a question here of how reliable the system is and whether we should look at reprioritising our development spend and our investment spend to do something about the pension strategy computer system, as opposed to anything else. That system was put in place in the late 1980s and it had been developed over a period of time. A new system was overlaid on top of it, the CAM system, in around 2005 or 2006 that then enabled more of these automatic triggers to be put in place. It has human error, but I come back to the point that the human error is of low percentage.

Therefore our focus, following best practice, as the NAO says, has been to look at other areas of fraud and error and overpayment and underpayment, where we could make more of a difference from a proportionate point of view. That is not to say that we have not been looking at this area over a period of time. There have been developments. What we have not done over the last 20 years is put in place a whole new computer system for



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PSCS. What we have done is put in place a new state pension system, started with the policy, and then a new system behind that, Get your State Pension.”

There is a long trend, a long period, where you have people who retired on the old system, but the real solution here is a simplified system, the new state pension post 2016, and automation of that process. People who retired post-2016 are on that system. Something like 60% of new state pension claims now are automated on a fully automatic, no-human-intervention process. The other answer is not particularly answering your question, Mr Grant, but it is giving assurance to the Committee that the focus of our going forward is on the new scheme, the new system and automation taking out human error from that.

Q40 Peter Grant: Since 1996-97, your Department has taken part in 13 national fraud initiatives, which is essentially a data-matching exercise carried out very widely across the public sector to identify, in the case of the pension system, cases where people are getting paid pensions they are not entitled to. Thirteen times that has been done since 1996-97. Are you aware of any similar exercise being done any time since then that was designed to identify people who were being underpaid or were not being paid the money they were entitled to?

Peter Schofield: I talked a bit about this when I was here in 2018, when the Committee were asking quite rightly about the interest in underpayments as opposed to overpayments. One of the things in terms of the scans that we do now increasingly is data-matching scans across our systems, to pick up both overpayments and underpayments. Maybe I will hand over to Amanda in a minute to talk a bit about that. Where we pick up underpayments, it is the opportunity for us to signal this to the business line, for them to reach out to the customer and do something about it.

Amanda Reynolds: Going forward in terms of what is mentioned in the NAO report, we have overhauled our quality assessment framework. We were looking at overall award accuracy. What we will also be doing going forward as part of business as usual are these scans to detect underpayments.

There are a few more things that ultimately I have an ambition for in the Department, given I have only joined the civil service in the last eight months. I have spent my entire career in the private sector. Some of the learnings that I want to bring forward are real-time customer feedback, ascertaining the reasons for the interaction, so the reasons for the customer calling, and capturing a lot of that data. How do we bring that data and insight together alongside the complaints, not just having categorisation but effective root-cause analysis to understand what is happening here? That is something we want to be taking forward.

Q41 Chair: Can you give us a precise example?



Amanda Reynolds: Yes, I can. In other words, if we call a business today, for example, what I want to happen is you may get a text or a prompt sent to you in an email, asking for your feedback in terms of, “Why did you make the call to DWP? How would you rate the service? Can you give any areas of improvement?” and taking that learning forward. What we are also doing more and more is speech and data analytics, so listening to the calls, also looking at the data with what has happened in front of us in the systems, because to actually resource in terms of quality assessment with colleagues will not necessarily be effective value for money for taxpayers.

What we want to do is combine it with colleagues doing quality assessment, the line managers being upskilled to do both behavioural and technical coaching and quality assessment, and then join all of this together into an effective insight hub that tells us more about the customer experience. That would then highlight some of the risks in terms of underpayments, because these scans, as Peter talked about, are new to the Department. We recognise now we can do scans on the legacy system, and that will help us going forward to do those regular scans and then pull the data and check for it. That is not something that we thought was possible before this.

Q42 **Peter Grant:** In your answer, Mr Schofield, you referred to the scans that are being done now. When did those scans get introduced as a regular part of your work?

Peter Schofield: This is something we have developed, as Amanda said. Being able to do scans on the legacy systems is a new venture for us.

Q43 **Peter Grant:** Has it been happening for a few weeks, a few years?

Peter Schofield: It is something we have been particularly developing as part of this exercise. In terms of the scans that are referred to in this report, there was a scan, for example, in July 2020, and another one in August 2020 building on that. Building on what Amanda said, we could find from the knowledge hub that Amanda has described that there are particular parts of the process or particular activities where we think there is the biggest risk of claimant error or indeed official error. We can then say, “We know that. We know that bit.” Obviously, if it is official error we will try to deal with it through training and all the rest of it, but, as a stopgap, every few months we could run a scan.

The scans we have been doing have been looking back over a period to 1985. What we can now do, now that we can do these scans, is say every three months—I am making this up; we need to work out the right frequency—“We know there is a risk that someone should get a category D pension because they have reached the age of 80.” What we will do every three months is look at every over 80-year-old who is receiving a pension and check that all of them are receiving over £82.40 a week. If they are not, that triggers some action and we will go and look into it. It is a bit like ongoing mini versions of the LEAP exercises we are currently doing. This is really quite powerful.



It is a backstop. Clearly, I would rather we got it right first time. I would rather we were able to deal with this first time. If we cannot, because these are legacy systems with all the risk of human error we described, we can work out where the biggest risks to human error are and pick it up every three months: "We missed Mr Timms. We should have picked up on him. Let's get in touch." That is not the end of the process, because you do not automatically get a category D pension when you are over 80. We then have to look at whether you have been living in the country for 10 of the last 20 years.

Chair: We do not need to go through all of the eligibility details.

Peter Schofield: You know the details. It is the start of a process. The difficulty is, because it is such a complex system, you cannot automate it all. You need human intervention, unlike the new state pension, which is simpler and we can automate, so we have a different situation.

Q44 **Peter Grant:** You mentioned earlier, and I fully understand, that there are particular types of error that you will prioritise the checking for because of the likely significance. The Department, long before you came into present post, has been regularly undertaking a major and quite expensive exercise to identify overpayments but has only recently started to do anything similar to identify underpayments. Do you understand why that would make a lot of people think that, as well as prioritising the likely big-scale errors against the relatively small ones, you have been prioritising targeting overpayments and have not given enough priority to identifying underpayments until quite recently? Is that a fair comment?

Peter Schofield: I do not think it is a fair comment. We have spent a lot of time addressing these underpayment issues as well. The report talks about the various LEAP exercises we have carried out. They were all to remedy underpayments, starting with the 2018 example I described earlier, and various LEAP exercises for PIP as well. We report and you interrogate me, I always feel, annually, both on overpayments and on underpayments.

Underpayments have risen a little from last year or from the year before to the last figures for last year at 1.2% overall. That is something I would like to sort out as well. Overpayments have risen rather more significantly, and understandably you, the Treasury and others are challenging me heavily on overpayments as well, but I regard it to be my job as accounting officer to get underpayments down as well as overpayments down.

Q45 **Shaun Bailey:** You said there, Mr Schofield, that at the moment the basis of the system is that someone obviously has to put an application in to obtain their pension. I am just conscious that if you look at, say, financial services more broadly, they operate an automated eligibility system utilising the plethora of data they have on individuals. Say, for example, I go for a loan or a credit card. I will be told that I am eligible for that because they have my spending habits, they will have a copy of my national insurance number and they will know my date of birth. You have that



information. As the Department for Work and Pensions, you have that. Are you telling me there is no resolution out there that could eliminate this application process that many of people are currently having to go through? It sounds like it is there. I am just curious to understand what the Department's thinking is around this.

Peter Schofield: It is a good challenge and the answer is that it is different in different parts of the Department. There is a basic principle in law, which is the point I was making. Can we do more to match data in terms of what we know in different parts of someone's life and the particular situation they are in?

The best example I will always come back to is universal credit, because universal credit is the modern system that we have built on the basis of using data from different Departments. The example I gave to Sir Geoffrey a bit earlier is that each month, if I was on universal credit, I would not have to get in touch with DWP to say, "Let me just tell you what my earnings were. I am on a zero-hours contract, but this month I earned..." It happens automatically. That is a data exchange. No one has to apply for anything. It just happens automatically. That is one end of the spectrum. When you design it from the start, when you build big data and bulk data transfer into the process, you can do it that way.

Q46 **Shaun Bailey:** My question is that it sounds from what you are saying there, Mr Schofield, that there is the potential to do that. You have the data there. You have the data on these individuals. You could ascertain their eligibility. You have this stuff. You have built that for universal credit and that has been lauded as a system that works. Why can that not transfer over? Surely the issue here is lack of automation. I am just trying to understand this, because there seems to be a real reticence here to try to do this. I am struggling to understand why.

Peter Schofield: I am sorry you feel there is a reticence. Genuinely, there is no reticence here at all. We will put the legal thing to one side, about what you have to do in law to claim or whatever. From a system capability point of view, the point I would make is that you can do more with the legacy systems, but it is more difficult. You are having to add things in, bring things in and try to work out. With a lot of these systems, the data is not complete. In terms of some of the examples I have been looking at, it was not actually a failure of PSCS as a system. It is just someone in the past—it could have been the claimant or it could have been the agent—did not put the right data in at the right moment.

Universal credit has taken however many years to get to where it is. With the pension system, there are things we can do to fix the current thing, and I will just mention that in a minute. The big thing is, when you start afresh, starting with the policy, the simplified policy, and then building the computer system that runs it from bottom up, rather than retrofitting. Get your State Pension, which is the system that underpins the post-2016 state pension system, is more like universal credit. That is why we are currently on 60% automation.



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In terms of what you can do with the existing system, this is why I am pushing back a bit on, “You are not even trying”. We started with a number of cases where we thought we could see a pattern. What we then did was a scan looking at the whole of the people entitled to the state pension, to pick out those people who we thought should be getting a category BL pension but who were not. It gave us 900,000. It is all set out in annex 2 of the report.

Chair: Yes, we do not need to go through the detail of that. We know all of that.

Peter Schofield: You know the detail. Basically, what you will see in that story is we were then plugging in more and more detail, narrowing down, narrowing down, narrowing down. That is my answer to, “You are not really trying.” We are trying.

Chair: It is all very manual and clunky.

Peter Schofield: No, my point is it is not.

Chair: It does not feel like that.

Peter Schofield: What you are doing here is you are doing the scans to get the size of the haystack as small as possible before you do the manual bit. That is my point.

Q47 **Shaun Bailey:** There are two points I take from that. If I have misunderstood you, apologies, Mr Schofield, but it is almost as if the policy needs to catch up with the technology. That sounds like one thing you said at the start. Apologies if I have misunderstood that, but it sounds as if the policy that governs this perhaps is not quite catching up with the potential of the technology to automate this as fully on legacy, let us call it, so pre-2016.

You are then trying to say, in terms of an existing process—again, just so I am understanding you clearly—that you are almost trying to narrow it down, narrow it down, narrow it down to minimise the amount of manual intervention. Is that effectively what you have said? I am just trying to understand your response.

Peter Schofield: Amanda should come in, but for this exercise we know there are a number of people, thousands of people, at risk of underpayment of, say, category BL. That will ultimately need a manual going through of a whole load of cases, because that is the reality of the system, but we can do automatic scans, using the data and information we currently have on people, to rule out the people who, based on the data we have, we know we will not need to look at. It means the ones you know you need to look at is reduced down to the 400,000 that we are currently looking at. That is the automation reducing it down and then manual casework to go through each of those 400,000.

Q48 **Chair:** Let us go to Ms Reynolds briefly on this, because she obviously has something to add.



Amanda Reynolds: I was just going to say that we would love to be able to pull all that data together like financial services. Having spent most of my career working in financial services, I can see the value of that. That said, there are imperfections with that, too, on back-look exercises, such as mortgage interest payments and so on. They have not solved all of it but there is definitely learning there that we want to bring forward.

Part of our service modernisation in the future is looking at all of the data we have. How can we make it simpler for the customer when they are interacting with us? How can we improve the colleague experience? How can we make it ultimately more efficient? That is absolutely part of our ambition and aspiration. We have already been talking about data visualisation. What do we know currently? Also, given that today we have different systems for different benefits, how can we pull some of that data across our different benefit systems and start joining things up? That is part of the conversation we are having today.

The difficulty we have at the moment of course is the pension service system was effectively launched in 1988. There is a plethora of data, but trying to draw the right valuable data out of it, and then match it up with other data, is quite an extensive exercise. It relies on a lot of our colleagues who have all the experience, and we are currently focused on prioritising the underpayment cases. We are balancing a lot here, but it is absolutely part of our ambition.

Q49 **Shaun Bailey:** I have a question; I appreciate this is going to be slightly before your time. Would common sense not have suggested that you do system reviews? Perhaps it is a lesson learned. I am conscious this is a 30-year-old system. This system came in before I was born, just to put that in context. Surely, would it not have made sense for the Department, before this happened, to do some sort of system review? Again, I am happy to be corrected if I am wrong, but it sounds as if this is a situation that has bubbled up. You have a system in place since 1988 that has now, as I say, allowed this to bubble up.

Why at no point, up until probably this point now, has there been any review of that system and look at improvements and enhancements? Now we are talking about it, and it is great to hear what you are saying and it sounds positive that you are taking those lessons forward, but the technology I referred to is not new. I am just conscious to understand why we are having this conversation now, bearing in mind we are talking about a system that is nearer to 40 years old, as I have just been corrected by my colleague. I am just curious to understand.

Chair: We like to do the numbers right.

Shaun Bailey: I just want to understand. Clearly, there is a question here around how frequently you are reviewing your systems to ensure they keep pace and are up to date. Between 1988 and now, you cannot tell me there have not been opportunities to review it before now.



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Peter Schofield: Yes, there were reviews. There was a review that led to the introduction of CAM in 2005, for example. Amanda knows more about this than me, but the problem you have is with these workhorse systems that underpin huge business-critical parts of businesses. The banks are in the same position in many cases. This system underpinned millions and millions and millions of records. We would like to move it into a more modern system, but the process of doing that is incredibly complex and very risky from a business point of view.

Q50 **Shaun Bailey:** It is, but the systems are there. This is the point I am trying to make. It is not as if you are going to have to reinvent the wheel. There are systems that you can utilise that already exist. That is the point I am trying to get across.

Peter Schofield: The banks cannot easily move their workhorse systems and business-critical systems with millions of records on them.

Q51 **Chair:** We covered a lot of this when we did our digital work. There are areas we want to continue to probe as a Committee generally on the whole data and digital offer. Do you have a chief data officer?

Peter Schofield: Yes, it is Simon McKinnon.

Q52 **Chair:** You and HMRC are two of the biggest Departments, with big legacy programmes. We looked at the police national computer recently. There are lots of issues there. Some of this might come out in further questioning.

Peter Schofield: My point is that it is not a trivial task. That is all. Our ambition is the same.

Shaun Bailey: Yes, I can appreciate that.

Chair: It is a big concern, because we have seen too many of these failures, which are causing critical problems for consumers or users of a system. We will park the thought for a moment.

Q53 **Stephen Timms:** You mentioned the 2018 LEAP exercise with employment and support allowance. We are told that this current LEAP exercise is the ninth that has been undertaken since 2018. Can you tell us what these are? What is a LEAP exercise? What can we infer from the fact there have been nine of them since 2018? Are there general lessons that have emerged from these exercises in this three-year period?

Peter Schofield: The lessons learned are in paragraph 4.19 of the report. A LEAP exercise is where we become aware that we have been underpaying, for whatever reason, a particular group of people. If someone gets in touch and says, "I think I have been underpaid," we will look at their case and, if they are right, we will pay them and resolve the matter. Where we become aware that there is something that has linked a number of these cases together and it is at scale, we would set aside the resource to manage this as a programme and do the work in a methodical way.



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When I was here in 2018, it was the first of these and we were establishing this approach as a way of galvanising activity in the Department to address some of these issues.

In terms of the one on ESA, as we were moving people into what was at the time a new benefit, employment and support allowance, we had to bring people out of income support and incapacity benefit. Incapacity benefit was a contribution-related benefit. Anyway, we were moving people from both an income-related benefit and a contribution-based benefit across, and they were both moving to ESA. We had assumed we could just take the information that the claimant had given us when they had first gone on to the original benefit, so in that case the contribution-based one, and just use that information to bring them into the right bit of ESA, in this case contribution-based ESA.

Q54 **Stephen Timms:** The fact is there have been nine of them.

Peter Schofield: The point is that a court basically said, "No, you have to treat it as a new claim," so we realised that we had to go back and look at all of these again. That one was due to a court case, because we had interpreted the regulations in a way that—

Q55 **Stephen Timms:** Nine seems a lot of these exercises to have undertaken in three years. Does that tell us something about the state of the Department's computer systems or something?

Peter Schofield: No. It goes back to what I was saying earlier about the difference between, on the one hand, the scale of underpayments, which we know through the fraud and error numbers, and the detection and putting something right about those underpayments, on the other. Nothing in any of these LEAP exercises tells us anything different from what we knew before about the scale of underpayments. The crucial thing about LEAP exercises comes after an underpayment has been detected, which may sometimes be because of official error or may sometimes be because a court has told us, "You have interpreted the regulations incorrectly."

The PIP ones are classic cases: "You have not given enough points for a particular type of health condition or functional issue and you need to give more points." We then have to go back, look at all those cases and say, "Right, we will have to redo them to give them the right number of points." The LEAP exercise itself is a process. It is a programme that then says, "Right, you can put this right." In a way, if I was doing more LEAP exercises because I detected more underpayments and I was putting them right, that might be quite a good thing, in a funny way.

Q56 **Stephen Timms:** You think there will be as many perhaps in the next three years. You estimated in March that you would have to pay out £2.7 billion as a result of the state pension problem. You are now saying it is £1 billion. What has happened between March and now to change that estimate?



Peter Schofield: This goes back to what I was saying about those haystacks getting smaller and getting a better understanding. There was a very critical part of this system. The difference was primarily driven by understanding the spouses in category BL. For someone to be eligible for category BL, they can be a married woman, but from 2010 onward it was changed so that, if you were a man married to a woman, or indeed a couple in a same-sex civil partnership or marriage, you could also claim category BL.

The crucial thing was, when we did the most recent analysis—at the time we were asked by the OBR to give a forecast for its Budget forecast in March—we had a whole load of people who we knew were married but we did not know enough about the date of birth of the spouse. When we did further work between March and the annual report and accounts, we realised that many more of the spouses would have reached their state pension entitlement prior to 2010. That meant the individuals, normally married men, were not eligible for BL. That was hundreds of millions of pounds.

Q57 **Stephen Timms:** One of the points Steve Webb has made to us—you have acknowledged that he has proved to be consistently correct about this problem when the Department kept on saying there was not a problem—is that there will be some groups that have not been picked out by the scans you have carried out so far. For example, there are people whose pension is correct today but was wrong for a period between 1985 and perhaps some years ago. Do you accept there are some more people who still have to be identified in order for this exercise to be completed?

Peter Schofield: It is interesting you say that. I had not picked up that Steve had said that, but it is interesting you say that because I was sitting alongside an agent with exactly a case like that, which had come out in the scan, where the individual was apparently on the right pension now because they had inherited the pension at the point that the spouse had passed away but had not been put on to category BL at the time when the spouse had retired. In this particular case, there was a two-year period between the date of retirement and the death. The scan had picked it out and we made the payment.

Cathy Payne: What the Permanent Secretary has said is right. Our understanding is that the scans should have picked up everyone who is entitled to an uplift in the law, so not people who have to make claims in their own right but people who, where there has been error, should have been picked up by the scans. We have one more scan to do relating to widows, which is later this year.

Peter Schofield: Yes, that is true.

Cathy Payne: A few more cases will get picked up then.

Q58 **Stephen Timms:** Steve Webb has given us three specific examples that he thinks will not have been picked out by the scans carried out so far.



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Perhaps we could just ask you to check with him, to see whether there are some gaps.

Peter Schofield: Yes, I am not sure he has told us that, but he might have done.

Q59 **Stephen Timms:** Moving on to a slightly different subject, although a related one, as you know there have been lots of reports recently and lots of MPs picking up reports of people suffering delays in receiving their first state pension payment, having claimed. What is the scale of that problem? How many people do you think are having excessive delays at the moment in receiving their first state pension payment?

Peter Schofield: The good news is that, as of the end of this month, we will have got through that backlog and we will not have anyone waiting who made their claim on time and who is due a payment by the end of October, unless there is someone from whom we do not have all the data that we need.

Q60 **Stephen Timms:** I know the Minister said it was all going to be sorted out by the end of this month or this week, but there are still an awful lot of reports coming in of people having long delays. I am surprised you can say so confidently that it is all going to be fixed by the end of the week.

Peter Schofield: We are very confident, because we are charting the number. Amanda charts the numbers on a daily basis. Amanda, do you want to give Stephen the latest?

Q61 **Stephen Timms:** Tell us what the number is today.

Amanda Reynolds: As of yesterday we had around 6,000 to complete, bearing in mind we complete around 9,500 a week at the moment on average. We are confident that we will achieve the elimination of the backlog.

Q62 **Chair:** The Minister did say by the end of this month, very clearly, in the House.

Amanda Reynolds: Yes, exactly.

Q63 **Stephen Timms:** The 6,000 is people who have been waiting longer than an acceptable period, is it?

Amanda Reynolds: This is a mixture of customers that have not received their state pension on the eligible day. I wonder whether there are still queries because the state pension is paid four weeks in arrears. I would love to hear examples, if there are customers that you are still hearing from this week, because I am tracking it every day. The team have worked so hard. We have had a relentless focus on it the last few months.

Q64 **Stephen Timms:** Just so we are understood, you are saying that, as of last weekend, there were 6,000 people who had waited more than four weeks for their first—



Amanda Reynolds: As of yesterday. We will always have a certain amount that we cannot process as quickly as we would like, because sometimes we have to ask the customer for validation. It could be a marriage certificate—there are communications backwards and forwards between us—or it could be that we need to validate some national insurance record details with HMRC. There will always be a residual amount that we cannot process as quickly as we would like but, given that 60% of new state pension claims go through our new Get your State Pension system, they are effectively processed almost as the customer fills out the form. Naturally, we have to do the payment system behind the scenes and then the payments are paid four weeks in arrears.

Q65 **Stephen Timms:** You would accept that there has been a problem over the last few months.

Amanda Reynolds: I will accept that, and I am hugely apologetic for that. It has been a really careful balancing act, mobilising this activity and making sure we have the right resources and the right skilled colleagues to be able to do that. We have seen a surge in pensions as well. Looking back to around June or July, on average we were receiving around 12,000 pensions. It up-ticked at the end of August.

Chair: Do you mean 12,000 new pension requests?

Amanda Reynolds: Yes, exactly that. There was an up-tick to around an average of 15,500. We have seen a rise. Some of that has been customers wanting to defer their pensions and talk to us. Some of it has also been the age equalisation. The forecast from last year to this year was around 200,000 higher anyway this year. Add on top of that the pandemic and the mobilisation of this activity—

Q66 **Chair:** Does the pandemic just mean some people who were thinking of deferring or carrying on working are now claiming? Is that one element?

Amanda Reynolds: Yes, there has been a real mixture. It is almost like an imperfect storm. Again, I really apologise, and we have been working around the clock and working relentlessly to—

Q67 **Chair:** No one doubts that individuals at the frontline are working very hard. The thing is that you are all here to explain why the system could not deliver pensions to people in a real timeframe and some people have had no money to live on.

Peter Schofield: A number of things have caused that, and I add my apologies to Amanda's. Partly we were under pressure anyway as a result of the pandemic, because at the start of the pandemic we found that many of our folk obviously had to be at home and we did not have—

Chair: We know that and we have discussed this before. I am not dismissing that as an element, but you do not need to go into detail.

Peter Schofield: The system was under pressure anyway. Secondly, there was this increase in the number of claims, which is partly, as Amanda says,



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due to equalisation, which meant that we could not reliably use previous trends to know what the claims were going to be going forward, as well as more people, it would seem, not deferring their pension and taking up their pension.

The third thing is, with our focus on addressing the backlog that we are talking about this morning, because of the complexity of those cases, we needed to move many of our most experienced agents into that work and we realised we possibly did that too quickly, leaving us without the experienced agents on the business-as-usual work. There has needed to be a bit of rebalancing there.

Q68 **Stephen Timms:** You made the point that Amanda tracks this every day. I tabled a parliamentary question on 15 October to ask how many new claims for state pension from a) men and b) women were paid more than four weeks after the claimant's 66th birthday in each of the last 12 months. The answer came back, "This information is not collated as a matter of normal business under this or previous Governments and is only available at disproportionate cost." You have just told us that it is collated every day.

Peter Schofield: I need to remind myself of the precise question that you asked, Mr Timms. Let me take that away.

Q69 **Stephen Timms:** The precise question I asked was: how many new claims for state pension from a) men and b) women were paid more than four weeks after the claimant's 66th birthday? You have just told us that Amanda has that information every day.

Amanda Reynolds: I cannot track it in terms of how many men and how many women. I look at it as an aggregate number. That is only recently. Because of the situation, I wanted to make sure that effectively we had a plan to complete the backlog by the end of October, and I naturally wanted regular assurance that we were on track with that plan and progressing it. Precisely to your question, we cannot split it into men and women. Also, that more informed data has only been recently available, where we have split it up into cohorts of when the customer applied and when the payments were being made. We have had to design some new reporting to achieve that.

Q70 **Chair:** In terms of that men and women thing, especially for this cohort who probably would not think of ticking another box, just for generational reasons—let us be honest—they are probably pretty easily divided into men and women. Why is it so difficult to do that? It is basic. Surely there is a box to tick somewhere.

Peter Schofield: Amanda has developed some management information to help her drive working through the backlog. That is what it is about. It is about managing the workflow. That is the focus. That is what this is for. This is not for any particular additional need. This is the reason for developing it.

Q71 **Chair:** Are you doing anything to prioritise certain groups? Perhaps not now, for women and men retiring at the same time, but certainly 20 years



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ago it is probably more likely that women did not have their own occupational pension. More of them would have been relying on the state pension. That would be my hunch, looking at figures that we have seen. Have you done anything to prioritise people who have only the state pension? Is there any way you could have done that?

Amanda Reynolds: The reporting that I was just talking about is literally for new state pension claims that have come in over the last few months. That has been developed new. That was not available historically. In terms of going through the LEAP exercise, we are going through the scans.

Q72 **Chair:** This is about the new claims coming in. If somebody has an occupational pension and they are claiming their state pension on top, perhaps they have deferred, so there will be mechanisms; you can identify some of that through their national insurance and so on.

Amanda Reynolds: Yes.

Chair: They need the money, but they may need it less than someone who has no income except for their state pension. Have you prioritised those?

Amanda Reynolds: If customers are in financial difficulty, we ask that and we check that.

Chair: You proactively ask when someone applies for their pension?

Amanda Reynolds: We have been in terms of the interaction over the phone. Naturally, if the customer uses Get your State Pension and it is automated, we do not. We naturally think that a customer would contact us if they are in financial difficulty, and we have been prioritising those cases, of course.

Q73 **Chair:** The onus is on them, their MP or whoever to contact you and highlight that?

Peter Schofield: The ideal is that they use the online system.

Chair: This is just to be clear, because there are people out there who have not had it. Hopefully by the end of the week it will all be sorted, but they need to—

Peter Schofield: I do take the point.

Q74 **Chair:** Someone who is in financial difficulty, who has no other income, should contact you directly. Hopefully by now it will be nearly sorted.

Amanda Reynolds: They have been.

Q75 **Stephen Timms:** I wonder whether you would accept that many of us feel you could and should have been much more forthcoming about the underpayments problem and the state pension delays over the last few months. You said that nobody had ever collated this information. I think what you are saying is that the only thing you did not know is how many were men and how many were women. It would not have been a matter



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of disproportionate cost to establish that. Even so, the answer surely could have come back, "The total number is X. We do not know what the distinction between men and women is." Instead, what the Department routinely does is say, "We have no idea. We will tell you in the future."

One of the points that Steve Webb made to us, which I agree with, is, "PQ answers, even to the Select Committee Chair, have been evasive."

Chair: There is a personal interest there.

Stephen Timms: He is right. I do not really understand why the Department is so un-transparent about what is going on. Why not just tell us instead of keeping it all hidden in this way?

Peter Schofield: I am trying not to. I am here, and it sounds like I am going to be here for quite a while this morning answering your questions. Questions about how Ministers respond to PQs is a question for Ministers, of course.

Q76 **Chair:** The main political adage is not to be defensive, is it not? You get it all out there and—

Peter Schofield: I take the point. I hope this Committee does not find me defensive. If you do, I hope you will tell me.

Chair: It is all right. We will keep pursuing you, Mr Schofield, until everyone has had their money.

Q77 **Stephen Timms:** We could talk about this a lot no doubt, but, just on this communications point, again Steve Webb made the point to us that very little information has been provided to people about what has been going on. His particular concern that he raised with us was that, at the moment, the telephone message people get when they ring up about it is very misleading. Last year, if you rang up you just got a recorded message. The message was, "Contact us if you think you have been underpaid." Now it says, "If you are ringing because of media enquiries, there is no need because we will contact you." That is seriously misleading, because for a number of these issues people do have to apply in order to get the right pension.

Peter Schofield: That is because Steve Webb has not given you the rest of the sentence. It says, "Stay on the line if you are someone who", and then it refers to the pre-2008 cohort. That is the next sentence.

Q78 **Stephen Timms:** You are happy, are you, that the message being given out at the moment is—

Peter Schofield: I do not want us to appear defensive. I want us to be on the front foot, trying to address the issue. We can always improve our telephony message. We always can. I did listen to the message myself, because I wanted to check that there was provision in the message for people in the pre-2008 cohort, who have to make a claim for the reasons the report sets out. I am sure we could get better at all these things. One



of the things that Amanda is working with us on is how we can get better at all of our customer interventions and interactions.

Q79 **Stephen Timms:** It seems to me that a greater openness would help. Can I just raise one final point? Going back to the review, the NAO checked 1,500 underpayment cases that you had reviewed. As you know, the review revealed that 200 had had their entitlement calculated wrongly. Were you surprised by the extent of those errors?

Peter Schofield: As we were building the LEAP service and LEAP system, we needed to make sure we got it right. We were training our people and developing the service in real time. I am glad that we spotted the errors. That enabled us to improve our quality assurance processes as a result. That is exactly what we have been doing. We continue to look at the quality of the work of the LEAP exercise, because we want to make sure we get it right this time when we have not got it right in the past.

Q80 **Stephen Timms:** How confident are you that the reviews will be more accurate now?

Peter Schofield: The stats from the quality assurance are showing Amanda that they are more accurate.

Amanda Reynolds: Yes, they are. At the time of the sampling of that 1,500, as Peter alluded to, it was fairly new into the exercise. The root-cause analysis and the audit had not been completed. It was all coming together at the same point where we learned a lot of things. Those elements have been taken forward. The guidance has been updated. We have overhauled the learning and development. We will have subject matter experts increasingly deployed. We will do checks with our colleagues every six months just to make sure they are feeling confident. They have to have a 100% pass rate before they go on to this exercise. We have done lots and lots of things.

Q81 **Stephen Timms:** The error rate was getting on for one in eight when the NAO did that check. What would you estimate it is now?

Amanda Reynolds: I do not have the latest data. I will know when I look at October's data. Each month, it is improving.

Q82 **Chair:** Can you send us that?

Amanda Reynolds: Yes, I can. Off the top of my head I cannot remember the percentages. I know it has gone up at least 20 percentage points since that time, which was in June.

Q83 **Chair:** Can you write to us with the regular monthly data?

Amanda Reynolds: Yes.

Q84 **Chair:** Please keep both of our Committees informed on that regular monthly data. I have one question that might be to Ms Payne. Ms Payne, if it is not you, tell me. This is for the underpayments, the main subject of today's hearing. Are you checking every proactive contact from the public



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that is successful? If someone contacts you about something that you were not sure about before and you find it is successful, do you then run a scan or set up a scan through the whole system to see whether that can pick up other people?

Peter Schofield: That is more for me. Is this the point in one of the NAO's recommendations about understanding detected underpayments and the patterns?

Chair: Yes.

Peter Schofield: This is something where there was a recommendation in the annual report and accounts from the NAO in July. We have done the first phase of that, which is on universal credit, where we collect the data in a more accessible format. That enables us to understand the nature of detected underpayments.

Q85 **Chair:** For these particular underpayments, let us say I am a widow applying in a particular set of circumstances. You have told me before that mine was not a case that threw up a problem, but then after appeals and whatever you found out that there actually was a problem. If you had not identified that cohort or that subsection of a cohort as a problem, would you then run a scan to say, "Hang on. If that person is affected, there might be more"?

Peter Schofield: This is exactly the area that we were talking about before, where we want to do more.

Q86 **Chair:** I suppose what I am driving at is that there are still gaps. There could still be situations where you find that one case throws up another subset of people.

Peter Schofield: Amanda, do you want to say a bit about the work we are doing on that?

Amanda Reynolds: The quality assurance framework has been changed. We are now looking at the overall award accuracy. That would then be logged as something we had corrected. What we want to be able to do is perform regular BAU scans and, from what is coming out of the scans, identify whether there are any patterns, trends or themes emerging here. That is what we are able to do going forward.

Q87 **Chair:** You are confident now that one case throwing up a problem will lead to other cases like it being detected. It is quite manual, is it not? There are going to be quite a lot of individual circumstances.

Amanda Reynolds: That would be my desire. I would not want to say I was 100% confident right now, until we start running the scans. Then we will know what patterns and trends we are seeing here and how we can join them up effectively. That is what we want to be able to do.

Peter Schofield: The emphasis is on the word "patterns." Where do we see patterns emerging?



Q88 **Chair:** How many cases does it take to make a pattern?

Peter Schofield: This is the thing. This goes back to Mr Grant's questions at the very start of the hearing. At what point do you spot that there is a pattern and that this is something you can do something about?

Q89 **Chair:** Surely if there is one case that throws something up, you need to check whether there is a pattern. You can do that better than waiting for people. People have died waiting for this. Let us be clear, just before I throw it to Mr Grant. This is a £1 billion payout or thereabouts—we do not know the final figures yet; the figures are uncertain—but it is costing £24 million in staffing to sort this out. That is right, is it not?

Peter Schofield: Yes.

Chair: This is an expensive thing for the taxpayer. Individuals are being massively affected by this error, but it is also the taxpayer who is funding this.

Q90 **Peter Grant:** I want to come back with a couple of further questions on the late payments. Ms Reynolds, you mentioned earlier that if the claimant lets you know they are in financial difficulties, you will do everything you can to deal with it immediately, which I appreciate. If the claimant has to spend 40 minutes or more on the phone trying to get through, that is presumably because there are not enough phone lines or there are not enough people on the end of the phone. Even if they go to their MP, it does not help. There is no MP direct line for pensions; it was taken down some time ago. That means the MP or their caseworker spends 40 minutes trying to get through on the phone.

Do you have enough staff to deal with the underpayments and to make sure that today's new pensioners are being paid in time? Is it simply that there are not enough people with enough time to do everything that has been asked of them?

Amanda Reynolds: In terms of customers facing financial hardship, we do have that escalation route, as I mentioned. Over the last few weeks or months, we have been putting more resources and colleagues into our retirement services area. We need to bear in mind that it takes time for our colleagues to come up to speed, even if they are working on some of the simpler things. It takes a whole lot longer for state pensions. That is the balancing out we have talked about.

In terms of service levels over the last few weeks, given that we have put more resources into it, over the last four weeks the average wait time is six minutes. It has progressed in terms of what you talked about around it being 40 minutes. What has helped is that, as we have been clearing the backlog, naturally we have not had as many customers calling through wondering where their payments are. That has improved, primarily because we have put more resources behind it and, secondly, because we have been progressing the backlogs.



Q91 Peter Grant: Although we can look at percentages, as a percentage of new claims it is not that much, but if you are the one who has no money there is a failure rate of 100%. I am getting reports, first of all, from my own constituents and from some of my colleagues. For example, one quite common issue is that when someone who is on universal credit gets to pension age, the DWP moves immediately to stop the universal credit, but the same DWP has sometimes taken months to start paying their pension. Within the one Department, you have all the information you need to know that person has no source of income.

People have had to go for emergency crisis grants to the Scottish Government; people have had to go to food banks to prevent themselves from starving. How do you explain to those people how it is that the same Department can stop paying universal credit because they are at an age when they should not be getting it but cannot start to pay the pension they have claimed on the day it was supposed to be paid? How do you justify that mismatch of information and action from the same Department?

Peter Schofield: The pure legal point is that someone has to make a claim for the state pension.

Peter Grant: These are people who have claimed sometimes months ahead.

Peter Schofield: Yes, and I apologise for those delays just as much as Amanda has done. The best answer—someone who has been on universal credit will be used to interacting with us on a digital platform—is to use Get your State Pension, which pays very quickly. You run through the system in a matter of days. Anyone in hardship who is not entitled to a full state pension can be claiming pension credit under those systems as well.

Q92 Chair: That is only if they can get the pension in the first place.

Peter Schofield: Yes, exactly. The challenge for me is managing backlogs through our system, which we have built up as a result of the pandemic. I am hoping that we are giving this Committee assurance that we are working through these backlogs and we are getting rid of them. We look at the situation on backlogs on a weekly basis in the Department at an executive team level and with Ministers. We focus on this on a very regular basis.

We have been through a really difficult and challenging period as a Department, as many other public services have. We are trying to get ourselves into a position in which we are paying people on time. As I say, the digital system in the new state pension is one that is running very successfully. We are now up to 60% fully automated.

Q93 Peter Grant: Is the problem with delays to new pensions related to staff being moved over to deal with the backlog of underpayments? Is there a direct cause and effect there?

Peter Schofield: As I mentioned to the Chair earlier, it is one of the factors. It is one of the factors, alongside increased demand and the



difficulty around planning in a year of state pension equalisation, which means you cannot look at previous trends. We had been looking to move more of our experienced colleagues more quickly into the correction exercise, because you just need those skills, but we realised that we also needed them to be working on some of those cases that could not be automated through the new state pension claims system.

Q94 Sir Geoffrey Clifton-Brown: Good morning, Mr Schofield. You mentioned earlier that these numbers come from a trawl of 400,000 people. Is that correct? To get this number of 134,000 people who are on these underpayments that we are studying this morning, you had to go through a trawl of 400,000.

Peter Schofield: The 400,000 is what is left of the haystack. We are now working our way through it. Our estimate is that within the haystack we will find 134,000 cases that have been underpaid. At the moment, 25% of the people we look at in the scan are coming out as being underpaid. It is turning out that 75% are being paid what they should be paid. It is working out like that.

Q95 Sir Geoffrey Clifton-Brown: I get that. What is the total number on this legacy system? How can we be sure that there are not people above this 400,000 who still have underpayments? What is the total number on the legacy systems?

Peter Schofield: The numbers are in the NAO report.

Cathy Payne: It is the total number of state pension claimants, which is 12.5 million people.

Q96 Sir Geoffrey Clifton-Brown: That is an awful lot of people. How do we know that there are not people out there who you have not even begun to capture in your investigation?

Peter Schofield: Appendix 2 goes through the process that we have gone through. The NAO has looked at this. We started with that total number of 12 million and focused in on the ones who we thought should be in receipt of category BL and then focused in on the ones who, when you take into account what we know about the spouse, absolutely should be on category BL and took account of the ones where the spouse would have become entitled to the state pension before 2008 who are not part of this, and then we took account of those for whom the spouse did not have a full category A pension entitlement built up so probably do not therefore qualify for a full BL for the spouse.

We went through that, and appendix 2 goes through the process. The NAO spent a bit of time with us working through the process. I do not want to put words in the C&AG's mouth, but the NAO understood the process and were reassured—

Chair: It is laid out very clearly in appendix 2, in figure 11 on page 45.



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Q97 **Sir Geoffrey Clifton-Brown:** You did say earlier that, of those 400,000, there are data gaps. You do not have the data on all those people.

Peter Schofield: The biggest issue here is those people who we know were married but where we cannot make a link to a national insurance record for who they were married to. That shows how far back you go. The report says it is about 153,000.

Sir Geoffrey Clifton-Brown: It is 134,000.

Peter Schofield: No, sorry; of the 400,000, for 153,000 of them, despite all the work we have done so far, we are unable to trace this information. The system tells us they were married but we cannot link them to a spouse, a national insurance record. For them to get a category BL pension, they have to be married to someone who had a national insurance record. We have to have checked the spouse's record to be able to work out if a category BL pension should be in payment. Does that make sense?

Q98 **Sir Geoffrey Clifton-Brown:** Yes, I have got that. If that is the case, how can you be sure that 134,000 is the correct number of people who have been underpaid?

Peter Schofield: The figure of 134,000 is based on the three different categories. There is category BL; then there are the people who have been widowed or where there has been a mis-conversion; then there is the category D.

Q99 **Sir Geoffrey Clifton-Brown:** Those particular categories do not include those for whom you do not have marriage data. There could be more people out there.

Peter Schofield: No, the category BL ones are the ones where you are, in particular, looking at the marriage link. It would be mainly in that. There are some in the widowed as well, but there you know who the spouse was so that is easier. It is on the category BL side. There is quite a lot of detail in the report.

There is even more detail, if you can bear it, in our annual report and accounts. We not only put the central estimate of £1.1 billion or £1.05 billion; we also put quite a big range to take account of some of these uncertainties. The range took us up to £2.8 billion, if you assumed the worst case on everything. That worst case assumed that we would be able to trace the spouse in all 153,000 records where we could not trace the spouse and indeed that all of them would be entitled to a full category BL pension. We do not think they will, because we think quite a lot of them are probably people who have not paid national insurance in the UK.

Q100 **Sir Geoffrey Clifton-Brown:** That is understood. The NAO tells us that before its audit 13% of the cases reviewed—we were referring to this just now—had errors. You are telling us that this is coming down. It needs to come down, because if it was 13% extrapolated across 134,000, that is 16,000 people who you have reviewed and yet there are still errors and



they could still be being underpaid. What is being done about those people?

Peter Schofield: This goes back to improving quality assurance at every level in the organisation, Sir Geoffrey. This is something where we need to keep going back and back and back. These are the circles of feedback where we improve the processes to try to eliminate all the error. The harsh fact is that we will not eliminate all official error anywhere across DWP, even despite the exercise we are going through. Everything that is in the report—Amanda could say more about this—is about trying to minimise that error with process controls in terms of how we go about that quality assurance.

Q101 **Sir Geoffrey Clifton-Brown:** The detailed scans for widows and over-80s are likely to identify new cases, are they not?

Peter Schofield: No. Is this in terms of the further scans that we are doing?

Sir Geoffrey Clifton-Brown: Yes.

Cathy Payne: We have quite a lot of information from admin data in DWP, but it also brings in deceased people, which we did not have. It does potentially bring in more people, yes.

Peter Schofield: We are doing scans in real time, as the report says. Because of some work we were doing on the main computer system, the PSCS system, during the autumn of last year in particular, we did the detailed scans on category BL but not on widows and category D. What we have also done is, using our general matching service, matched against other information we know.

As Cathy says—I had forgotten this—that only gives us data on live cases, if I can put it that way. We have had to extrapolate and make an assumption about how many deceased there might be in category D and mis-conversions. We have had to make an assumption there. We will know more about that. I doubt we will be significantly off in our assumptions, but it is possible, Sir Geoffrey.

Q102 **Sir Geoffrey Clifton-Brown:** I am not going to trespass on the questions of others, who are going to ask you about when we are going to complete this whole process. I am slightly worried about your comment that you will never be free of fraud in your Department. I accept that as a statement, but, if the figure is currently 13%, even if you are working to get it down, the fact is that I am able to tell you—it is a simple piece of arithmetic—that there could be 16,000 cases here, and that is still much too high.

What can you do with your IT systems? Reading the NAO report, this is incredibly complicated; there are a lot of different parameters. Why can you not have an IT calculator so that the poor people who have to work with all these different parameters can put all of the data for an individual person into it and it will automatically come up with an answer that must be correct in every case?



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Peter Schofield: We do. That is part of the system that we have, but the problem is piecing together the data that you need to fill in the calculator in the first place. I have sat with the teams. Amanda has spent longer than I have. It is like being a detective. You look at the data that you have. There was one case where the payment looked correct, but then you realised, "Hang on, this person was married at the time their spouse retired and received a state pension, but they subsequently divorced." In the particular case we were looking at, they did not receive any conversion money because at the time of the death they were no longer married. The system did not tell you the life story; you had to piece it together.

That is the sort of example. You can have online calculators for colleagues, and we have all of that. It is about the data to fill in the calculator.

Amanda Reynolds: That is exactly right, Peter. We have devised a calculator for our colleagues to use, but naturally it relies on them understanding the rules as well. Since 1989, there have been 14 new Acts of Parliament with regards to state pensions. We reviewed this, because I wanted to understand how complex it is for our colleagues. Since 1995, there have been over 70 elements of legislation. It is difficult for our colleagues to have all of this in their heads over this period of time. We cannot put in different categories. We have tried to make it as easy as possible for our colleagues with this calculator tool, but it also relies on them having the right learning and also developing an understanding of all the rules.

Q103 **Sir Geoffrey Clifton-Brown:** Amanda, we are not criticising your staff. We understand how difficult it is. We understand how hard they work. Given that complexity, why do you not have a simple checklist—it might be a long checklist—of every piece of data they need to have? You may need to amend that checklist when you come across an odd case. It might not become an odd case; it might become one of your patterns of cases. That would enable you to capture these errors across the board quicker. You could use a checklist of data that they need to have before they put it into the calculator.

Amanda Reynolds: That is exactly what we have done as a result of learning over the last few months. We now have a single source of guidance and an eligibility checklist that colleagues can look at. We have pulled all of that together into a hub, and we will continually evolve it as we do more quality coaching assessment and get feedback from our colleagues. This has been designed with our colleagues as well.

Q104 **Sir Geoffrey Clifton-Brown:** Given that, surely the 13% error rate is too high. Surely there ought to be a real goal in your Department, Mr Schofield, around the fact that this is unacceptable and should be brought down dramatically. I would have thought you would want to be aiming at 1%, 2% or 3%, low single figures.

Peter Schofield: As I say, official error overall in the state pension is 0.3%.



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Q105 **Sir Geoffrey Clifton-Brown:** Exactly, yes, so 13% is an outlier.

Peter Schofield: I absolutely agree.

Q106 **Sir Geoffrey Clifton-Brown:** What are you going to do about it? What sort of timescale are you hoping to correct it over?

Amanda Reynolds: The good news is that quality has been improving. At this point, we had not completed the root-cause analysis and all of the lessons learned. We have been building up all of that knowledge, adjusting the ways we are working and changing the quality assessment framework. 13% is too high; we recognise that. The good news is that it has been coming down. We have put in a number of measures and steps to help bring that down, and we will continue to do so.

Q107 **Sir Geoffrey Clifton-Brown:** You offered somewhere along the line to write to the Committee on that 13%.

Amanda Reynolds: Yes, that is right.

Sir Geoffrey Clifton-Brown: Could you include in that answer what steps you propose to bring it down and what sort of period of time you think it will take to do that?

Amanda Reynolds: Yes. I will also share what we have done to date.

Sir Geoffrey Clifton-Brown: It would be really helpful to know where we are now, because we are not quite sure about that. It may not be 13%. Hopefully it is not; hopefully it is much less than that. That would be really helpful.

Chair: Both Committees will quiz you further on this, but it is helpful if we have the data. The National Audit Office can also keep an eye on that.

Peter Schofield: There is never any end.

Amanda Reynolds: I just want to say that I absolutely understand the importance. That is our desire.

Chair: We are looking at it at a high level, but we are always mindful that at the end of the chain there is somebody who has lost out. Thinking about one of the cases we saw, £2 a week over 20 years still adds up to a lot of money.

Sir Geoffrey Clifton-Brown: There are still potentially 16,000 people, if it is still 13%. That gives you the scale of the people who are not getting the correct pension that they ought to be.

Chair: Some of those people have died while waiting for it.

Peter Schofield: Geoffrey, that is a very fair challenge.

Q108 **Mr Holden:** I will be picking up on a little bit of what Mr Bailey, Mr Timms and Sir Geoffrey have been picking up on. One of the overall things that has been most concerning about this report is the fact that it took a media



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campaign to bring all of these errors to the attention of the Department. If we go to paragraph 3.3 of the NAO report, to put it all in context, this is back in January 2020. A former pensions Minister gets in touch with you, working with Thisismoney.co.uk. In May, they publish a report on underpayments. It takes a year, basically, for the Department to wake up to the issue and the scale of the issue.

I am just wondering why it took a media campaign and a year from a former pensions Minister reporting this to get to the point where you start to look at it in the round? I appreciate there has been Covid, but why?

Peter Schofield: Yes, it is a good question. It relates to the fact that the systems and the changes that Amanda has been describing were not in place in January 2020 or before. The report in 3.2 says that this was “brought to the Department’s attention through complaints by individual pensioners and third-party reporting”. There was quite a lot of noise coming in. As you say, Sir Steve Webb had his media campaign, which was part of that. I am glad that, through a variety of sources, this was brought to the Department’s attention.

Q109 **Chair:** Can we just be clear about something? Describing this as “his media campaign” sounds a little bit pejorative. He writes a column to advise people. I think it is Thisismoney.co.uk. I am not particularly promoting Thisismoney.co.uk, but they and Tanya Jefferies have been quite instrumental in this. He just answered a question from somebody, and that then threw up other problems. He is someone who is very expert in this area. He was a professor in this area before he became an MP, and he was pensions Minister for five years. He was not just a bloke off the street randomly doing a media campaign. This was somebody who really knew what he was talking about. We just need to be really clear that the point underlying Mr Richard Holden’s question is that he was quite an expert, so his raising it surely would have flagged it as a little bit more of a serious concern.

Peter Schofield: Yes, but my reading of the rest of this chapter is that it does talk about our response, which started in April with the various pieces of work we did.

Q110 **Chair:** That is your response, but Mr Holden’s question was about why it took the information in the media and Sir Steve Webb to pick it up in the first place.

Peter Schofield: I am sorry. I thought there were two parts to Mr Holden’s question. I was answering the second part, which was about why it took so long after that point. The first part was about why we did not pick it up. The report sets it out quite well. I am in danger of slightly repeating myself—I do not want to bore the Committee—but underpayments are low. Our focus, following best practice, was to follow where the highest elements of error were, which were not here, and we had not identified the pattern. What we need to do is identify the pattern better.



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The second half of your question, Mr Holden, was about what we were doing after that.

Q111 **Mr Holden:** Why did it take a year from those initial things being raised to then looking at it properly from January 2021?

Peter Schofield: As I say, we started looking at this in April 2020, as per paragraph 3.5. It was not until August that we could develop and run these scans. It was quite a new thing for us to be able to run these scans on the legacy systems. In July and August we ran these scans. This told us that there was a bigger problem than we had realised, and we then really needed to work out what we were going to do about it. That then developed into the programme for the LEAP exercise, which began in January 2021.

Yes, I am sure we could have done it more quickly.

Q112 **Chair:** It was quicker than previous mistakes. You have said that and we agree with that.

Peter Schofield: There was also Covid. As Permanent Secretary, my attention was more on how we were going to respond to Covid at that point. The work was happening, and it was quicker than previously.

Q113 **Mr Holden:** We do take that on board. This was raised as a campaign. If we look at paragraph 3.4, there were 46 cases of BL arrears, which led to that broader review from August. Coming through from there were the cases that Sir Steve Webb had raised. How many cases over previous years had there been of people coming to you suspecting that they had been in one of these categories and you then having to change their pensions?

Peter Schofield: This is part of the recommendations that the NAO is making in this report about what we need to do better at. The answer is that we do not really know. Up until now, we have not been capturing the data from different business lines about resolving individual cases. We were able to do phase one of being able to collect this data on universal credit, but we need to work out how we can capture this data from other business lines so we can answer exactly that question. I do not know.

Q114 **Mr Holden:** Are you saying there has never been a centralised system at all and it has never been flagged on individual people's accounts that their pension has been changed? There is no way of you seeing that within the Department.

Peter Schofield: Different systems do it in different ways. We have not worked out how to come up with a systematic way of collecting that data across the Department. That is the answer. We have worked out how to do it on universal credit, because the data is captured in a more easily accessible format. Where we have changed an award, we put both the previous award and the new award in the system so we can see both.

Q115 **Mr Holden:** You did not do that with pensions?



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Peter Schofield: PSCS is part of a suite of legacy platforms that we have for our legacy benefits. The data may be in there. It is not readily accessible in the way it is for universal credit just because of the way the system works. You go in and you correct. You make the change and the system will now show the corrected benefits going forward.

Q116 **Mr Holden:** One of the big concerns we have is whether this could have been picked up earlier. We can see that this issue has been going back decades. There are constituency cases littered across the place with people getting in touch over years with sporadic enquiries to DWP. It just seems quite disturbing. It was only when this media campaign by Sir Steve happened that it got picked up. It was not from inside the Department that this error came to light.

Peter Schofield: I should probably qualify the way you have summarised there, Mr Holden. We know, because it is the normal course of business, that people get in touch with us saying, "I think there is something wrong with my benefit. Can you have a look at it?" and then we have a look at it. In the vast majority of cases—and it is true about the presenting cases in this situation—it is right, but, where it is wrong, we change it and we replace it. We put that right.

What has come out of this, though, is a clear pattern and a way of detecting them, which has now justified, quite rightly, the LEAP exercise and a programmatic approach in which we are going to go through all of them and go through it this way. Your question, which I cannot answer at the moment, is, "How many of these were put right in the normal course of business over many years?" Clearly, we know that mistakes were being made for many years. I would hope that there are plenty where corrections were made in the past through the normal course of business. At the moment, I could not answer that question.

Q117 **Mr Holden:** We do not know how many corrections were made. Ms Reynolds or Mr Schofield, do you know how many people complained before April 2020? Do you know how many complaints you received? This is not how many errors, but how many complaints you received about pensions in this broad regard.

Peter Schofield: Yes, we publish information on complaints in our annual report and accounts.

Chair: That is complaints, not queries. Do you have that figure? I cannot remember.

Peter Schofield: I am not sure we would count someone phoning up and saying, "Can I just talk about my case?"

Chair: That would not be counted as a complaint.

Peter Schofield: That would just be business as usual.

Q118 **Mr Holden:** As part of your publishing of that, do you know how many



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were rectified?

Peter Schofield: We know how many complaints there were. I cannot remember how much aggregation by product line we do in the annual report and accounts, but I can check on that.

Q119 **Mr Holden:** Could you write to us on that?

Peter Schofield: Yes. We certainly can say how many complaints are upheld.

Mr Holden: That would be helpful.

Peter Schofield: We have the data on the state pension system.

Q120 **Mr Holden:** To Mr Timms's point earlier on, when he asked in his parliamentary question for the breakdown of men and women, it was quite clear that the complex nature of the way these underpayments related to women was due to the majority of women being reliant on husbands' or partners' contributions. Do you keep a breakdown of the complaints of men versus women in this regard, in terms of the broad data? For example, if something from a specific age group or something specific to women or men is flagged up, can you see whether you are getting a lot of queries about a certain thing or whether you are having to make a lot of changes because of something?

Peter Schofield: I would answer that in two ways. Do we keep the demographics of complainants? I do not know. Why don't I cover that in the letter I have offered to write?

Q121 **Chair:** Certainly when it came to unemployment rates, when we talked about the rate of young black unemployment, you had only just begun to collect some of that data. It would be very helpful if you could write to us about that.

Peter Schofield: You are right, Chair. In terms of declaration rates for universal credit and other benefits, we are improving that. What I am not sure about is the specific question about our complaints data and whether we retain demographic—

Q122 **Chair:** My point is that you were only just starting to do that. It seems like there is a bit of a data gap, if you are not collecting this data.

Peter Schofield: To be fair, the problem we had there was that we were allowing people to move through the screen without declaring.

Chair: That is exactly my point. You have not been collecting the data when a little tick-box would have demonstrated this. There is a bit of a pattern there in the Department.

Q123 **Mr Holden:** I was just going to build on what the Chair was just talking about. One of the issues that has been raised in the report is that often these people had partners from overseas or people had moved or got divorced. Is there a potential that, beyond the female-male breakdown,



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certain ethnic minority groups could have been more affected by this than other groups? Could there have been, therefore, a systemic bias within the way the system has been operating with some of these people?

Peter Schofield: I would hope not, because of the way the system works in practice. What we are looking at here in these categories is people who go through these particular situations. For the over-80s, there should be no demographic impact there. Category BL is different, because the rules changed to allow it to be available to people who were not women married to men from 2010 onwards. Before that, that was the only category that was allowed. That is why there is a gender issue there. That is why we are seeing 90% of cases being women. I am not sure about other demographics. I would have to reflect on that.

Q124 **Mr Holden:** Have you had a regional breakdown of this? Would that give you an indication? Is there a regional breakdown of where the cases are coming from? Is north-west Durham more heavily affected than Shoreditch?

Chair: Probably, yes, because the people are older.

Mr Holden: Or the Cotswolds.

Peter Schofield: Because we are now focusing in on wherever the people are and working it through, I do not think we have looked at—

Chair: I suspect it will follow the natural age demographic.

Mr Holden: I would imagine so. I was just thinking in terms of whether you are trying to do any proactive comms to these people or to groups. If there was any of that data, it might be quite helpful. If you know there is an issue with the over-80s, there are definitely ways of marketing this, because we want to raise these issues with people and get through to them in different ways. It was just a thought I had.

Peter Schofield: It is a helpful thought. Thank you.

Cathy Payne: There is an overseas group as well, so it is not just UK citizens.

Q125 **Mr Holden:** Exactly, yes. Just to push a little more on why it has taken so long for you to get there, there were 46 cases in August 2020. That is in paragraph 3.4 of the report. You have now said this is something you are looking at. How many complaints does it get to before you trigger something broader? Because you are not collecting the data, how would you know how many complaints you need? This comes back to my previous question. Is it only because there was quite a lot of media pressure that you looked into this at all?

Peter Schofield: I understand exactly your challenge, looking back. The point I want to reassure the Committee on is about the arrangements we are putting in place going forward to get this data. It picks up on the Chair's



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question earlier about whether one case could be enough to identify a risk that we have not spotted before. Ideally it should be, should it not?

What we are trying to do is create best practice. That is one of the things Amanda was describing earlier in terms of how we then draw all of our data in terms of complaints, in terms of the underpayments that we identify through our quality assurance and then in terms of other factors that we see, such as through scans. It is about how we draw that out into a better understanding about the risks. Where are the biggest risks of official error? Then not only can we address that through training and systems, but we have the fall-back of the scans that I described earlier.

Q126 **Mr Holden:** There is an issue around whether, when people get in touch with you, the information is held. There have been some questions around this. Does Capita still have a phone line it operates with you for people getting in touch?

Peter Schofield: We use Capita and Serco.

Amanda Reynolds: In terms of state pensions, we partner with G4S.

Q127 **Mr Holden:** We have had some reports that people were either given duff information on the phone from some of your contractors or none of the information was actually recorded. They get some information, but then that was not fed through into a system. People might have contacted you dozens of times trying to report a concern, but the fact they have been in touch and tried to flag a query was not raised. Do your new systems or your current systems in place ensure that, if people do flag issues or potential issues, that is definitely logged and dealt with, so that people are not left in this situation where they are just hitting a brick wall?

Peter Schofield: There are two things I would want to say. First, if you are willing at some point, Mr Holden, to share what you have just talked about in terms of a detailed case, I would love to look into it. I am very concerned by what you have just described in terms of the sort of service that some of our customers might be finding.

Q128 **Chair:** Normally, when you ring up any organisation, whether it is a bank or whatever, they will have a database so the next operative can see what—

Peter Schofield: Yes, that is exactly what should happen.

Chair: You are saying that is what should be happening at DWP.

Peter Schofield: Yes.

Chair: We will pick up on examples, then.

Amanda Reynolds: They do not have access to all of our systems, naturally, but there is a way, in the system they use, to log call-backs, for example, or specific escalations. I know that is happening right now,



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because I looked at a case only yesterday and a call-back was requested to—

Q129 **Chair:** That is different. If you ring up and say, “I am providing you with some information about my elderly mother,” or something, and you try to provide a national insurance number, does that information get captured by your call handlers and then passed through?

Amanda Reynolds: I know what they are doing at the moment. For those customers who do not want to go through Get your State Pension automatically and they want a form, there was an element of capturing that information within the forms, as I understand it. As Peter alluded to, we would love to look into that and just do a check in terms of how—

Q130 **Chair:** It may be a difference in expectation. If you ring up DWP, you might think you are talking to the DWP, and you are not.

Amanda Reynolds: Yes, exactly.

Peter Schofield: We outsource the basic call handling in a large number of cases, but that is only to triage and help us route people through to a DWP—

Chair: We will need to get you some more information.

Q131 **Mr Holden:** One of the issues here is that these things may well have been triaged, which therefore meant that the problem has hit hundreds of thousands of people because it was not identified before that there was an issue, because you have naturally triaged it out. Then there is no issue, because this is about state pensions and the Department constantly tells us that it is one in 300 or one in 400 cases.

Peter Schofield: G4S should not turn anyone away. Let me just follow up with your particular case.

Mr Holden: We will do that.

Chair: Yes, we will get you some examples.

Peter Schofield: It is just about handling; it is about diverting people to the right place.

Q132 **Mr Holden:** Just coming back to the report, one of the things I was quite interested in relates to what happened in the month before January 2021. If you go to paragraph 4.3 of the report, this is now moving on from how these issues arose to how you started to correct them. There were £306,165 of “special payments” made. Could you just explain what a special payment is?

Peter Schofield: There can be special payments for all sorts of reasons, but they normally come through our complaints or mitigation process. Some of them could be for gross inconvenience or something; in some



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cases they could be for interest. The point that you probably want to bring out is a very difficult one.

Q133 **Chair:** Yes. Why did you stop?

Peter Schofield: It is the same question that this Committee and its forerunner asked me in 2018, which is, "What is your approach to compensating people in some way for the money they missed out on?" We give them the money that they are due, but we do not pay interest in the case of the LEAP exercise. That is a decision we have made in the past. It is a policy that we do not pay blanket compensation.

It is hard, but I am reconciling two things: this situation and my duties as accounting officer under managing public money. This is taxpayers' money. There is a principle that we apply of no blanket compensation.

Chair: We know chapter and verse on all those rules.

Q134 **Mr Holden:** We understand that, and we can understand why you would not give extra compensation payments to people. In some cases, people have potentially had up to 30 years of errors. That is all we know about, because, in my understanding from going through the report, that is all the data can go back to. Not even to receive a basic level of interest is not really compensation, is it?

Peter Schofield: We do not pay blanket compensation.

Mr Holden: No, exactly. Interest is not blanket compensation, is it?

Q135 **Chair:** Under your rules it is, but under HMRC rules, for example, it is just standard.

Peter Schofield: For our LEAP exercises, this is the approach we take. This is the principle that we apply, and we are applying it in this case to be consistent with what we have applied in previous cases. I know it is hard. I have had this conversation with the Committee before. I know it is hard, but that is the principle we apply.

Q136 **Chair:** That is the law you are working under.

Peter Schofield: This is the principle we apply.

Q137 **Chair:** You have no leeway in that as accounting officer and Permanent Secretary. You have no leeway yourself.

Peter Schofield: That is the judgment I have made, yes, based on my interpretation of managing public money.

Q138 **Mr Holden:** I understand it is a judgment call. I am quite interested in why you made a different judgment call, then, in the payments before January 2021.

Peter Schofield: We have an approach when we are looking at this in the round in a LEAP exercise, and this is the principle. Where we have an administrative exercise, where we are looking at all of these cases together



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in a programmatic way, to be consistent with the way we have approached previous LEAP exercises, that is the principle we apply.

Q139 **Mr Holden:** In your judgment, you thought it was more important to follow what you have done previously in LEAP exercises than what you have done previously with other cases that had come forward with special payments specifically relating to exactly the cases we are talking about just the month before.

Peter Schofield: Other cases came forward as business as usual. We were treating them in that way. We were looking at the individual case in its particular way. We were not seeing it in the context of the wider principle, because we had not begun a LEAP exercise. I know this is difficult. I know this is hard. I know why you are asking the question that you are asking, but this is the decision we have made in terms of applying this principle to this LEAP exercise in the way we have done before.

Q140 **Mr Holden:** You are saying that is not a policy decision; that is a decision you have made as an administrative decision.

Peter Schofield: As the report says, it is also something that Ministers have agreed to.

Q141 **Mr Holden:** They agreed to your administrative decision and decided not to overrule it with a different policy, basically.

Peter Schofield: Now you are getting into the minutiae of policy, principle and all the rest of it. This is a principle that I have applied in LEAP exercises before. I am applying it in the same way going forward, yes.

Q142 **Mr Holden:** Do you understand how that might seem particularly unfair to those pensioners who have lost out over, potentially, quite a long period of time?

Peter Schofield: As I said earlier, I can understand how this feels hard and tough. This is taxpayers' money, and I have to look at this in the round in that way.

Q143 **Mr Holden:** These pensioners were taxpayers themselves, though. They have missed out. Some of them have potentially missed out on six-figure sums.

Peter Schofield: I know why you are saying this, Mr Holden. My focus here is on getting them the money that they should have had. That is the key thing.

Chair: It is not the same amount of money, is it?

Q144 **Mr Holden:** To be totally honest, though, would the money they should have had not be the money at the time plus at least inflation?

Peter Schofield: The law says what they are entitled to, and this is what they are entitled to. We are paying what they are entitled to. I am not paying blanket compensation on top of what they are entitled to.



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Q145 **Mr Holden:** Nobody is specifically pushing on the compensation angle. This is about inflation and the real value of money. You would accept that £1 paid today is worth less than £1 paid 25 years ago.

Peter Schofield: I know this is hard and I know you are going to ask the same question in different ways, but this is the situation we are in. I understand where you are coming from.

Q146 **Chair:** Let us be clear. When we looked into this in detail, the advice was that a lot of this is legislatively set in other Departments or other pension schemes and so on. You are saying to us here and now in the room that this was your judgment as accounting officer. Once you triggered the LEAP exercise, you made a judgment to interpret the rules in this way. You had more leeway than perhaps we were aware before this meeting. Is that fair to say? You are the accounting officer. We understand the managing public money clause and stuff, clearly. As accounting officer, you have a judgment that you can make on this.

Peter Schofield: I have a judgment to make on how I approach LEAP exercises. Managing public money talks a lot here about precedents and creating precedents that apply across the piece.

Q147 **Chair:** You have certain constraints that you are working to.

Peter Schofield: Certainly, having made a decision in previous LEAP exercises in this way, managing public money takes me down this route. As this also says, Ministers have also made a decision.

Q148 **Peter Grant:** Just very quickly, you have spoken about the precedent set by previous LEAP exercises. Have any of them involved payments going back as long as 30 or 35 years? Clearly, over that length of time the interest becomes a lot more significant than if somebody was underpaid two or three years ago. Have the precedents that you are looking at involved money that somebody had been owed for as long as 30 or 40 years?

Peter Schofield: I am just trying to think. The ESA LEAP exercise took us back to the conversion into ESA—2008 and 2011 were key dates. You are right, Mr Grant. They do not take us back to the 1980s.

Chair: That is a very helpful point. Thank you, Mr Grant.

Q149 **Mr Holden:** We have probably exhausted that line of questioning now, but thank you, Mr Schofield, for your answers relating to it. I want to move on a little bit to what you are doing to resolve the issue. We have looked at the interest element of it. What advice would you give to a pensioner who thinks they have been underpaid?

Peter Schofield: There is advice on gov.uk, so I would encourage them to use that and to use the tool on gov.uk. Where this is someone who thinks they might have been underpaid on category BL, category D or missed-conversion, my advice would be that we will come to them. We will get to them through our scan, and we will pay them in the period up until 2023.



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The one exception would be a married woman who is or has been married to a man who has a full national insurance record and is receiving a state pension of less than £82, where her husband became eligible for the state pension before March 2008. I would encourage them to get in touch.

If you phone the state pension line, our outgoing voice message—we will try to make it clearer, but this was my answer to Mr Timms—encourages you to hold on the line if that is your situation.

Q150 **Chair:** Does that not clog up the system, if people are phoning?

Peter Schofield: In practice, because of various things, people are having to wait a bit longer than we would want. That is true. They are not covered by the LEAP exercise. If they are being underpaid, the only way is if they make a claim. They have to make a claim.

Chair: The advice is to phone. That is fine.

Q151 **Mr Holden:** We have some people who are covered by the exercise and some people in specific circumstances are advised to phone. Why can people not just go on the website and find out what they are actually entitled to?

Peter Schofield: We have looked at this.

Amanda Reynolds: It is a super question. We have discussed this at length. We also had a really useful conversation with the NAO. I would love to be able to put an eligibility tracker tool on the front of our website. However, a lot of customers do not understand the rules. To try to cover every eventuality would just be impossible.

In the NAO report, case study 1 talks about a husband who had only 96% of their national insurance contributions at the point of making the state pension claim. Therefore, an award was based on that 96%. What then happened was the national insurance contribution detail came through from HMRC at a later date to say that the national insurance contribution was 100%. We could not cover for that eventuality on a tool at the front of the website. What I would not want to happen is for customers to go on there and effectively think they are not eligible. Some of these cases require us to have a colleague going through the overall case.

Q152 **Mr Holden:** I understand that, but the overwhelming majority of these are now historical cases. Certainly, they are people who are a couple of years beyond retirement age. Surely, if information comes through from HMRC later on, that would then be updated. Is there not some way that you could ensure there is a red flag on it or something? You could say, "Your circumstances may have changed," or something like that, so that this is an indicative process.

I have recently used the one for universal credit with constituents in my constituency surgery to see what they are entitled to in situations where I have felt that some of them probably are entitled to something. I have sat



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there and gone through the system with them. Is it beyond the wit of man to fashion a system that can work for these people?

Amanda Reynolds: In terms of covering all eventualities, what I would not want to happen is for us to miss customers who are eligible for a payment. We will continue to evaluate it. If we find at a point in time that we could create this tool that covers all different scenarios and eventualities with that confidence, we will absolutely do it.

What is happening at the moment, of course, is that we have a number of customers who are coming forward to us to query their state pension. In 98% of those cases, the state pension award is correct. In 2% of those cases, there has been an underpayment. Reassuringly, that underpayment has been on our scan. I would love to be able to do this, first, to help the customers, but also in terms of being more efficient and focusing on the work within our scan. We will continue to explore it.

Q153 **Mr Holden:** I am sorry; I do not want to labour it too much, but you know which categories of people are problematic. If you do not hit these three or four key boxes, the likelihood of your being underpaid is very small. If you hit some of these other categories—I am looking at figure 10 here, the proportion of reviewed cases—the likelihood is higher. I am looking at the number of cases where the error was identified. You have category D presenting, category D scan and widows. You are looking at between 30% and 50% for these. This is the sort of thing where you can quite easily identify—

Peter Schofield: These are the people who we are going to get to anyway. What we really want to do is to identify the people who we will not get through this system and who need to make a claim.

Q154 **Mr Holden:** Essentially, what you are saying is that these groups are potentially so small—they are not these major groups—that it will be very difficult for a tool to identify those individuals.

Peter Schofield: We are worried, because the complexity that means we might have missed them is the same complexity that means the tool might not work, which means we might then give them false information inadvertently through the tool, which we are trying to avoid. Is that what we are saying?

Amanda Reynolds: It is. We have now put the broad categories on gov.uk and that is also on our phone system. We will continue to explore whether it is feasible to broaden that out.

Q155 **Mr Holden:** That is fair enough. Ms Reynolds, one of the issues around this is that, because these cases are so historical, you are looking at deceased estates, which is a major concern. Certainly, there are double-figure percentages, up to 50% for some of these areas. What are you doing either to contact the families of those involved or to try to rectify these issues?



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Amanda Reynolds: Where we have next of kin, we are exploring those routes. We have a number of options that are currently under way. We are exploring the feasibility of those, such as what evidence we might require and how we can bring in other systems to do data matching. That work is all under way at the moment. The priority so far has been to focus on active cases.

Q156 **Mr Holden:** You say, "Where we have next of kin." Is there a reason that you do not have next of kin details for large numbers of these people?

Amanda Reynolds: I would imagine because the customer has not provided it over time. Given the amount of time we are talking about, the other potential issue is that the next of kin could have also changed in that period.

Mr Holden: They could have died themselves.

Amanda Reynolds: Yes, exactly. It is not quite so simple. That is why we are exploring these different options.

Q157 **Mr Holden:** Regarding your records as a Department, how long do you keep records for people and records of their next of kin, et cetera?

Peter Schofield: That is one of the points that comes out in the report. We will keep the data for as long as we have a business need to keep it, so while there is someone in payment or where you have someone who has died but they are the spouse of someone in payment. We would keep the records for as long as we think we need them and we have a business need to do so. We would then hold them for 14 months after that. From time to time, normally every two or four years, we will go through a weeding exercise to remove the ones that we do not think we need. What this exercise has shown is that we might need some of those records, so we have stopped all of that. We are holding them all at the moment.

Q158 **Mr Holden:** Given the historical nature of your systems, and therefore the fact that there is not that much data needed to be held, is that something you could have done at an earlier stage? Deleting records after 14 months when you do not know whether there were errors gives you a clear problem. What was the reason for deleting records after such a short period of time? HMRC, for example, would keep records for a lot longer.

Peter Schofield: We have to follow best practice on data retention. You are balancing two things. Where there is a business need and where we can justify a business need, I would love to hold on to data for longer, but I need to be able to show the business need. In this case, we have identified a business need not to delete.

If you have a situation where there is nothing to suggest that there is anything wrong with a payment, the individual has passed away and all their linked accounts have passed away—for example, a husband and wife have both passed away—there is no reason to believe anything was not in order. After a suitable period of time—our policy was 14 months—we would



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then say, "That could be up for one of these regular deletion exercises." Where we are in a situation where we are saying, "Hang on"—

Chair: You are now looking at it, yes.

Q159 **Mr Holden:** There are all sorts of family situations that may mean people have separated or moved away and all sorts of things. What sort of records would families who have inherited estates need to be able to provide to you to prove that they were underpaid? How many people have so far come forward in that regard? What sort of evidence do they need and how many have come forward?

Peter Schofield: We learned a lot from previous LEAP exercises, particularly the ESA IBR LEAP exercise that we did before, where we worked out ways of working with coroners and registrars and using other Government or pseudo-Government data sources to get into that. To be honest, our priority right now is focused on those who are still alive for obvious reasons, particularly the over-80s. We are prioritising them. As part of the LEAP exercise, we need to work out exactly how we are going to get into this. I cannot give you a specific answer to the question—

Q160 **Mr Holden:** That is fine. You cannot answer on the level of evidence they need and you do not know how many would be in that situation.

Peter Schofield: In terms of what we have done, the data here and indeed in our annual report and accounts has extrapolated from previous LEAP exercises to work out the likely number who are deceased and the likely number who—

Q161 **Mr Holden:** I understand that. One of the concerns I have is that there will be some people in later life who will have died and the data may have gone. Their dependants may be in a particularly vulnerable situation, especially if they are at a much older stage of life. There might be brothers and sisters living together and things like that. These people may be among the most vulnerable, particularly if they are in their advanced years.

What I am saying is that just because people have died does not mean that the people who are reliant on them—they may have been very reliant on them in some cases—are not the most vulnerable either. Has that been considered by the Department in the way you are looking at these payments?

Peter Schofield: As part of this LEAP exercise, we will absolutely identify the money that we need to pay, and then we will do everything we can to identify the next of kin and prioritise, as part of that process, those next of kin who are most vulnerable, where we have the data. There is a limit to how much I can promise, Mr Holden, but the intent would absolutely be there. At the moment, we are prioritising those who are alive. I suppose we have done that because our assumption is that that is most likely to be where the most vulnerability is.

Q162 **Mr Holden:** I know this has been covered quite a bit by others, but there



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are the estimates of the pensioners and who needs to claim more. You are reaching out to them at the moment. Have you reached out to everybody so far? Is that the November deadline?

Peter Schofield: There is a process that will take us until the end of 2023 to reach out to people methodically with the people we have. We currently have around 200 or 201 people working on this, have we not?

Amanda Reynolds: Yes.

Peter Schofield: They cannot reach out to everyone at the same time, but we are doing this in a methodical way. We are bringing more people in from early next year, and we will work through this methodically. Not everyone has been contacted yet.

Q163 **Mr Holden:** Just finally from me, there is one issue that we are all concerned about. When you get to a situation where lump sums are going to be provided potentially to tens of thousands of people, many of whom may be on lots of other benefits, or their families or households may be—there is also, particularly, the social care issue—do you have any idea what impact it might have to give them this lump sum now rather than if you had paid it over perhaps decades? Is that being taken into account?

Peter Schofield: There are several issues involved there. There is a question about treatment for tax purposes. We have agreed with HMRC—

Chair: It gets counted in the year they should have received it.

Peter Schofield: Exactly, yes.

Chair: That is one good agreement.

Peter Schofield: On social care issues, that is a conversation that would have to be had with each and every local authority rather than with us.

Q164 **Chair:** I am sorry. Is it discretionary for each local authority?

Peter Schofield: We need to work that through in terms of how local authorities want to apply it.

Q165 **Mr Holden:** Some people are getting six-figure sums. That could have totally changed the way they financially planned their later years or the decisions they have made. You are not compensating them; you are not even giving them interest on the money. Is this a policy decision or is this something that you could take away administratively?

Peter Schofield: What is the position with local authorities' discretion in this area?

Cathy Payne: On social care, I am afraid I am not clear. In the income-related benefits, it would be treated as capital in the usual way. It does say in the NAO report that there have been a few cases with very large payments, but they are not common. Most payments are below £8,000 or £9,000.



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Mr Holden: They might not be common, but there are lots of them. It could knock you into that ballpark of over £23,000. For a lot of these pensioners, a £10,000 payment may well change their—

Chair: They may have sold their home to pay for their care, and now they have suddenly been awarded £100,000, though there will not be many of those.

Q166 **Mr Holden:** Even if they get £20,000 or £30,000, they will suddenly go into that having-to-pay bracket. Is that something you could take away and write to us on?

Peter Schofield: Let me write to you on that.

Chair: A whole-Government response is needed here, surely.

Peter Schofield: There is a question here about how local authorities treat that and how much discretion they have. Our requirement is to pay the money, and we will pay the money. We have a clear way forward with HMRC.

Q167 **Chair:** This is a mistake from the Department. As accounting officer and Permanent Secretary, you are in the driving seat to alert the rest of the system to this challenge. Do you agree that you have a role?

Peter Schofield: It is a really good challenge from the Committee. Let me write to you.

Chair: That is a very good mandarin answer. This is a serious matter, and we have all had constituents who inherited from family members and did not really understand the rules when they are very vulnerable. It is a really big challenge.

Q168 **Nick Smith:** Mr Schofield, thank you for your apology at the start of the session. I thought that was good and important. You say the Department expects to pay the money back by the end of 2023. Of course, that is still two years away. We have just heard how complex that job is, if you have to work with other bits of Government, particularly local government, around care payments. Because of the age of a lot of these people, are you able to bring that deadline forward?

Peter Schofield: We will do what we can. As I have said to this Committee before, I am balancing a lot of priorities and different resource needs. The starting point is getting on and delivering to 2023.

The second thing that I would say is that we are trying to prioritise those groups of our customers who are most in need. We are trying to work out how we do that. We are particularly prioritising over-80s and widows. We also prioritised early on people who appeared in multiple scans, who might have been missing out not just on one of these but others. As we get more information, we will work out whether there are other ways that we can identify more vulnerabilities that we need to address.



The third thing is that I would love to do this more quickly, but I am not going to make any promises at the moment with all the other pressures that I have got on, given that, at the heart of this, as I said before, this is detective work. I need specialist staff who can do this, who can see every case in the round. I have limited numbers of people who can do that. I take your challenge away. I will do everything I can.

Q169 Nick Smith: Thank you for that. Just to pick up on earlier points, we are glad that you are using this scanning methodology. I hope it will identify patterns of underpayment that will help our constituents. I have two points. Are you finding new unexpected underpayments being thrown up? I bet you are, and I bet that might take you off into the middle distance on something else that is really important. Secondly, are you able to use this methodology on the other what sounds like 12 million people who are part of the bigger legacy system?

Peter Schofield: If you add up 0.3% each year over the years we have been looking at, you get to a larger number than just the number accounted for by this exercise. There clearly is other underpayment in there that is not covered. As part of the work that we are doing in creating this better intelligence hub, pulling together what we hear from complaints, the work on underpayments that we carry out, the quality assurance work that we do and other analysis, scans and other sampling, I hope we will also identify other patterns that enable us to work through whether there are other areas of underpayment where it makes sense for us to create a LEAP programme and move forward and address it in that way.

If that were to happen, the NAO would look at all of our systems on a regular basis and then we would be reporting on that in the annual report and accounts in the normal way. Hopefully that is a helpful answer in terms of where we are now. There is nothing to report on at the moment.

Chair: We will be keeping a very close eye on it.

Q170 Sir Geoffrey Clifton-Brown: I have three very simple questions. First, to Ms Reynolds, when you set up this calculator and you obtain this data from looking into all these individual cases, do you make sure you put the correct prompts in place for basic data—for example, when somebody becomes 80—so you are not storing up problems in the future by not having put the prompt in place?

Amanda Reynolds: We are checking that now on the quality assurance. Has the right prompt been put in place at the right time? There is something even more complicated that I think is worthwhile sharing, which is that prompts only go forward five years on the system. For example, if we are speaking to a customer when they are 73 years of age, we cannot set it for their 80th birthday. We would have to set it for five years and then set another prompt. They are some of the things that we are eliminating in the new Get your State Pension system.

Sir Geoffrey Clifton-Brown: It is pretty elementary, is it not?



Chair: Ms Reynolds, clearly you are eliminating those problems.

Q171 **Sir Geoffrey Clifton-Brown:** You are aware of the problem. It is pretty elementary and you need to do it.

Amanda Reynolds: Yes.

Peter Schofield: I am afraid it is baked into the CAM system.

Q172 **Sir Geoffrey Clifton-Brown:** Mr Schofield, I appreciate the answer to Mr Holden's question about how you are working with coroners and so on. In your communications, can you not say to every citizen, "It is important that you notify our Department about significant changes in personal circumstances—death, divorce, living overseas and so on"? You would then be able to capture that data.

Peter Schofield: Yes, we have wording in our annual updating statement that we write to each and every claimant. I regularly look at that and whether that is clear enough. That is a really good challenge, Sir Geoffrey. I cannot remember what the wording is precisely on next of kin, for example.

Q173 **Sir Geoffrey Clifton-Brown:** You could underline it or put it in red. You could say, "It may affect your benefits," or, "It is incumbent on you to tell us."

Peter Schofield: Yes, it certainly says that. That is our regular prompt to claimants to remind them.

Q174 **Sir Geoffrey Clifton-Brown:** This is my final question. Ms Reynolds said to me in an earlier answer, which I expected to come up during this hearing, that the whole problem with this issue is legislative changes. She said there were 70 legislative changes since 1995. Can you assure us that, right across your Department, when there is a legislative change, your systems are adequately upgraded to reflect that, so that we are not storing up problems in the future via legislative change?

Peter Schofield: It is a really good challenge. Yes. My caution on that is that I am sure my predecessors would have said the same thing in the past. When the 2008 change was made, for example, to make it automatic, there was a point when the new CAM system was in place that enabled a trigger about a spouse reaching retirement age. It is absolutely right, and it is at the heart of a recent NAO report on operational delivery. You have to look at the system as a whole. Can the policy be delivered? It is about that whole lifecycle.

The answer is yes, but I am head of the operational delivery profession as well, and I know that, as a whole, in Government we have further to go in addressing the points that the C&AG's report pulled out.

Sir Geoffrey Clifton-Brown: It is part of the lessons learned. Thank you very much indeed.



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Q175 **Chair:** That leads me neatly to another question. Before I do that, I just want to pick up on the deceased pensioners. Are you going to be using any tracing services for the next of kin of deceased pensioners? There are quite a high number where you think they are already dead and you do not have any information about next of kin.

Amanda Reynolds: We are exploring what systems we can use right now.

Q176 **Chair:** Are you using Government systems? You are not thinking of employing an outside agency at this point?

Amanda Reynolds: We will explore all different systems and look at what the best options are. They are live conversations under way at the moment.

Q177 **Chair:** Is that something you have to do? I am not being pejorative about any of the intentions of any of your teams or you, but you are focusing on the living; you are focusing on those who need it most; you are trying to get through the system. If someone is dead and you cannot trace their next of kin, their next of kin will not even know to be looking for this. They must be instinctively low down on your priority list. Is it actually something you want to do and you have to do to trace the people whose family members did not get the money they paid in?

Amanda Reynolds: Whoever the next of kin or the executor of the estate is, we absolutely want to make sure we get that money, in terms of the underpayment, back to where it is due.

Q178 **Chair:** Will you be passing this information through solicitors and other agencies that would be involved as executors of wills and estates so they have some database or some ability to check with you whether John Smith of this date and this address is on your list as someone who is owed money?

Amanda Reynolds: They are the kinds of options that we are exploring.

Q179 **Chair:** Will that potentially take longer than 2023?

Peter Schofield: I hope not.

Chair: You hope not. That is fine. We will leave it there for now.

Peter Schofield: In the end, the IBR LEAP exercise took longer than I told you in 2018.

Q180 **Chair:** From what you are saying, you hope it will all finish at the same time, even for the family members of the deceased.

Peter Schofield: I hope so.

Q181 **Chair:** I am sure we will come back to that as we look at this further. The final question from me—it fits in with what Sir Geoffrey just raised there—is about who knows what when and how systems update. We heard yesterday from the Chancellor about the taper change. You said at the beginning of this hearing, Mr Schofield, that the data people, the programmers, were working overnight to deal with this. Did you know



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about that taper change before the Chancellor stood up yesterday?

Peter Schofield: I did not know the full detail, no.

Q182 **Chair:** Did anyone in the Treasury check how long it takes you to update your systems?

Peter Schofield: The Treasury knows full well. Let me put it this way. We have very open conversations with the Treasury about how things work and what different options are and how things could be delivered. At the end of the day, the decision is for the Chancellor and he announces it on Budget day, based on advice that we would have fed in earlier on in the process to support that.

Chair: Yes, but you did not actually know. That is helpful to know. Thank you very much indeed. Thank you for your patience. It was longer than we expected, but it is very important for those pensioners who have lost out. We have some reassurances, but we have many more questions, too. Our uncorrected transcript will be up on the website probably by Monday, and we would hope to get our report out before the Christmas recess.