

Work and Pensions Committee

Oral evidence: Concentrix and Tax Credits, HC 720

Thursday 13 October 2016

Ordered by the House of Commons to be published on 13 October 2016.

[Watch the meeting](#)

Members present: Frank Field (Chair); Mhairi Black; Ms Karen Buck; Richard Graham; Steve McCabe.

Questions 1-146

Witnesses

[I](#): Sarah Broome, Paul Eite, Peter Morris and Marie Crowley, claimants.

[II](#): Philip Cassidy, Senior Vice President, and Mark Oatridge, Commercial Manager, Concentrix.

[III](#): Jon Thompson, Chief Executive and Permanent Secretary, and Nick Lodge, Director General for Benefits and Credits and Director General for Transformation, HMRC.

Examination of witnesses

Sarah Broome, Paul Eite, Peter Morris and Marie Crowley.

Q1 **Chair:** Welcome. Sorry we are a few minutes late starting. Peter, starting with you and going down the row, would you introduce yourselves for the sake of the record?

Peter Morris: My name is Peter Morris.

Chair: Your status for coming here?

Peter Morris: I am the chairman of a charity in Northern Ireland called Men's Aid. I am a single father of four kids and I am also a member of the North Belfast Progressive Unionist Party in Northern Ireland.

Marie Crowley: Hello, my name is Marie Crowley. I am a single mum of two children, but only one under 18.



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Sarah Broome: My name is Sarah Broome and I am a single mum unable to work because of my arm—my disabilities—and I am a claimant.

Paul Eite: My name is Paul Eite. I am a single father of two sons and I am here as well because my tax credits were stopped.

Q2 **Ms Karen Buck:** I will begin. We are very keen to understand what your recent experience has been of tax credits and particularly your experience of whether you have had any interruption to the payment of your credits, and how you were informed about that process. Could you each tell us very quickly what your recent experience is? If you have had your tax credit stopped, how you were informed about that and when?

Peter Morris: My tax credits were stopped on a Thursday morning, the second to last week in August, and the first thing I knew about it was when I checked my bank account.

Q3 **Ms Karen Buck:** I am anxious not to get too much into what could be personal stories, but had you had similar experiences before?

Peter Morris: Personally, no. Not to myself, no.

Ms Karen Buck: Okay, thank you.

Marie Crowley: I am the same. My payments were due the last Thursday of August, and it was only when I went to my bank and they weren't there that I was aware of them being stopped. I had no idea why they had been stopped, I had no problems in the past; it was completely out of the blue.

Sarah Broome: My payments were also stopped at the end of August. I received a letter from Concentrix to say they had not received my information and that is why my tax credits were stopped. I also received two other letters from HMRC with overpayments for both financial years, this one and the last, for just over £8,000.

Q4 **Ms Karen Buck:** Was that at the point of making a new claim?

Sarah Broome: No, I have been receiving tax credits for the past just over four years now, since my son was born. I have been out of work for four and a half years now because I had an injury to my shoulder. I have been unfortunately having to rely on personal independent payment and employment support allowance for that time, so I get child tax credits through that.

Q5 **Ms Karen Buck:** That is very helpful. What was your understanding of the information that you were told you had not provided? Did you feel that you had provided that information?

Sarah Broome: Yes. I received a phone call. To be honest, I can't even remember the date of this phone call because I didn't see it as significant at the time. I had an operation in June on my shoulder, so I have had a very stressful time where I had to have care four times a day, a community alarm, lots of things. Long story short, with the first contact I



had from at Concentrix, I was told that my address was financially connected to a person that I have never heard the name of before. He is also not the previous tenant, because I did a mutual exchange, so I know that person. At that point when I spoke to them on the phone, the person I spoke to was very nice and explained that it must be a mistake, "Sounds like it is a mistake after what you have told me, send in as much of the information that we have requested, such as bank statements, bills and all that sort of stuff, and we will correct the error on our systems". So I sent that off through the post office, and I heard no more until when my payments have been stopped. So that is why it is very confusing to me, because at the time I didn't know who Concentrix was, I didn't understand it properly.

Q6 Ms Karen Buck: We will probably pursue a little bit more about your dealings with Concentrix after you discovered a problem, but let's just hear from Paul about how he heard.

Paul Eite: On 25 August I received a letter from HMRC saying that they had overpaid me £5,110 of tax credits by that point, and the next letter I opened was from Concentrix saying, because I had not replied to a letter that I had replied to in May, that they had stopped my tax credits; I was no longer entitled to them. I was due a payment the next day. I then rang HMRC to say, "What is going on?" HMRC said, "We can't talk to you about it because it is with Concentrix. Our systems don't talk to each other, they are not compatible. Ring Concentrix", which I did, and was slightly upset that was a 53-minute phone call. I was on hold for 49 minutes of that phone call and the four minutes were them saying, "You need to write in about a mandatory reconsideration for your case". They were saying that I lived with someone at my address that I didn't.

Like I said, I am a single father of my two sons, and I sent all of the documents off in May. The person on the phone just said, "Well, they must have got lost in transit, because we have not received the documentation". When I got the initial letter in May I sent it off that day. It was tenancy agreements, bills, everything else that they asked for—I sent all of that off. I even rang them four weeks later to say, "Have you got my paperwork?" This was Concentrix, not HMRC. They then said, "No. We do have quite a substantial backlog at the moment, but if there are any problems we will contact you". I never had any contact and, like I said, on 25 August that was the first I knew that my money would stop, and it was stopped then—so no payment from then on.

Q7 Mhairi Black: My experience as an MP has been very similar to yourself—just being put on hold. Was it the same for all of you?

Marie Crowley: It is being on hold for days on end and giving up after 90 minutes because when you only have your mobile phone and it is an 0845 number, that is a lot of money. My phone bill in September was double what it should be. When you do not have any money coming in from tax credits each week, having to then think about having to pay double is just like another kick in the face, really.



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Sarah Broome: I rang one day, the worst day, continuously—redial, redial—because I was getting the engaged tone. I recorded that I tried to ring them and got the engaged tone over 70 times, and then I gave up for that day. I checked my mobile phone bill and I recorded that I had been on the phone to HMRC and Concentrix over this six-week period for 19 hours and 57 minutes, more so in the last three or four weeks. I had also used my parents' phones and friends' phones, so I am not sure of the total figure, but just that figure alone shocked me, because this has consumed my life and my family's life.

Q8 **Mhairi Black:** Did you all have the same experience when you called HMRC, when you were told that—

Paul Eite: I think the longest I was on hold to HMRC was about 12 minutes.

Q9 **Mhairi Black:** So they just said, "There is nothing we can do"?

Paul Eite: Yes, "Unfortunately your case is with Concentrix. We don't have access to a file once it has been transferred to them. You will unfortunately have to call Concentrix".

Peter Morris: My experience was different. When I found out my tax credits were stopped on the Thursday, I don't hang about, I went to the Northern Ireland Assembly and the Department for Finance and Personnel to see if I could meet with the Finance Minister in Northern Ireland to sort this out. My details were then passed down the line somehow and ended up with Concentrix. At the same time I was doing that I was contacting Concentrix on social media. I also contacted a BBC Northern Ireland journalist who contacted HMRC, and they overturned the decision the next day. So my tax credits were reinstated the next week.

The payment was not a lump sum payment, it was spread throughout the rest of the financial year, which put me in difficulty then, but from that point on I was in contact with Philip Cassidy direct, and I was able to help many people directly—other families in Northern Ireland—to have their tax credit cases resolved through that process. I made one call to Concentrix to find out which name was showing up on my tenancy and why my tax credits had been stopped. I had no issue getting through, they gave me the name and we were able to verify that it was a previous tenant who was on the home address, so my tax credits were reinstated the next week from that.

Q10 **Mhairi Black:** I noticed you nodding along there, Marie. You said that you received a letter from HMRC about overpayments for the last two years. Is that something that all of you had received as well?

Marie Crowley: Yes.

Sarah Broome: That was the same day as the letter from Concentrix to say that our tax credits had been stopped. But also the letter from HMRC



stated, in the reason for the tax credit stopping in my case, "Because you have recently told us about a change, you are no longer entitled", to which I just burst into tears and thought, "What is going on here?" I was in tears most of that day, to be honest.

Paul Eite: When I rang HMRC to question that—I have that letter in here, for the change of circumstance—they said, "It is just the standard letter we send out". With the way the Concentrix thing works, when they send it back over to HMRC to say, "No, the payments have to stop, they have not replied", that does classify as a changing of circumstances. That is what we were told on the phone.

Q11 **Ms Karen Buck:** Did each of you then—possibly not Peter, as your experience is a bit different—go for a mandatory reconsideration?

Paul Eite: Yes.

Sarah Broome: Yes.

Q12 **Ms Karen Buck:** What happened?

Sarah Broome: In my case I sent off my mandatory reconsideration with bank statements, tenancy agreements, and I also put a lot more in. I put e-mails between me and the housing group, because I felt that my housing association had maybe a responsibility to tell me whether that person was an ex-tenant so I could try to do some investigation about that. I sent e-mails that I had been trying to investigate who this person was, so I could prove that I had never met this person. I sent that through the post office, first-class post, and that was not received. They were original tenancy documents also, so I had to gather that information again, send it again by recorded delivery, and that wasn't received. I then had to get all of that information again, and I sent it by special delivery. It was signed for on, I think, 19 September and HMRC didn't get it until Monday this week.

Q13 **Ms Karen Buck:** Marie, what was your experience?

Marie Crowley: I initially received the first letter that Paul spoke about. The letter was sent on my daughter's 18th birthday, saying that they were suspicious that there was another adult in the house. Yes, there was, it was my daughter, which I had already informed HMRC about, and I had received an amended tax claim that took her off the claim come August when she went to university. So I was a bit puzzled, and I just sent all the information back they requested, but then obviously they said that they had never received that. So the same—I had to resend it all again, all I sent, though I didn't do all the bank statements, because why would they need my bank statements? That is my personal affairs. So what I sent them was my tax claim award letter that clearly stated that my daughter turned 18 and was now an adult and taken off the claim as of 28 August, but my payment stopped on 29 August.

Q14 **Mhairi Black:** Sometimes when it comes to these type of inquiries we



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can be guilty of becoming too clinical and too procedural, so I am just wondering if you can tell us what is the impact of this been on your life.

Marie Crowley: It has been horrendous. I work, only part-time because of health, and so my wages pay for my rent and my utilities and I rely on my tax credits each week to feed my children and get them to school. My daughter was just about to go to university. I didn't have any money to fill her food cupboard when she went to university. She had to take second-hand stuff out of home rather than taking stuff as many students do when they go to uni. My housing benefit was stopped. I take a payday loan, and now HMRC is refusing to me give my lump sum, so I can't pay off debts that I have accrued due to somebody else's error. This wasn't my error. If I had not sent anything back, if I had not sent my renewal stuff back, then I would hold my hand up and said, "Yes, my mistake", but it wasn't. I did all the processes I had been asked to do and through no fault of my own it was all messed up. The little bit extra they give me each week to pay me back now tips me into not being eligible for housing benefit, so I am losing £200 a month for my housing benefit still. I feel I am always catching up, because I have debts to pay.

Q15 **Mhairi Black:** What is the reasoning given to you for that?

Marie Crowley: They just said I am not entitled to it, they don't think I am entitled to it. What was the word they used? I was not financially unviable, so I could afford to deal with not having that £600 paid.

Q16 **Ms Karen Buck:** Because of a payment that was made to adjust for an earlier period of the claim.

Marie Crowley: Yes. I had six weeks of no money, so I expected them to give me that lump sum back because obviously it was their error, not my error, but they said I wasn't entitled to it, so they are giving me £5 extra a week.

Q17 **Mhairi Black:** Am I correct in saying that HMRC have refused to give you a lump sum?

Marie Crowley: Yes.

Q18 **Mhairi Black:** What is their reasoning for that?

Marie Crowley: They said I can afford not to have it back, which I can't, I really need it.

Q19 **Chair:** How many weeks were you without money?

Peter Morris: I was only one week without money.

Marie Crowley: Six weeks.

Sarah Broome: Six weeks.

Paul Eite: Seven weeks.

Q20 **Steve McCabe:** I just want to clarify the same point that Karen and



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Mhairi were raising. This is an HMRC decision. They didn't take into account the impact of the decision on people's incomes in relation to other benefits. Is that right?

Sarah Broome: Yes. In my case I used to have a good job, I used to work in social services and be a very professional person. My hand has never affected me my whole life; I had a horse, I was very active. I had the accident, and I have now got carpal tunnel, and I had an investigative surgery in June. I have been given the option from that to have a shoulder surgery that gives me a 50% chance of making my problems a lot worse or better but with a long road to recovery. I have a one-year-old and a four-year-old and I require support pretty much 24 hours a day to help me with my children because of the chronic pain. My shoulder dislocates on a daily basis and my pain levels have gone through the roof because of this experience.

During the period after this operation I also had respite carers four times a day afterwards. I had a community alarm fitted. I consider myself to be a vulnerable person, and during this period I reached the point where I have been at breakdown point, until I found Concentrix Mums and found that I was not alone. This is why I am sitting here right now, because of that group. This has had such a large impact, and when I asked Concentrix how they can leave someone vulnerable who is clearly on a disability benefit, not able to work and needing carer support, they tell me, "We do not hold that information on you. We don't know anything about you". Well, if that means leaving people this vulnerable, then maybe they should. Maybe if you have a disability it should flag up on the system, or if you have care it should flag up so you know those people are vulnerable. The fact that it didn't was very upsetting and confusing to me.

I have also been discriminated against by Concentrix. I was told that if I sent a typed letter in using Dragon dictation—because I cannot type so I have learnt how to use this, which was a bit difficult—it would not be accepted. When I spoke to that person and told them my situation—I said, "I can't write because my hand shakes. How do you expect me to write this letter by hand?"—they told me, "Well, you are just going to have to get someone else to write it for you", and that was the exact words. I cried all day after that phone call, and it has been very emotional. My kids, my one-year-old and four-year-old, have seen me cry.

Marie Crowley: It is the same with me. I get personal independence payments and my son is disabled, so I think both of us have not been able to pay for the support that we normally get, because we have had to use that money for buying food and getting our kids to school. When you are initially rung up to say, "Look, this is the situation", they know that we are disabled because we have disabled elements on our claims and for my child, so they know that information. When you say, "I am disabled,



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my child is disabled”, they are like, “Well, that is not our problem, you are just going to have to wait”.

Sarah Broome: Yes, that is exactly the attitude.

Mhairi Black: Sarah, the way you are feeling just now, I have had umpteen people coming into my office and surgeries in exactly the same position. So just to put it on the record, thank you to the four of you for coming in.

Sarah Broome: Thank you very much for hearing us.

Mhairi Black: There are so many other people out there who are feeling exactly like you and might not have the savvy to go to their MP or anything, so thank you for that.

Marie Crowley: There are thousands of other parents out there.

Q21 **Ms Karen Buck:** I absolutely echo that. Can I ask one last very quick question? Again, Peter, because of your experience it is not quite so applicable to you. Did you have anyone who was able to assist or represent you in the case?

Marie Crowley: I went to my MP. I just said, “You need to help me, because Concentrix won’t talk to me, HMRC won’t talk to me, because it is with Concentrix. I am getting nowhere. I can’t afford to keep being on hold for 90 minutes while someone is playing nice music to me down the phone. I need someone to help”. So now I have a caseworker in my MP’s office over in Erewash who has been really good and was instrumental in getting my weekly payments back. They are not trying to fight for me for my lump sum, but obviously—

Chair: Could we leave that, and can Richard come in?

Marie Crowley: Sorry, yes.

Q22 **Richard Graham:** On that point—it was a very good question from Karen there—the rest of you, did you go to your MP for help?

Paul Eite: No, I didn’t. I am quite good friends with one of my local councillors and I did speak to him, but I just did it all by phone when speaking to Concentrix.

Richard Graham: You resolved it yourself?

Paul Eite: I did, and by finding the main group on Facebook, that helped me get advice on how to do absolutely everything.

Sarah Broome: I contacted my MP by e-mail and have pretty much been speaking by e-mail to the caseworker in his office.

Q23 **Richard Graham:** Great. Did that help get things resolved?



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Sarah Broome: It has still taken six weeks. I contacted him on the same day that I received those letters straight away, so it has still taken six weeks.

Q24 **Richard Graham:** Thank you. Marie, you told us your story. Peter, how about you? You got your thing resolved very quickly.

Peter Morris: I went to the Democratic Unionist Party's local office in my local area, on the Wednesday of the following week, because I realised this was going to become a big issue in Northern Ireland. They said they would call me back and arrange an appointment for me to go and speak to them on the Friday. That phone call never materialised, so it was then I went to the heads of the Government Department for Finance and Personnel and the Department for Communities to get contact details for those guys to release some form of public statement to inform the public. By that time I was already liaising with Concentrix. People were coming to me—I put a post up on social media about it, asking them to come forward—and I would speak to them, get their permission, send their details to Concentrix and we were having the cases worked out in four or five days.

Q25 **Richard Graham:** So you resolved the problem yourself, but you advised the Northern Ireland Assembly and they put out a message—

Peter Morris: They didn't, they still haven't. I have asked the DFC Minister to put out a public statement—

Q26 **Richard Graham:** So you didn't specifically go to your MP.

Peter Morris: I went to the local MP's office initially. They did not return the call, and they still haven't got back to me. The DFC Minister still currently refuses to release a statement regarding housing benefit being stopped. I received a letter saying they are not aware of this issue happening regarding housing benefit. It is happening; housing benefit is stopping.

Richard Graham: I think that is a separate issue from today's, but thank you.

Q27 **Ms Karen Buck:** We want to quickly hear from Paul, who did not have a chance to say what the impact is for him.

Paul Eite: When I rang up, as I said, on 25 August they said, "You need to write in a mandatory reconsideration and send in your documents again". I asked then what a mandatory reconsideration was, just for clarification, what I had to do, and he simply said, "Just send in your documents again with a cover letter that says, 'I would like a mandatory reconsideration'", nothing else. So I had to google what he actually wanted—simple little things. That then was sent off, and then it was phone call after phone call after phone call, chasing it up—"How long will it take?", on and on. There was five weeks in total of that before it was passed back over to HMRC. I then rang HMRC. A lovely girl in their compliance team there spoke to me and she said, "It will get sorted, and



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I will ring with updates of what will happen”, and then my money was back within two weeks after it being back with HMRC.

So I can say from my personal experience, Concentrix were very difficult to get hold of, very difficult to get any answers from other than, “We are dealing with it, we are dealing with it”, but since it was back with HMRC they dealt with it like wildfire. I can’t fault HMRC actions for my personal case.

Marie Crowley: From my viewpoint, obviously with HMRC for tax credit you can either ring or you can use the webchat. The webchat is good because it is really accessible, but the information that is given to you is conflicting every time you speak to them, because you speak to somebody different all the time and they give you different messages and they are giving individual claimants different messages. Some will get the lump sum and some won’t. There is no consistency.

Sarah Broome: What I also think is quite important, considering this is about Concentrix, is that I spoke to lots of different members of staff, Concentrix advisers, on the other end of the phone. I understand from working in the public sector about people ringing up being rude to you, and it is not their fault on the other end of the phone, so I have tried to be very nice to the people I have spoken to. I have spoken to some lovely people. I spoke to one person who said to me, “I am really sorry, I am new here and I don’t know the process of the mandatory reconsideration”. I said, “Is there a complaints procedure?” “I don’t know.” I said, “Do I send it into the same address that is on the letter?” I was told, “I don’t know, I suppose you just send it in to that one”.

I had another phone call where I was spoken to very rudely and I had to argue with this lady and say, “Please can I speak to a manager, because I want to know the complaints process?” She said, “There isn’t a complaints process, we don’t have a complaints department and speaking to a manager is going to do you no good. You can’t speak to one”. I asked her about seven times before I said, “Look, I have the right to speak to a manager. Can you please put a manager on?” I then spoke to a manager who also told me that if I sent in a complaint about anything other than the manner I had been spoken to on the phone—if I complained about that process of what had happened to me—it would not even be looked at. I have to complain to HMRC, because they only receive complaints. They do not have a complaints department or procedure except for the manner you have been spoken to on the phone. That is it. I find that strange.

Q28 **Chair:** Thank you very much. On that note, we are going to go on to Concentrix. I hope you have time to hear what they have to say.

Marie Crowley: Could I just add one more comment, if I might? I work for the NHS on managed contracts every day. I am a commissioner. I have worked all my life. It is only the last four years that I have not able to work fully because of my health, and to be reduced to having to ask



for money from family and friends, having to rely on food banks was so—I just cannot get over the humiliation of that.

Chair: Any last comments from anyone else? Thank you very much. We are going to go on to Concentrix now. Thank you for coming.

Examination of witnesses

Philip Cassidy and Mark Oatridge.

Q29 **Chair:** Philip, welcome. Could you introduce yourself for the sake of the record?

Philip Cassidy: Yes, thank you. My name is Philip Cassidy. I am the Senior Vice President for Concentrix. I would like to say at the very start we certainly apologise to Paul, Marie, Sarah, Peter and all the others who were impacted. It was certainly not our intention.

Mark Oatridge: Good morning. My name is Mark Oatridge. I am the Commercial Manager at Concentrix.

Chair: Thank you. Steve, will you begin our questioning, please?

Q30 **Steve McCabe:** Could I ask, first of all, what kind of information does Concentrix receive from HMRC before you embark on one of these exercises that results in people losing their tax credits?

Philip Cassidy: I suppose for this particular campaign between April and now we received, at the very outset, 1.5 million records. Those are records that are flagged as high-risk from an HMRC standpoint. We then do our own analytics to take out duplicates—to take out records that have been worked or claimants that have been worked before. We also look at if there is evidence that we can flag. For instance, there were some discussions there about single parents, if there is evidence to say that there may be another party living at that household. We brought that down from 1.5 million records to 324,000, so we worked 324,000 records in this particular cycle.

Q31 **Steve McCabe:** You get 1.5 million and you reduce it to about one fifth. What exactly are your automated systems? You make a play and spiel about how Concentrix uses automated systems as part of your search of financial records before you trigger this step. Could you briefly tell us what you do?

Philip Cassidy: Certainly we can go through it. We use third-party providers for data, and some of that work is done in an automated fashion. I can hand over to Mark to talk us through some of that, with your permission.

Mark Oatridge: We use third-party data providers and a third-party analytics provider. Initially we receive that 1.5 million case provision from the authority. In turn we analyse that and we look at it to consider those cases that we may have seen before.



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Q32 **Chair:** So you have a whole wodge of data from HMRC where they think there may be fraud. You then use third parties—such as?

Mark Oatridge: I cannot name the third parties, but they are industry-leading providers in both analytics and credit referencing.

Q33 **Chair:** Alright, and that led to a significant reduction in the numbers of cases that you wished to pursue.

Mark Oatridge: That is correct. The premise of that case reduction is to go through in more detail evidence provided by third parties to try to reduce that initial case revision for instances of individuals where there has been, for example, evidence of a stable single status for the preceding 12 months. That alone took out 275,000 records. We also undertake checks on mortality and on things associated with siblings.

Q34 **Chair:** HMRC might have sent you a case where you say a single mother is not really a single mother at all. What sort of evidence would the third party provide to you to say she is a single mother?

Mark Oatridge: What would typically happen is that the third party would provide evidence that indicates the individual at that household has no other financial associations. So there would be no evidence of any form of joint bank account, utility bills, telephone bills, any other financial association at that property that would hint at another individual being resident there.

Q35 **Steve McCabe:** Can I ask that the other way around? I assume that Concentrix has been looking at how they got this so badly wrong. What part of your procedures is it that allows you to identify deceased persons as living with someone in receipt of tax credits, or a former tenant or a former partner? What part of the process has gone wrong that allows you to so readily identify these people as cohabiting?

Philip Cassidy: If I could take that, the Minister previously talked about the fact that this was a very complex process that needed—

Steve McCabe: Not if somebody is dead. That is kind of straightforward.

Philip Cassidy: I understand, but you need to understand that that is the case, and certainly from our perspective we do checks on the information that we have available. The process is really designed around the fact that if there is a risk, you have to follow a process to get evidence to say that either that risk is there or it is not. There are two different cycles, an HRR cycle and an HRCC cycle. According to the process as we have to enforce it, the first burden of proof is on HMRC and Concentrix, and the other burden of proof is on the claimants, which is a big part of the issue in this cycle—in this HRR programme. The burden of proof is on the claimant, and therefore if they don't provide the evidence, we mark it as not provided. As part of that it goes through a cycle and HMRC stop the payment. There has been a lot of discussion about Concentrix stopping the payment, but the payment is stopped—



Q36 **Steve McCabe:** Yes, but on your recommendation, isn't it?

Philip Cassidy: On our recommendation, only following a process.

Q37 **Steve McCabe:** Tell me this; this is the bit I am struggling with. From April there was a steady increase in the number of people losing their tax credits on your recommendation. Did you do something differently? Did you step up the process? Did you make more recommendations that the tax credits be withdrawn? Did you adjust some of your automated systems? There is a steady increase in people losing out and a steady increase in the number of people who are accused of cohabiting with folk who are deceased. What happened? What did you do that resulted in that outcome?

Philip Cassidy: We had a requirement to contact all of the claimants that we had on that agreed list. Mark talked about the 1.5 million records. We expected that number of records to be less, in actual fact, but within those records we agreed a plan with HMRC and we had to contact all 324,000. Part of the contact was to correct incorrect information if there was incorrect information, but in all cases our prime responsibility was to make sure that we made the right decisions with the information that we had.

Steve McCabe: It doesn't sound as if it was that easy for them to tell you it was incorrect information.

Q38 **Mhairi Black:** One of the things I am struggling to understand is—I will give you an example—up in Scotland there was a woman who was accused of living with somebody else, an RS McColl. Now, RS McColl is a branch of shops that are as common as Greggs in Scotland. So was there not a process or some kind of structure that would flag up, "Hang on a minute, that is RS McColl living with a single woman," do you know what I mean? Was there no process in place that was going to say, "Something's not right here"?

Philip Cassidy: I certainly understand the example. I cannot talk about specific examples, but if they are identified as a high risk we have to follow the complex process that is laid out, and under that we required the evidence. So if we didn't have that evidence we had to go through the process to say, "Okay, let's get the evidence in place. As soon as we have that evidence we can mark it as a flag".

Q39 **Mhairi Black:** None of the constituents who have come to me about Concentrix were sent any kind of letters or warnings asking for any evidence. They only discovered that the tax credits had stopped, as you heard from the previous panel, when they went to the bank to collect their money. So if you are saying, "We didn't receive this evidence", how sure are you that you asked for it in the first place?

Philip Cassidy: I understand that there are a number of people who have said that they haven't received letters. Certainly we are investigating the fact of those letters going out. We had to send out 324,000 letters. We sent those letters out and we used a reputable



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organisation to send those letters out. We did checks and verifications that those letters had in fact gone out. There were a number, even from our own staff, who said, "I have so many people on these two dates, these batches could not have gone out". So we went and looked at those batches and 40% of people in those batches had replied within the 30 days. So even though our own staff were saying these letters could not have gone out, we did a verification, but we cannot guarantee every letter, and there were examples where the data we had was incorrect. This is part of the process, and this is partly why HMRC have this process in place so that they can verify.

Q40 Chair: Philip, apart from sending the letters out, Mark said that you used reputable third parties to establish whether somebody, say, is cohabiting, with a whole list of checks. When you do send letters and people receive letters, let's say it is because it is alleged cohabitation, do you list in that letter, "This is the evidence we have that we think establishes cohabitation. Can you disprove it?" Is there, in a sense, a charge sheet so that people know what they are facing? I have not seen that from any of my constituents.

Philip Cassidy: We can provide you with the letters if you would like.

Chair: Thank you, yes.

Philip Cassidy: But the letters are based on the letters that were originally used by HMRC. We did make some changes in consultation with HMRC; they were improvements in tone, because some of the previous ones said there may be legal implications, and we took those sorts of things out. We got approval for that. Ultimately, we have a template that came from HMRC. The process within that was not to provide the evidence in there with the majority of, as you say, undeclared partner cases. For those undeclared partners we normally have a name of the partner, and we had a policy of not putting that named partner in there. However, when the claimant phoned in we certainly provided the name and had the conversations about that.

Q41 Steve McCabe: What was the rationale for that—not putting it in the letter but answering it in a phone call?

Philip Cassidy: That was a policy. It was one that was previously given to us from HMRC.

Q42 Steve McCabe: Alright, so you did not have anything to do with that. About 7,000 people lost their tax credits over a six-month period because they were cohabiting with RS McColl or Joseph Rowntree or goodness knows who. You made about £16 million over a two-year period. Are you going to give any of that cash back?

Philip Cassidy: We did not make £16 million.

Steve McCabe: You are reported as making £15.8 million.



Philip Cassidy: I think that is the revenue that we received. However, there were costs very much associated with that.

Q43 **Steve McCabe:** Yes, but I am asking you, are you giving any of that money back? Since you didn't earn it, it would be reasonable to assume, wouldn't it?

Philip Cassidy: We only earned money for the savings that were delivered to the taxpayer. The taxpayer received savings for all of the money that we received, and that was—

Q44 **Steve McCabe:** Don't you think any of the trouble you caused resulted in fraudulent savings? Don't you think anything we have heard in the last hour about what you did to these people means that you didn't earn savings for the taxpayer, and you wrongly deprived people of tax credits that they were entitled to because you sent out letters accusing them of living with shopkeepers? Don't you think you have any responsibility for that?

Philip Cassidy: To be very clear, with the people who spoke earlier, in those cases when the mandatory reconsideration goes through that complex process, we will not get paid for those claims. That is a fact. We only get paid for making correct decisions. In those examples, the information was later provided, was later updated and we would not be paid for those.

Q45 **Ms Karen Buck:** I was going to ask the question that you asked, Frank, which was whether the letters that were sent to claimants set out the basis on which the tax credits had been withdrawn. You have indicated that they didn't, but that you provided that information on the basis of a phone call. Did you say in the letter that if the claimant contacts you there will be further information given to them explaining why the—

Philip Cassidy: Yes, there is that in the letter, and there are different letters depending on the case type. So if it is a non-declared partner—

Q46 **Ms Karen Buck:** Okay, we would like to see the letters. The problem—and I accept it is not an entirely new problem, although the scale of this is demonstrated to be new and much worse recently—is that people are being asked to prove a negative, and this is the frustration that people have. Certainly my constituents who have come to me, who in some cases have not been notified and in some cases have been notified that their tax credits have been stopped, have no idea why. They provide information but have not the slightest idea what information they are meant to provide in order to respond to the cutting off of the tax credits. Do you understand why that is difficult?

Philip Cassidy: I certainly understand the issue, but we were there to follow a complex process. That complex process led us to go through and ask the questions initially and update the system. An indication of updating the system was that payments were stopped, but there was a



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mandatory reconsideration process that allowed claimants to then provide the evidence, and we were, in certain ways—

Ms Karen Buck: They didn't know what evidence.

Philip Cassidy: Well, there were a number of different reasons for payments being stopped. One was the fact that they had to provide additional evidence, another one was that they had to provide an annual declaration. There were 45,000 of our records, our claimants, whose payments were stopped as a direct result of not providing an annual declaration, which is nothing to do with the actual consent process and I think has been widely—and they were all sent out in a one-week slot.

Q47 **Ms Karen Buck:** Can I ask you a couple of specific questions? I think you will have heard from the recipients who gave evidence earlier that people with disabilities had their tax credit stopped and they were told that there was no knowledge of the fact that they or their children had disabilities on the system. Is that correct?

Philip Cassidy: I will certainly need to check the detail of the individual cases, but from my perspective, my understanding is that the level of detail was certainly much less—we get a restricted amount of detail in the records that come across from HMRC.

Q48 **Ms Karen Buck:** So you would not know whether there was any process by which a recipient who would also be receiving a disability benefit would be flagged up in the system.

Philip Cassidy: Not necessarily.

Q49 **Ms Karen Buck:** One last question, also on administration. You heard—and this is my experience as a Member of Parliament, probably all of our experience—that people provide evidence as required, sometimes in a number of different forms including recorded delivery or special delivery, and are still told that none of this has ever been received. What are the systems that you have in place to monitor how your incoming information is tracked so that that cannot happen?

Philip Cassidy: We have a third-party provider that the data comes in to. It is uploaded on to the system, and then that goes on to our system, which we utilise. So all of that information goes through. I think we had 270,000 documents that we processed as part of that process, and then whenever our advisers, our caseworkers, are working through the cases, they will be able to utilise that evidence. In some cases if it is tracked, if it is sent recorded delivery, we can track it individually. If it is not sent recorded delivery then we have to wait until it is uploaded on the system.

Q50 **Ms Karen Buck:** To be honest, that would imply that you are pretty happy with the delivery of your third-party providers on both the information coming out and the tracking of information coming back. I would suggest to you that there is something going badly wrong with the quality of your third-party providers—



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Philip Cassidy: We are certainly looking into it. There have been cases that have been flagged to us, and in each and every case we look into it. We have done some cross-checks as part of our normal process, and they have come back okay and proving that the service has been provided. However, with the accusations, we certainly are investigating them in detail.

Q51 **Richard Graham:** Philip, can we just go back for a bit of clarity on the overall process of this and what has come out of it? I think earlier you said there are 1.5 million people where HMRC had suggested there were queries over fraudulent tax credits. Can you confirm that stat and when that was given to you?

Then I think you suggested that 360,000 people had been written to, so I am interested in what happened to the other 900,000. How many of these potentially suspect tax credit claims have been proved to be fraudulent so far, and therefore how much money has been saved?

How many people suspected of potentially submitting fraudulent tax credits have now had it effectively confirmed that they are not fraudulent and had their tax credits restored, and what was the average period of time for which all those people were not getting their tax credits?

Then, lastly—I hope somebody is making a log of all these—all four people who gave evidence earlier had their tax credits suspended in August. That was the period when I, in my office, was starting to get contacted by constituents—a particularly difficult time of year, by the way, for most MPs' offices to respond as quickly as we would like to, because that is the one time of the year when people in our offices are getting a chance to go on some holiday during the recess. Was August the peak of all this? Have you kept a log of when all this was happening? What was the average amount of time that tax credits were suspended? Six weeks was broadly the experience of the four who gave evidence, and in the case of my constituents it varied. So there is a whole bundle of questions: could we have quick and factual answers?

Philip Cassidy: I will try to get all of those questions, and if I miss any of them you can let me know. The 1.5 million records came down to 324,000, not 360,000 or 390,000.

Q52 **Chair:** So you were sent 1.5 million and you reduced it to those you thought worth further investigation—to 300,000-odd. So the vast majority you dismissed.

Philip Cassidy: We dismissed them, based on if they were duplicates—

Richard Graham: That is correct, so down to 320,000.

Philip Cassidy: Down to 324,000, bearing in mind that we worked on some of these assumptions through a plan with HMRC and agreed what we were expecting.

Q53 **Richard Graham:** Yes. Then you wrote to all 324,000?



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Philip Cassidy: We wrote to all 324,000, and we received evidence back from about 50% of them pretty much within the first 30 days.

Q54 **Richard Graham:** Which was when? Sorry, when did you write to them?

Philip Cassidy: It would have been over a period of time between April, May and June.

Q55 **Chair:** But, Philip, when you sent out the letter, did you also cancel payments then?

Philip Cassidy: No. The process that we follow is very much—and this the same process that HMRC follow—that you send the letter, then if you do not receive the evidence you mark it as a flag and that payment is stopped. What we had been told when we started this process was that HMRC do this on a regular basis to the claimants, and the claimants are well used to this process.

Q56 **Richard Graham:** Okay, but just to be clear, when you wrote the letter to the 324,000, did it state absolutely clearly, "Unless you reply within X, Y, Z number of days, your tax credits will be suspended pending further investigation"?

Philip Cassidy: Yes. We will give you examples of the letters.

Richard Graham: That would be very helpful.

Philip Cassidy: There are a number of letters, but there are three main templates that we can give you, and it is very clear in those.

Q57 **Richard Graham:** You received replies from 160,000 roughly, so you suspended 160,000 people from their tax credits.

Philip Cassidy: No, there is a process, and it depends on the timing of this. There were suspensions that went in place. In terms of the amendments that we made, there were about—I will need to check the numbers for you—45,000 of those.

Q58 **Richard Graham:** Forty-five thousand tax credits were suspended. Of those, how many have subsequently been found to have been proved fraudulent, and how many have been proved to have been wrongly stopped?

Philip Cassidy: I would say they are not all fraudulent. There is fraud and error, so there is a combination of both.

Q59 **Richard Graham:** What are the figures?

Philip Cassidy: In terms of the numbers, our expectation is that there would be about 21% of them that would end up being either fraud or error. They are numbers that we have been advised from HMRC that they are used to either in the work that they do themselves or—

Q60 **Richard Graham:** So it is 21% of the 45,000?



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Philip Cassidy: Of the overall.

Richard Graham: Of the 1.5 million?

Philip Cassidy: Of the 324,000.

Q61 **Richard Graham:** So that implies 60,000—so that is more than the 45,000 that have been suspended.

Philip Cassidy: That is right.

Richard Graham: So that doesn't add up, does it?

Philip Cassidy: There were also ones that were in there for annual declarations, and there were 45,000 of those; some were joint.

Q62 **Chair:** But, Philip, do you have to consult the Revenue for authority to take away a benefit?

Philip Cassidy: We don't take away benefits. We update the system and the HMRC take the benefit away.

Q63 **Chair:** So they then have to execute your decision.

Philip Cassidy: They execute the decision. They do check that the decisions are made in line with the process.

Q64 **Richard Graham:** There is a curiosity about suspending 45,000 accounts on the one hand but on the other making an assumption that 60,000 would be fraud or error. That is something we can explore with HMRC. But on the last part of it, then, of the 45,000 suspended, how many have been restored?

Philip Cassidy: They are still going through the process of that.

Richard Graham: But how many so far?

Mark Oatridge: We have had 14,813 mandatory reconsiderations associated—

Richard Graham: So 14,000 restored—

Mark Oatridge: Yes, we believe, associated with those. But that number is still changing, and we expect probably more.

Q65 **Richard Graham:** How many outstanding of the 45,000?

Mark Oatridge: We would need to come back to you with those figures.

Q66 **Chair:** Mark, when you said 14,000-odd mandatory reconsiderations, that does not automatically result in restoration of benefit, does it?

Mark Oatridge: That is correct.

Q67 **Chair:** No. So how many of those who went down that route had benefit restored, please?



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Mark Oatridge: Typically the success rate of a mandatory reconsideration at the moment that leads to a claimant getting benefit restored is around 90% to 95%.

Q68 **Chair:** So pretty well all of them, effectively?

Mark Oatridge: It is an important context to add here, though, as regards to that process.

Philip Cassidy: But it is part of the process that we have had to follow, and—

Q69 **Richard Graham:** Can I just finish this? We are almost there, and then I will hand back to the Chair. So we have an unknown number of the 45,000 that are outstanding and 14,000 where you have had mandatory reconsideration, of which up to 95% will get the benefits fully restored. For the 45,000 suspended, what is the average time that they have not been getting their tax credits for?

Philip Cassidy: It has ranged from a week to six to eight weeks, but some of those are to do with the fact that we have gone back and forth with evidence.

Q70 **Richard Graham:** Would you be able to reply to the Committee with an overall assessment of the average figure?

Philip Cassidy: Yes, certainly.

Q71 **Richard Graham:** Last question on this. We had the experience with Atos, members of the Committee will remember, some three or four years ago, where there were significant problems with Atos, who were handling the physical assessments of some of our constituents with disabilities. After a bit of to-ing and fro-ing I and various others managed to persuade Atos to set up an MPs' hotline so that we could process some of the cases that were coming through, often from people who are not necessarily the most articulate fighters for their own cause, have difficulty filling in forms and all the rest of it. That made a huge difference in the speed with which some of these were settled. Chair, we will be able to talk about this with HMRC, who I think use their MPs' hotline effectively, and we were able to use it very effectively. Was that something you considered at all within Concentrix once it became apparent during the summer that there were cases such as these? I can think of one, everyone here can think of one. One my constituents was accused of sharing a property with a man who, first, turned out to be her father and, secondly, was dead. In those sorts of situations did you consider setting up an MPs' hotline?

Philip Cassidy: We did, and we spoke to HMRC about that, and HMRC said there was not a requirement because they could go through the MP hotline.

Richard Graham: They could do it themselves? Okay.



Philip Cassidy: I did go and meet with a number of MPs and took specific cases, and we dealt with those cases as quickly and efficiently as possible.

Q72 **Richard Graham:** My very last question for Concentrix is, bearing in mind that the numbers of weeks for which some constituents have had their tax credits stopped goes up to two months, and bearing in mind that there are not that many people in the country who can take that hit on their tax credits for two months without having their incomes and lifestyles severely affected, are you now able to focus on resolving those outstanding issues with people who have been suspended for the longest amount of time—let's say over one month—as quickly as possible?

Philip Cassidy: We have moved all mandatory reconsiderations to HMRC, so they are dealing with all of them.

Q73 **Chair:** Alright. Do you think you might set out in a letter the breakdown of that data that you provided to Richard?

Philip Cassidy: Yes.

Q74 **Ms Karen Buck:** If you set out the details, that would be very helpful. As I understand it, of the 45,000 suspensions around one in three went for mandatory reconsideration. Is that right, roughly?

Philip Cassidy: Yes.

Q75 **Ms Karen Buck:** Of the one in three that went for mandatory reconsideration, it was a 90% to 95% success rate. Have you ever, in the history of anything you have ever done, known an appeals process—which is to all intents and purposes what this is—that has a 90% to 95% success rate?

Philip Cassidy: We had gone through some of this information at the very outset of the contract, and HMRC had advised us that this was typical. We used these values that have come to us from the pilot that was originally done and the business as usual team that HMRC manage internally. The EFAC contract was for extra capacity to do that, and we had been advised that this was very much typical of this process and the claimants were very much used to providing the information and going through this process. Some did not get the information in time, and that is why the mandatory reconsiderations are there.

We have conducted many examples of this throughout the world and have done it successfully. The type of example you have asked about on that appeals process, I cannot see any that are exactly the same. Having said that, we were relying on information from HMRC.

Q76 **Ms Karen Buck:** Sorry, you are telling me that HMRC told you that it would be normal for a mandatory reconsideration letter to not be a mandatory reconsideration letter but simply to trigger the immediate repayment of tax credits? Because that is effectively what it has done.



Philip Cassidy: The mandatory reconsideration allows for additional evidence to be provided after the payment has stopped, and the numbers that we had seen on an ongoing basis were relatively typical of the process and within the plan. We had pulled together a plan that was signed off by HMRC. Some of these assumptions were within that plan and certainly, again, we could share that plan.

Chair: Would you be willing to submit the plan?

Philip Cassidy: Yes.

Q77 **Mhairi Black:** You are saying that the 90% to 95% success rate of mandatory reconsiderations is due to further evidence being provided and that is quite normal, but earlier on you accepted the fact that most, I would say, of the people affected by this saga have not received any initial letters asking for evidence. How can that be the norm to be expected if you accept that you haven't asked for evidence in the first place? Is it that you have always had this problem of not asking for initial evidence? I don't see how that adds up.

Philip Cassidy: No, we are investigating the letters. We believe the letters have gone out, and in some cases I understand that they have gone to the wrong address or in some cases they have not been received. In some of those cases we have brought forward the date and extended the date, which was part of the process, but granted, some people did not find out until the payment was stopped or until, in fact, the payment was stopped as a result of annual declarations. But ultimately we have a responsibility to follow the process and make our decisions on the evidence that we have available. That is what we were employed to do, and in a lot of cases I had people coming to me and saying, "I don't understand, this feels like we shouldn't be doing it" but if it is a judgment call, if we make the wrong decision, then that goes against us in terms of our contract. From our perspective, we had a job to do and the job that we had to do was to make the right decision for claimants based on the evidence that we had at that time. Unfortunately, that is the process that we had to follow.

Q78 **Chair:** With all this data you have been giving us, are you saying that of those who did or did not get letters saying that they are going to lose their tax credits, half of them went for mandatory reconsideration?

Philip Cassidy: Not necessarily, no, because some of them have not completed the mandatory reconsideration, and maybe that is because there is fraud or there is error and they have realised this is part of the process.

Q79 **Chair:** No, I was trying to get at those who do not reply, against those who take no action and those who do. I wonder, given that extraordinary success rate, whether you started work on what were the characteristics of this group compared with the group that didn't respond, which might suggest that your filtering system could be much refined. That was the question.



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Philip Cassidy: The averages are in line with some of the assumptions at the actual end case. If we look at the overall fraud and error that we were expecting and the number that we were expecting out of the total, so we take the total of 324,000 records—

Chair: This is what your contract said it would—

Philip Cassidy: The economics of this were significantly less than we originally anticipated in some of the assumptions that were within the original documents that went out, but I understand from our perspective that we still followed through on the contractual obligations. So of the 324,000, we expected about 21% of that overall to be actual fraud and error, and we expected to rule out the remaining elements.

Q80 **Chair:** Was it actual fraud and error, or that the people just gave up claiming? How many of those were referred for prosecution?

Philip Cassidy: For prosecution? I am not aware of any.

Q81 **Richard Graham:** If I understand correctly, I think the Chairman's point is about the expectation of 21% of 324,000, which would give you your expectation of 60,000 cases where there was fraud and error. In fact, what you have come down to is a maximum of about 30,000. That is where you are suggesting the figures are much lower than your expectation. Is that correct?

Philip Cassidy: What I am saying is that the overall net of the total within the system we expected to be 21%. We did expect that to be higher and then reduce from the mandatory reconsiderations. We can provide all the numbers. I think it is probably more relevant if we provide the numbers along with each of the stages.

Chair: We can come back to you.

Q82 **Richard Graham:** In layman's language, effectively what that means is there was less fraud and error than HMRC and yourselves expected.

Philip Cassidy: From the outset, yes, most definitely.

Q83 **Richard Graham:** So, in terms of the spending of taxpayer money, that is encouraging.

Philip Cassidy: Yes, but ultimately we did deliver nearly £300 million of those savings, and we have focused those on making the right decisions, and we only get paid for the ones that make the right decisions.

Chair: Alright. A final point, and then I would like to conclude the session.

Q84 **Steve McCabe:** Despite what you say, Mr Cassidy, the Government have decided not to renew your contract. I think you carry it through until the end of May, is that right? You continue to work for the Government until May?

Philip Cassidy: May.



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Q85 **Steve McCabe:** How close did you get to renewing your contract before the Minister popped up and said that the events of recent weeks have made it unacceptable for you to continue? How close did you get to renewing it?

Chair: Can I also just add my question? The public knew on 13 September that you were not getting your contract renewed, and there was a statement in Parliament the following day. Following on from Steve's question, what period before that did HMRC tell you the game was up?

Philip Cassidy: The press statement went out on that evening.

Q86 **Chair:** Sure, but when did you know?

Philip Cassidy: The press statement went out on that evening and I knew about an hour before that. Up until then I thought we were extending the contract until October.

Q87 **Steve McCabe:** What reason were you given for it not being extended?

Philip Cassidy: I was told that with everything that was going on with telephone volume and so on, even though we did have a plan to deliver it and we had a number of "well dones" from the HMRC team throughout that period—I have examples and I can certainly read them out of where we were getting congratulations from the HMRC team on the work that we were doing days before the announcement—

Q88 **Steve McCabe:** I genuinely do not understand this. I obviously have a slightly different perception of what has happened from you. Are you saying that despite the fact you had conformed to everything HMRC had asked of you, you had agreed a contract with them based on their figures, you had done everything right minus a few blips that you are looking into, the Government said, "But there has been an increased volume in phone calls, and as a result of that, we are not going to renew your contract"?

Chair: And you have an hour's notice of that.

Steve McCabe: Is that what you are saying happened?

Philip Cassidy: I was about to get on a plane when I got a phone call saying, "This press statement is going out in 15 minutes" and I said, "That is not enough time for us to inform our staff. It is not fair", and they did extend it and gave me time.

Chair: How long?

Philip Cassidy: An hour. By the time I got off the plane, I went straight into the office and we started communicating with our staff. Many of our staff found out from—

Q89 **Steve McCabe:** But are you saying the reason for not renewing the contract was that there had been an increase in the volume of phone calls?



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Philip Cassidy: I am saying that is what I had been told. Up until then—

Q90 **Steve McCabe:** What did you think was the reason for not renewing your contract?

Philip Cassidy: I do not know the reason. Up until that time, I was under the impression that we were renewing the contract.

Q91 **Chair:** But in the phone call, what did they say to you was the reason for withdrawing the contract?

Philip Cassidy: They said just “With everything that is going on.”

Chair: Just “everything that is going on”?

Philip Cassidy: That was all I got.

Q92 **Mhairi Black:** Are you saying it was just a case of PR damage control as to why you did not get the contract?

Philip Cassidy: I do not know. I can read out an e-mail that we got on 26 August. Given that this is very close, I can also read out one that was sent on 7 September.

Q93 **Chair:** Let’s have the latest. September is nearer the date. Can we have that?

Philip Cassidy: Yes. It is quite short: “I wanted to formalise my thanks to you for the efforts and commitment that you have shown to the EFAC contract over the summer. I know that you have worked tirelessly to keep the operational side as effective as possible, despite all of the challenges that have been thrown before you to knock you from your stride. I know that you have worked long hours and long weeks with barely a break over the summer to keep your teams on track, despite what has felt like a constant flow of issues to deal with and that could not have been foreseen or mitigated.”

Q94 **Chair:** Is that the 7 September one?

Philip Cassidy: Sorry, that is the one on 26 August.

Q95 **Chair:** Who was that from?

Philip Cassidy: I will provide the details to you rather than it being in public.

Q96 **Chair:** All right, very good. The other one says?

Steve McCabe: What is the point in reading it out if you are not going to tell us now?

Philip Cassidy: I will provide it to you.

Steve McCabe: You can send it to us.

Chair: It is a good start for our next session.



Philip Cassidy: On 7 September it was, “You and your team are absolute stars. Thank you very much for getting this to me within the time that you have managed to. Please pass on my sincere thanks to all who have contributed.” But I think the point I am trying—

Q97 **Chair:** The crucial thing is the next thing you learnt with the phone call when you are getting on a plane and you said you got an hour.

Philip Cassidy: Yes. I have 541 staff—not necessarily on-site, but 541 staff that I needed to communicate to, and I was totally unable to make sure that they were communicated to in advance.

Chair: Philip, we will end on that, because it is a really good point to pick up with HMRC. Philip and Mark, thank you very much for your evidence.

Examination of witnesses

Jon Thompson and Nick Lodge.

Q98 **Chair:** Jon, it is nice to put a face to the many letters I have been writing to you about tax credits. Can you identify yourself for the record, and then Nick?

Jon Thompson: Certainly. I am Jon Thompson, and I am the Chief Executive Officer and First Permanent Secretary of Her Majesty’s Revenue and Customs.

Nick Lodge: Nick Lodge, and I am a Director General in HMRC.

Q99 **Richard Graham:** I think the questions we are going to ask are inevitably going to be shaped by what we have heard so far. Can we just start with the questions that I was asking Concentrix earlier? In terms of what you hoped to achieve from the contract you gave Concentrix, it appears that some £300 million of savings have been made so far from identifying somewhere between 20,000 and 30,000 cases of fraud or error. Is that broadly correct, or could you correct that?

Jon Thompson: Our estimate is £270 million, but broadly the same, yes.

Q100 **Richard Graham:** From roughly how many cases of error or fraud?

Nick Lodge: That will be from more than 30,000 cases of error and fraud. That will be over the entirety of the contract since November 2014, so the last figure I saw was that that will be from over 100,000 cases having been corrected.

Q101 **Chair:** Getting back £275 million for the taxpayers. How much did you pay the company to recover those sums for you over that period, please?

Jon Thompson: Our estimate of paid, plus what we believe is due, is £27,539,000.

Q102 **Richard Graham:** Roughly 10% of the revenue saved?

Jon Thompson: Yes.



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Q103 **Richard Graham:** The implication of what Concentrix was telling us was that while those figures are clearly a step forward in terms of saving money—taxpayers' money—they are not as high as your original estimates. Is that broadly correct?

Jon Thompson: Yes. I think the business case that was put forward for this estimate would be the other side of £400 million, so it has not delivered that, but it has delivered £270 million, we think.

Q104 **Richard Graham:** What is your estimate of the quality of the job done against the contract that you gave Concentrix?

Jon Thompson: There is some data that is very relevant, which I do not think you have, but it seems to me that this has been a clear failure of customer services. What has not been taken into account is a focus on customers, on claimants, on the impact of decisions made and on basic standards of customer service, with dramatic impacts on people. You heard that from Peter, Marie, Sarah and Paul, and let me reiterate my apologies to those people and everyone else. What seems to me to have happened is that there was a collapse in basic customer services.

What you have not heard is anything about the standards of answering the phones. I think it was Sarah who said you receive a letter, you try to get through on the phone and you have to make multiple calls. I think somebody said they spent 49 minutes on the phone or they tried 70 times to get through. I am happy to try to give you some data if you want, but in the middle of August the performance on answering the telephone dramatically reduced. By the middle of August the situation with Concentrix was that less than 10% of phone calls were being answered and the amount of time taken to get through rose above 30 minutes, with the result that people then had to ring multiple times.

Q105 **Chair:** Jon, did you get monthly returns on that aspect of customer service? Was it a surprise to you the number was so low, or it was steadily heading in that direction?

Jon Thompson: I have every day in front of me from August, so if I pick one at random at the beginning, if you take 1 August, on that day Concentrix answered 93.2% of the calls at an average speed of 48 seconds. That seems to be a reasonable standard of customer services, and it broadly matches that which is provided by HMRC, but if you go forward, picking one at random, say 16 August, at that point it is taking an average of 31 minutes to get through and 90% of the calls are not getting through.

Q106 **Chair:** What was your estimate of the reasons for that? Was it because large numbers of Concentrix staff were on holiday or because the letters and the beginnings of tax credits being removed were just hitting people across the country? What sort of standards had you set them for customer service?



Jon Thompson: The agreed target is that 90% of phone calls should be answered, and broadly Concentrix had been achieving that until the third week of August of this year. It is perfectly possible to model that if you send out a certain number of letters, then you can estimate the number of phone calls and responses you are likely to get coming back the other way. You can model that and then you can estimate the number of people you are likely to need on the phones. Indeed, that is what we do, and I assume that is what happens with Concentrix.

Q107 **Chair:** Again, what was the month when there was the collapse, please? When did this dramatic collapse occur?

Jon Thompson: It begins on the week commencing Monday 15 August. If you are familiar with how call centres and customer contact works, there is a point where people ring, they cannot get through and they ring again, so what happens is that the demand significantly rises, and then you can completely lose control of that and it has taken some time to recover.

Q108 **Richard Graham:** That is very helpful. I think that gives us an outline idea of what you were looking for and what happened, although not necessarily yet clarity on the reason why it collapsed so fast in the middle of August. Are you clear in your minds why?

Jon Thompson: I am not clear. We have a hypothesis about what we believe. First of all, you need to have very clear fundamental attention to customers and what customers need. Your entire reputation as an organisation is built on individual transactions with individual customers, so if you can't pick up the phone and you can't respond to a letter then, unsurprisingly, what happens is what has happened. It is about paying due care and attention to customers, but it is also about having contingency plans for resources that are necessary. For us, then, I think it is about how quickly that escalates through HMRC to Nick and myself. I am happy to take you through the timing if you want.

Q109 **Richard Graham:** Can you very briefly give us an idea of at what stage you realised it was a problem, and how you did, and at what stage you were beginning to realise that the numbers of calls from MPs' offices and caseworkers were suddenly escalating? I would not be surprised if Ministers were getting texts and e-mails as well.

Jon Thompson: I have a timeline, if you would like me to just briefly run through it. On Monday 15 August the HMRC team that is involved with Concentrix got involved, because only 10% of calls had been answered. By the Wednesday of that week, we agreed to ease the 90% answering target to 80% to see if that would help. By the Saturday of that week, I think it is fair to say that Concentrix were still struggling, being below 10% of calls answered. We then upped the monitoring of this contract on Wednesday 24 August, to a daily conversation about performance levels and customer standards. That then accelerated through HMRC, and I was



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alerted on the last day of August, Wednesday 31 August, so it was a two-week period.

Nick and I then got involved in the week commencing 5 September, and we deployed 50 additional HMRC staff on Wednesday 7 September, but throughout all of this period—the speed of telephone answering and therefore query resolution, and the speed of deciding on a case and putting people back into payment or not depending on that—we stepped into that space for the first time with additional people on Wednesday 7 September, and we alerted Ministers at that point.

Q110 **Chair:** Sorry, which date did you alert Ministers?

Jon Thompson: On 7 September. On Monday the 12th—

Q111 **Chair:** Up to that point, was that the first link with Ministers? We were talking to Ministers, but the first time on this issue you alerted Ministers to a problem was on 7 September, did you say?

Jon Thompson: On Wednesday 7 September we informed the Financial Secretary to the Treasury. On Monday 12 September we deployed an additional 100 HMRC staff to consider mandatory reconsiderations, and we announced the non-renewal on 13 September. We are now in a period where we have had a month of not being able to answer the phone, and there is a deep concern here, because this is very much a customer business and it was my opinion that we needed to focus very much on sorting out customer situations. We stopped giving new cases to Concentrix on 13 September. The Financial Secretary then answered the urgent question on 14 September.

On 15 September, we decided that all mandatory reconsiderations were now to be with HMRC, and on 21 September we allocated a further 200 HMRC staff to the telephone lines to improve the speed of answering. That indeed recovered fairly swiftly: by 23 September, we were back up to 80%. We have subsequently another—

Q112 **Chair:** 80% of what, answering when?

Jon Thompson: 80% of calls were then being answered.

Chair: In what timespan—80% of calls were being answered in what timespan?

Jon Thompson: Within five minutes. By Friday 30 September, we then allocated a further 100 staff to clear all remaining mandatory reconsiderations as fast as we possibly could, because that obviously stimulates whether you can go back into payment or not.

Q113 **Steve McCabe:** Do you know how many staff you had working on this in relation to the number Concentrix were using? If you were able to clear it in this space of time, did you have a lot more staff or were you just more competent?



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Nick Lodge: I think broadly the number of staff that Concentrix had at this time would have been about 350 or 400. I am not absolutely clear on the precise number; we can clearly check that out with Concentrix. But what we have done is to take the vast bulk of the Concentrix caseload back into HMRC as quickly as we could. Mandatory reconsiderations are a really important chunk of that work, but we have also taken nearly 200,000 incomplete cases back.

Our prime objective was putting tax credit claimants' affairs right as quickly as we could and, as part of that, absolutely freeing up Concentrix's own phone lines, because people needed to be able to get through to them, and taking that work back and clearing it down as quickly as possible. We have not quite finished, but we are well on the way. It provided claimants with the best results that we could possibly provide and allowed Concentrix to begin answering the phone calls that they would have to deal with to the standards that were set out in the contract, and that happened towards the end of September.

Q114 **Chair:** But for a long period of time the contract was going hunky-dory. What was your staff base then, and to what level did it increase during this very short crisis period, and where is it now?

Nick Lodge: We would have had staff working with Concentrix and managing the contract, so they were receiving the regular reports on performance and discussing what kinds of issues arise in the ordinary course of business. That would have been a relatively low number of people. I would have to absolutely double-check the number, but you are talking about 20 or 30, something of that order. What we have deployed since the issues that Jon just described has been a far larger number than that.

On the initial numbers on mandatory reconsiderations, we have the 200 people that Jon mentioned. At the moment, because we want to put claimants absolutely first in this and because we want to clear these cases as quickly as possible, we have probably 500 to 600 working on these cases.

Q115 **Ms Karen Buck:** You heard, obviously, the reports that the mandatory reconsideration success rate was 90% to 95%. Is that your normal?

Jon Thompson: No, sorry, I need to correct that and give you the actual facts. The percentage of tax credit claimants seeking a mandatory reconsideration is roughly the same between us and Concentrix; it is 2.9% of Concentrix claims and 3.1% of all claimants. The percentage upheld in favour of the customer is 43% in HMRC's case and 73% in Concentrix's case. I think Philip gave you an estimate, but those are the actual numbers.

Ms Karen Buck: So not 90% to 95%, but 73%?



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Jon Thompson: Correct. Just to be really clear, that is over the period November 2014 until the end of September 2016. In the same period for HMRC it is 43%.

Q116 **Ms Karen Buck:** So Concentrix do not know their own success rates in terms of mandatory reconsiderations.

Jon Thompson: I am giving you the data that we have, which I believe to be the correct information.

Q117 **Ms Karen Buck:** We were told that you had confirmed that the success rate of their mandatory reconsiderations was consistent with yours. Is that correct?

Nick Lodge: Perhaps I can help here. The rate of mandatory reconsiderations and the success rate, as you put it, will vary according to the types of cases you are dealing with and the period of time that you are looking at.

Ms Karen Buck: Of course it will, yes.

Nick Lodge: A mandatory reconsideration is in essence, as you will know, a claimant asking for a review of a decision that has been taken. Decisions taken in the case of Concentrix are all to do with compliance with the tax system, the tax credit system; they are all to do with error and fraud and, as you have heard, whether there is a risk that the award is wrong.

The mandatory reconsiderations that HMRC deals with cover a far wider range of decisions. It could be a decision about how far you will backdate somebody's initial award, it could be about any number of technical things, so the figures that we are quoting here are slightly difficult to compare—

Ms Karen Buck: Not like for like, okay.

Nick Lodge: —because we are quoting figures that are to do with all HMRC decisions and mandatory reconsiderations against those decisions, so the number will—

Q118 **Chair:** Are you saying all of Concentrix's mandatory reconsiderations were because benefit was withdrawn and none of them were a dispute—“You are still not paying me enough”?

Nick Lodge: They will, in general, have been because a decision was made to either stop or amend the payment, and then the tax credit claimant would look at that decision, regard it as an incorrect decision and ask for a review, a mandatory reconsideration.

Q119 **Ms Karen Buck:** It would be very helpful if you could also supply us with a little table of the stats as they relate to HMRC, accepting that some of it will not be like for like, but you could perhaps set out where you think the comparable information is. Just to confirm, on the Concentrix mandatory reconsiderations on the suspension of benefit, you are confirming there



was a 73% rate of those?

Jon Thompson: For a mandatory reconsideration upheld in favour of the customer, the rate is 73%, or 43% for HMRC.

Q120 **Ms Karen Buck:** So lower than the 90% to 95% that Concentrix told us, but still, to my mind, an extraordinarily high figure. Would you regard that as extraordinary, or are you saying that that is consistent with what you would have expected?

Nick Lodge: It is not untypical for there to be quite a high rate of decisions being overturned as a result of mandatory reconsideration with the type of that work that Concentrix is doing. What usually happens here, the process is we do various risk and data analytics, as Concentrix do. We will write to the claimant and the claimant will either provide information or not within the 30-day period. You then have to take a decision, but you want to take a decision that is well-founded on the evidence in front of you. If payment stops or is reduced, then the claimant might well come back with additional evidence or different evidence, or evidence for the first time, and then the decision can be overturned if the evidence is strong enough.

Q121 **Ms Karen Buck:** Given that the rate is exceptionally high, certainly compared to anything else in the appeals system anywhere else in the benefits world, if at least three out of four of these decisions are upheld; that they are being upheld after a decision has been taken to suspend money for people who are, by definition, on very low incomes—and that, in many cases, as you heard in very powerful evidence this morning, these are people who have a disability themselves or have a disabled child—what is the justification for leaving people effectively destitute when on a version of appeal, a mandatory reconsideration, three out of four times they are going to get their claim upheld and reinstated?

Nick Lodge: Ideally, of course, we want people to get in touch with us by phone and people can ask for an extension of the period to provide evidence as we do these checks. You will be aware—

Ms Karen Buck: But they have had their income suspended in this period.

Nick Lodge: Only after there has been a period of at least 30 days for people to respond or get in touch. Certainly if the initial selection of their cases to be taken up for inquiry and to check into is correct, the majority of people do not ask for a mandatory reconsiderations, most people do not, so in most cases the decision is a correct decision, but in those cases—

Chair: Or they are frightened and they do not how to appeal it.

Ms Karen Buck: Or they do not know how to do it.

Q122 **Mhairi Black:** That was going to be what my question was. First of all, are you making any attempts to go back and look over this period of time



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to see how many cases you potentially have incorrect where people have not gone for mandatory reconsideration? As Frank says, there are a lot of people out there who do not know how to appeal or are too frightened to. As Karen has said, whether it is 95% or 73%, clearly a lot of the time the decision has been incorrect, so what attempts are you making to find people who might have been done wrong?

Nick Lodge: We certainly try to make it as easy as we can. I appreciate that it is not always easy for claimants to engage with the system, but we try to make it as easy and straightforward as we can. We have large numbers of people who do ask for such a review routinely, and we have approaches in place that enable us to check that decisions have been made in the right way. We have worked with Concentrix on the quality of the decision making, and that is the process that we have followed.

Q123 **Mhairi Black:** Forgive me if I have missed something, but I am still not entirely clear as to what has happened in the last couple of months that has caused this sudden crisis or this upsurge in so many people having their benefits incorrectly taken away. What is it that has happened to change that? What has caused this problem?

Jon Thompson: We just need to start one step back. It is perfectly reasonable for the Government to question the eligibility of a claim for a benefit and to seek as much evidence as possible to get the benefit calculation as correct as possible, but you need to also be able to interact with customers. If I send you a letter saying, "Get in touch" and you cannot get in touch, then the thing is going to spiral out of control. It is my hypothesis therefore—and to be fair to Philip, I have not had this conversation with him—that if, as you heard, you have to take 70 times to get through, that just is not good enough. It just isn't, I am sorry.

In answer to your question earlier, it is a loss of confidence on our part about whether this can be done. That led to my decision that we would not renew this contract. That is my hypothesis: if you cannot get through on the phone because you do not have enough people, then people clearly get frustrated about that, and now you do not have a functioning system. It is that five to six-week period where you are unable to pick up the phone or it takes an inordinately long time to get through that results in us sitting here right now.

Q124 **Mhairi Black:** What do you think caused that delay in people being able to get through on the phone?

Chair: Had half the staff gone on holiday? It was August, after all.

Jon Thompson: I am sorry, we have not had this conversation with Philip, and you would probably have to ask him again about what happened in this exact period. On the face of it, the number of people who we think were planned to be on and the number of people who were actually on did not quite work, but that is my hypothesis.

Q125 **Richard Graham:** Thank you both. I think personally, and I suspect we



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think broadly, that the hypothesis of the collapse in customer service was exactly the situation that many of us had to pick up in our surgeries and that many thousands of people on tax credits experienced. We heard the anecdotal evidence from four people earlier. I think there was at least one tribute to HMRC once your enhanced, beefed-up team got in action. That, by the way, certainly was exactly my own experience, where we were able to solve three or four handfuls of issues very fast indeed, some within 24 hours, others within 48 hours.

But what I am interested in, and I think what this Committee is rightly focused on, is what lessons you think should be learned from this experience. If the quality of customer service in a contract can collapse so fast, what mechanisms can you put in place to try to pick this up as fast as possible? Do you think in retrospect that in the middle of August, when you first became aware of this, you could have done anything to perhaps put extra resources in faster and more strategically?

Now that the contract has been ended—I assume without any sort of great additional pay-off that has gone out to the contractor, but perhaps you can confirm that—and you have your own staff effectively picking up the situation, it is in fact better value for the taxpayer for HMRC to do the work yourselves, as I think you are doing at the moment, or do you still believe that it is better value, including that rather intangible concept of quality customer service to people who are on tax credits, to outsource it, as you did? There are two or three quite big questions there, but I think, Chairman, they are quite important ones.

Jon Thompson: I think you have most of my list of lessons. There are five, probably. First of all, the priority and sensitivity of customers is absolutely paramount. To be upfront with you, HMRC learned the lesson of that in 2014 when it was subject to a National Audit Office report. We have tried to put customers at the heart of the HMRC business, and that is fundamental to the transformation programme. For our business, for example, I could now tell you performance on every single major telephone line in half-hour slots, and we can take action in half an hour in order to respond to the demand from customers. That is the number one lesson.

You are absolutely right, secondly, about the speed of escalation of it being an issue to Nick and myself. Thirdly, on contingency planning, if something goes wrong, how do you respond to that? Then there are two more fundamental lessons. One is about the fact that delivering a public service is rather complicated, and to what extent private sector partners can adapt in an agile way to delivering that. My experience is that the best of the private sector can absolutely do public service delivery.

The fifth one, which you have not come to but I suspect the PAC will, is what is the balance of incentives on third parties in these kinds of contracts, because this is essentially based on commission earned. Is that the right kind of incentive mechanism for this kind of public service delivery? Those are sort of starters for five.



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In relation to your tangential question in the middle about where we are, we have announced that we are not going to renew, and we are in conversation about what happens between now and the renewal date.

Q126 **Chair:** But on that key thing about incentives, the incentives you put into the contract clearly failed, didn't they? So one of the lessons HMRC has learned—

Jon Thompson: They failed on the dimension of, "Did we put customers at the heart of this service in this period?" No. If you were the Chancellor of the Exchequer, you spent £27 million and saved £270 million, so on that dimension you might regard this as being rather a successful investment of £27 million.

Richard Graham: Chairman, I think that has been extremely helpful, and I think we have a clearer idea of the balance of taxpayer money saved against the customer service to people in quite fragile financial situations. If HMRC has taken that lesson on board and is reconsidering how you outsource and whether it is appropriate to use commission-based ways of doing it, I think that is really encouraging.

Q127 **Steve McCabe:** Can I ask two questions about customers and more about the contract, and then I will leave it there? We heard earlier from one of the witnesses about the refusal of HMRC to pay arrears in a lump sum, but spreading it over the months means that people who are already on low incomes find that they fall out of entitlement to things like housing benefit. I understand that is quite a widespread criticism among many MPs here. Why do you make that choice, and do you have any plans to review that?

Nick Lodge: Tax credits is an annual system. It is based on an annual calculation of entitlement. It is very complex. I think a number of people have gone on record as saying it is very complex for claimants, it is very complex to administer and it has a relatively short shelf life now with universal credit coming along. But the way that the tax credits calculation works is that if somebody has been out of payment and then they come back into payment for any reason and there is a gap, at the point when somebody comes back into payment mid-year we or the system will do a calculation that will say, "What is their annual entitlement? Given all the circumstances that we now know about that household, what is their annual entitlement?"

Then the way the maths works is that we will calculate how much of that annual entitlement they have had already in payments to that point of the year, and we will match that against how much money they should have received up to that point in the year based on their eligibility and the amount that they should receive. If there is a gap between those two, in other words if they should have received more money, then very often—in fact, in the majority of cases—there will be an immediate payment automatically generated by the system. It depends on the



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precise circumstances of the household as to whether somebody gets a lump sum payment or not.

Q128 **Steve McCabe:** So you could look at these cases again, is that what you are telling me?

Nick Lodge: This is all automated. We have nearly 5 million households in the system—

Q129 **Steve McCabe:** Let me ask it again. Where someone is saying, “As a direct result of losing my tax credits wrongly and now having them restored, I am now losing my housing benefit because of the way you have elected to restore them”, do you have any plans to look at those examples again?

Nick Lodge: I completely understand the point. I will answer that question, but let me just say two things before I do, very briefly. One is that we do have a process if people are in hardship so that they can come to us and we will address that. Secondly—

Q130 **Chair:** That would be everybody who has had their tax credit taken away, by definition of claiming tax credit. By taking the money away they would be in hardship, wouldn't they?

Nick Lodge: We are talking about where people have been restored payment and how the calculation works. I think—

Chair: But people have acquired debts.

Nick Lodge: I do understand, and that is why we try to address that if people come to us. In terms of whether we have a plan to address that, the answer is that we would have to look to see. We have heard the same examples as you have quoted, so let me first of all say that we have heard the message loud and clear.

Q131 **Steve McCabe:** Is it your decision or is it a Minister's decision to do this, to make that change?

Nick Lodge: This is the way the tax credit system has been for many years.

Q132 **Steve McCabe:** If you are going back to look at this, could you authorise that, or does a Minister have to authorise that you make these outstanding payments as lump sums?

Nick Lodge: We would have to change the way the tax credit calculation works.

Q133 **Steve McCabe:** Who authorises it?

Nick Lodge: We can look at that.

Steve McCabe: You would? Okay.



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Nick Lodge: We would put forward a recommendation to say, "This is what we think we should do if the—"

Q134 **Steve McCabe:** So it is you I should write to, and all the other MPs as well.

The other thing I was struck by was when Karen, I think it was, was asking about the problems that started in August and the number of people who were having their tax credits stopped. Were you running any additional processes at that time? We were told very clearly by Mr Cassidy that he did not stop anyone's tax credits—you did, but on his recommendation. There must have been an increase of something like 7,000 over the period April to September. The numbers were going up at the very point that people could not get through on the phone. Did you get suspicious at any stage that maybe there was a very high proportion of people losing their tax credits who should not have been, or was that not part of the monitoring of the contract in any shape or form?

Nick Lodge: We were monitoring with Concentrix the quality of the operation of the process, receiving weekly reports on all of that, and we were paying Concentrix to operate the service and to take the decisions.

Q135 **Steve McCabe:** You must have noticed that the number of people losing their tax credits was in a state of a pretty upward trend.

Nick Lodge: Yes, and at that particular point in the year, that would have mirrored what we were seeing with HMRC cases. That is a sort of cyclical part of the way the tax credit system works. We would have seen that going through the system. What we would have expected is the quality of the decisions on whether somebody should lose their money or not to be very high. We, at the same time, are running the similar process—

Q136 **Steve McCabe:** What I am trying to establish is this. Mr Cassidy was very clear, when I asked him about taking away people's tax credits, that he did not do it, HMRC did it. I was asking, "But they did it on your recommendation?" I am asking, did you have any double-check, or did you just take the word of Concentrix that these people were no longer entitled to their tax credits?

Nick Lodge: We were paying Concentrix to take decisions based on evidence in these cases, and the information—

Q137 **Steve McCabe:** So, in effect, Mr Cassidy was technically right that you took away their tax credits, but only because he told you to? Is that the case?

Nick Lodge: The information would flow, people in Concentrix would press the right buttons on the system to say they had taken their decision. The only sense in which it was HMRC taking away the money would be because it would flow through—

Q138 **Steve McCabe:** But there was no check, so Concentrix was the judge



and jury in that situation—they determined it.

Nick Lodge: Yes.

Q139 **Steve McCabe:** Can I ask one last question about the loss of the contract? I do not know if I misunderstood this, but Mr Cassidy seemed to me to be saying that his company and his employees had had a bit of a raw deal, that he had been given this notice that he had heard on the news, then he had been given one hour and that he thought it was something to do with the volume of calls that had led to the contract not being renewed. I heard Mr Thompson say when he was giving evidence, “I have not discussed this with Mr Cassidy”. Is it normal for a company that has made £27.5 million of Government money, and is on the verge of having their contract renewed, to suddenly be told that they are not having it and to have no real understanding of why they have lost it and to have no conversation about how that occurred? God forbid, but if we were to be in this situation again, is that what would happen again, or does somebody have this wrong? It seems a very funny way to lose a contract, from the way it has been described or the way I have heard it, sitting here.

Chair: Jon, can I add my question to that? I have been here quite a long time and I have never known a contract to be taken away so quickly as this has. One can think about all the efforts that Labour MPs particularly made about the running of tax credits and so on. Did it surprise you how quick this was? Does this smack of firm government, this change of administration, or do you think it would have happened whoever was in? Presumably Ministers gave you the authority to cancel, or did you do it on your own? Did you recommend, between 15 August and 13 September, to Ministers that the contract should be cancelled?

Jon Thompson: We just need to be clear about the constitutional position of Her Majesty’s Revenue and Customs, which is it is a non-ministerial department, so there are some decisions that under that constitution are mine and mine alone and there are some that are for the Commissioners and the Ministers.

Q140 **Chair:** Jon, I understand that. Was this a decision of yours alone to cancel the contract?

Jon Thompson: Yes. We informed the Minister that I was minded. We asked her to note that I was going to do this.

Q141 **Chair:** So this extraordinary experience—for me, as a long-term Member of Parliament—of a contract being taken away in such a short period of time with a crisis underway, was your doing, Jon, based on what you thought was a totally unacceptable collapse in service to those people for whom tax credits was designed to serve?

Jon Thompson: Yes. Let me be completely frank: I have been the Director General of Finance of two major Government Departments; I have been a Permanent Secretary of two major Government Departments. I suppose the longer that I am in this, the more I think it is



best to deal with a crisis with firm, swift action and sort out the problem. That is what we are trying to do. Part of sorting out the problems for customers is to inject more people, take some of those cases back, be clear that we are not going to extend. That was the decision I made.

Q142 **Chair:** No, I applaud you on that. It is just that even in those other two Departments and with all your other colleagues, I cannot recall an experience where, thank goodness, the Executive, whether Government or delegated, has acted so quickly when they have seen a crisis.

Jon Thompson: Perhaps I am being bolder in my old age.

Chair: No, I am just in a sense congratulating you on that.

Q143 **Mhairi Black:** Time-wise, how close were you to renewing the contract with Concentrix?

Nick Lodge: We had had discussions for quite a long time with Concentrix. We had renegotiated the contract with them in October 2015 and had lengthy discussions about it then. They came to us in June and said they did not want to honour the contract. We had lengthy discussions about the options around that. The renewal or extension of the contract was a key part of that. Those discussions have taken place over quite a long time, because we were looking at that balance of value for the Exchequer, customer service and so on, but there was never any commitment. The contract, let's be really clear, ran until next May. It was never a contract that it was envisaged was particularly going to be extended. It ran until next May and that was the extent of the contract.

We were only looking at extending it on the basis that Concentrix had come to us and asked us to look at different terms of the contract. We were looking at that. We had made no commitment to renew it. A commitment to renew, or even the thought of renewing, was contingent on a number of things. One of them was maintaining and improving service. We saw from the middle of August, as Jon has described, how those service levels dropped very significantly, and, therefore there could be no question of us renewing the contract when that was happening.

Q144 **Mhairi Black:** From the last panel, I certainly got the impression that this was a done deal, that Concentrix were going to get the contract again and then at the last minute, as was said, with 15 minutes extended to an hour's notice, it was taken away. Is that not your version of events?

Chair: Also after getting these encouraging e-mails from you.

Nick Lodge: It was always a contract that was ending in May. We were talking about renewal, as I have just described, and for the reasons that I have just described we took a decision that we were going to not renew the contract. We were getting questions, including parliamentary questions from MPs, about, "Are you going to renew?" There were questions from claimants. We wanted to be very clear that we were not going to renew. We were not saying that we were stopping the entirety of the contract. We were simply saying, "We have no plans to renew in



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May", and we did that. There was not a lot of notice given. I think in the end it was two hours, but it still was fairly short notice. We had taken that decision and we wanted to make sure we communicated that decision, given all the questions we were getting about renewal. But it was about renewal. It was not about stopping the contract at that point, it was about not renewing.

Q145 **Chair:** But in this period had you, Nick, begun discussions with another company to take over the contract?

Nick Lodge: No, there are not any plans for a similar contract for tax credits.

Q146 **Chair:** Clearly, what Mhairi is saying is there are really important lessons with contracts for HMRC from this, aren't there?

Jon Thompson: Yes, and I set them out to Mr Graham.

Chair: Yes, but if you have any further observations on that, we would love to have them in a written note from you, what you draw from that.

Thank you very much, and to the two other groups, who are still here. We are grateful to all three groups. We are now going to go into private session to consider how we take this forward.