HOUSE OF COMMONS

Work and Pensions Committee

Oral evidence: Overpayments of Carer's Allowance, HC 1772

Wednesday 28 November 2018

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Watch the meeting

Members present: Heidi Allen (Chair); Ruth George; Steve McCabe; Nigel Mills; Chris Stephens; Derek Thomas.

Questions 1 - 56

Witness

I: Emily Holzhausen OBE, Director of Policy and Public Affairs, Carers UK.

Examination of witnesses

Witness: Emily Holzhausen OBE.

Q1 **Chair:** Good morning. We are very light on numbers this morning. There is not exactly a huge audience, is there?

Emily, we recognise you because we have obviously had you in front of the Committee before. I am chairing for Frank, who is away today. However, for the benefit of the record could you tell us your name and who you are?

Emily Holzhausen: Yes. I am Emily Holzhausen. I am Director of Policy and Public Affairs at Carers UK.

Chair: Thank you. Today you will know that we are interested—we have looked at Carer's Allowance before—in specifically the issue of overpayments, the DWP's responsibility then to claw them back and whether the people in receipt of Carer's Allowance understand it and their obligations around earnings. We have some questions around that.

Q2 **Ruth George:** Good morning. Emily, Carers UK has a very helpful forum on your website for carers to ask advice about what is happening to them. What sort of evidence have you had about overpayments on that forum and people being asked to pay it back?

Emily Holzhausen: I have looked back through the forum and our advice queries as well. We had a steady flow of overpayment questions from carers. There is a whole range of different circumstances, which is one thing that shows you how flexible we need to be in terms of helping people understand the system. There are instances where people have declared earnings, as they absolutely knew they were going to go over, but had not realised they had gone over before just by £1 or a couple of pounds for a year. They include people who just said they had not realised about earnings. Some already knew the system, but then became self-employed and on a zero-hours contract, it was quite stressful caring for a disabled child as well as working just a few hours unpredictably, if you like, and they then forgot to inform the DWP.

We have had other people say, "I am already in touch with the DWP because I have Income Support. They knew that I was coming off that and going into work so why is it that they did not know?" and they did not tell the right bit. There is a range of different circumstances. They are in all sorts of different caring situations as far as they have told us: caring for parents, caring for partners and caring for disabled children. As you know, the requirement is to provide at least 35 hours a week, but most of the statistics show most people provide much more than that and it is usually quite intense.

We welcome the whole debate looking at the kind of information people get and how they are able to predict their earnings. If you look up the rules, they are quite complicated. Some are definitely to the benefit of carers, but you need to understand them well in order to know how they work. We welcome the raising of this issue as well. I want to say as well that the one thing that comes back very clearly is the distress this causes. Most people say, "I just did not realise" for whatever reason.

Q3 **Ruth George:** Could I just ask you to expand on that? How much awareness do you think there is of the earnings threshold in Carer's Allowance and how clear is the information from the Department to carers about it?

Emily Holzhausen: There are references to it almost all the way through in terms of earnings. One of the challenges is where people have a change of circumstances, another is how people are communicated with. If you look at the letter, for example, which comes to a carer, it is quite long and quite complicated.

Ruth George: Yes, four pages.

Emily Holzhausen: Or more. Certainly I have seen a five-page letter. The "additional information", which is really important, is additional information so you have to read past the letter on to the, "Please read this carefully" section,which runs to at least a couple of pages.

In terms of a change of circumstances, it is harder to understand. Of course people who are on Carer's Allowance regularly will get this letter every year. Do they re-read it and re-remind themselves of the many different rules that exist around Carer's Allowance?

Overpayments also occur in other circumstances. If you have had a little bit more time away from caring, overpayments are caused because of that, for example. There is a range of things where you need to report different circumstances. You might not return to the website every year to have a look. The information varies there. Some of it is clearer about changing of circumstances if you are earning over £120 a week. There are definitely areas where carers could easily be confused by the volume of information, the language and the regularity of receiving that.

Q4 **Ruth George:** In the letter that carers receive, does it specifically tell them that they need to report if their earnings exceed £120 a week?

Emily Holzhausen: No, it says they need to report if they change job or their earnings change.

Q5 **Ruth George:** It does not mention this magical number of £120?

Emily Holzhausen: No, I do not think so.

Q6 **Ruth George:** Not under "change of circumstances"?

Emily Holzhausen: No, it is confusing. We do welcome the fact that the earnings limit goes up, which is so important. We have views about the level that it is set at, but knowing the earnings limit every year is important.

We also see people who think it is lower than it is and could potentially work a little bit more. I know that is not the subject of today's discussion, but we could make it clearer to people.

Q7 **Ruth George:** There are deductions people can make from their earnings to get a net figure before they are deemed to have hit the threshold. What is the information out there about those deductions? I know Carers UK gives additional advice to carers on that.

Emily Holzhausen: We do. It is quite complicated in terms of deductions, tax and National Insurance and potentially half of alternative care costs. Most people will not pay tax and National Insurance, but you can make contributions to pensions. There are some allowable expenses as well, but it is not clear what those allowable expenses are, they are not set out. They include perhaps travel expenses and the expenses that are spent purely for that employment. It is quite hard for people to work out what that is. We do our best by trying to give worked examples so people can see what that might be. The other issue we have come across in terms of people trying to predict their earnings is when people are paid monthly, but you have a weekly amount, you have to be able to work out what that is, so it requires a certain level of maths ability. Normally you would times that by 12 and divide that by 52, as it says in the "Welfare Rights Handbook".

The other issue is that people have fluctuating earnings, therefore in actual fact it is not, "I get £119 a week regularly". Certainly for people we have seen who are on zero-hours contracts, for example, it is very difficult to say what they might get. For their pattern of work there is a different way of averaging out earnings, which means it is sometimes very difficult. The carer might say, "That is my pattern" and they might have interpreted it differently to the Carer's Allowance Unit. That sets quite a complex picture for people to be able to work out where they are.

Q8 **Chair:** Before I move on to Nigel, can I ask a couple of questions, Emily? I am inclined to agree with where I think your thoughts might be with the whole thing about Carer's Allowance and what it is supposed to do. I have noticed the whole monthly/weekly thing. Is there bit of a generational issue within the DWP, some things are still a bit old-fashioned—weekly benefits and weekly things—and now UC is all about a month? Is that something that is an unnecessary complication and probably needs streamlining across the system, that it is either weekly or it is monthly?

Emily Holzhausen: There are different ways of working things out. We are very used to working on a weekly basis; monthly is different. People's patterns of work are now so different. Monthly is quite common, but certainly not everywhere. In terms of people's income, people are also still paid weekly as well. That is the complexity. As we move forward and UC rolls out further then we will see more people aligned to monthly. It is also more complicated by the fact we have people—for example, parents of disabled children—working sometimes a little bit more during term time and then not in holidays because they cannot get alternative care.

For people on these more fluctuating contracts it is very difficult to predict.

Q9 **Chair:** Why would you not encourage them to work as much as they could when they could and then not the rest of the year, instead of their being massively penalised for that?

Emily Holzhausen: This is one of the issues, Chairman. The penalty for going even £1 over the earnings limit is the harshest in the benefit system; you lose the entirety of your benefit. That is why I think carers feel it is so hard as well, because you have to pay all of that back. It is not that you have to pay back £10.

Chair: The whole lot?

Emily Holzhausen: If it is just one week, that is the entire benefit.

Q10 **Chair:** We will explore that a little later as well. One final question from me. Presumably in your organisation a lot of what you do is to provide support and advice to people going through this. I would imagine there are cases that are brought to you, "I have this overpayment. They are clawing it back. I did not realise". Are there any themes or trends you have seen around those claimants who are more likely to go over and have overpayments? For example, people who have worked all their life when suddenly the sibling becomes ill, and for whom being a carer is a new thing—"I thought I could keep working"—as opposed to perhaps a mum who gives birth to a disabled child and knows they are at home from the beginning. Are there any themes in the sorts of people who are getting it wrong in terms of what they can claim?

Emily Holzhausen: That is an interesting question. What I was surprised about was the diversity of people's experiences. It is really across employed, self-employed and, as I say, zero-hours contracts. I was surprised at the breadth of caring situations: people making mistakes when they started work, even knowing the system, starting work and simply forgetting because it was a different situation, and trying to juggle everything. You can see how complicated people's lives are, "I have a partner. I am caring for somebody, I have three kids and I am trying to do a bit of work as well". The one thing that comes through strongly is that they do want to have a bit of work. The bit of work that they can manage is really important to them for income as well as for other reasons.

Chair: Yes, self-esteem.

Emily Holzhausen: We want to encourage that and not make people concerned about what they might do.

We do not do casework. We advise that people receive casework support locally through Citizens Advice and other charities, therefore we do not always know what has happened to people in the end. What is very clear is that people are obviously shocked when they are contacted when they have made an overpayment. Many of them say they just do not know how they are going to pay things back. I know the Department has a number of different ways of smoothing that path for people. There was one case of somebody who was potentially being prosecuted who contacted us. They were so frightened they started ignoring the letters, which of course was the worst thing they could do. We would like to get to a place where people are really aware of what they can do. They can do things positively, predict where they will be, manage their family finances well and be open and transparent about it. That is probably a place we would all like to get to.

Q11 **Chair:** From the Committee's point of view, if you do not mind, I would be quite keen to ask the CAB, then. It sounds like it may be the better organisation for data to see if there are any themes in the casework it has had in the kind of people or if it is just everybody. Is this confusing for everybody as opposed to people who perhaps have worked all their lives?

Emily Holzhausen: It is confusing. If you have been working for many years and then come into the benefit system it is a confusing system. You have to learn it and learn who you talk to. The people who learn this discussion and this debate well with the Carer's Allowance Unit will build up knowledge about how things work. We still get quite complex questions from people because benefits are complex.

We did ask the Citizens Advice Bureau, which was really helpful. It does not pull out and record separate overpayments, but it gave us a few examples of where people had informed about a change of circumstance, but there was a time lag between the information and being asked for an overpayment; they were not necessarily reconciling processes.

Q12 **Nigel Mills:** The Department will tell us it makes it very clear that if your earnings go above that threshold you have to tell it and you may possibly get less benefit. Is that a view you would agree with, is it made clear to people?

Emily Holzhausen: We would like it to be clearer, a lot clearer. It talks about earnings going up or changing. If carers really knew the penalty—it is such a significant penalty for going over the earnings limit that we could do more to make sure they are aware of that.

Q13 **Nigel Mills:** One of the things we do is spend quite a lot of time thinking how to make the correspondence DWP sends out clearer and easier for people to understand. You almost come up against, "But the system is complicated and there is so much we have to tell people. If we do not tell them, then somebody complains they were not told that if they received contribution-based Jobseeker's Allowance they had to tell us". There might be people who will know that themselves. You get to the stage where you either have a very simple one-page document that says, "If something changes you must tell us" or you get four pages listing almost every scenario you could dream of. Where do you think the happy compromise is in that situation?

Emily Holzhausen: It is a tricky road for the DWP to walk through. It could, for example, link to more information online—something the Select Committee has raised as well—with worked examples so people have more information. There will be different requirements for the DWP as to perhaps why they have not been clearer with the information in the letter about changing jobs or things going up. It would be interesting to know what they are and why they cannot be more explicit in the letter.

There is certainly a design element that could help. The type size is not that large. The pages that are very important, "Please read these instructions carefully" are the appendix. That does not necessarily draw your attention, but that is where the information is that is absolutely critical and you must read those sections. I do not know to what extent this is linked up electronically for carers, whether they receive this electronically as well or whether it is always in paper form.

Ruth George: It is always in paper form, I understand, never electronically.

Emily Holzhausen: Some people are less used to using paper now and use e-mail as a way of storing just about everything.

Q14 **Chair:** This is the generational thing I was asking about earlier, like weeks and months. It is another example. UC is all about online journals and yet we have a benefit like this where it is all about bits of paper. To me that is really inconsistent.

Emily Holzhausen: It is something that could potentially be changed. People are trying to track their earnings, "Where am I? Where am I up to?" There is no mechanism for them to do that officially. Everything has to be sent in, uploaded and sent in or sent in in paper form, a payslip. It is quite detailed, the kinds of information people need to send in, potentially quite regularly as well.

Q15 **Nigel Mills:** For everyone who is employed, the DWP has that information anyway because it can get a real-time feed from HMRC. Most of these things a carer has to tell DWP the DWP ought to already know. It ought to know what I am being paid through a payroll. It ought to know what other benefits I am getting and what changes. It also probably ought to know if the person I am caring for loses their welfare entitlement, so I lose mine. Is not the solution here for DWP to do some of this work itself?

Emily Holzhausen: It comes as a surprise to people that different parts of the DWP do not necessarily share information and they need to inform people explicitly in the Carer's Allowance Unit.

I would say one of the benefits of having people working in the Carer's Allowance Unit is that they have built up really good knowledge over the years, knowledge of caring and carers, so the decisions they make are more in tune with people's lives, if you see what I mean. Rather than having just anybody make a decision on their claim, there is more expertise built up. Certainly we have come across that as an issue. For example, the woman who was moving from Income Support who automatically assumed that someone had updated her record.

Chair: The DWP is not all one Department, but why would you, as a customer, think any differently?

Q16 **Steve McCabe:** My experience as a constituency MP is that over a range of benefits it seems quite difficult for people to give information to the DWP. I am amazed at the number of letters that go astray and the number of documents that get lost. It strikes me as a recurring theme in the advice work that I see.

If these figures that *The Guardian* has reported are accurate then we could be seeing thousands of people being fined or prosecuted. It would appear the major problem is that they have not reported a change of circumstance. I wondered, from your experience, how easy is it to report a change of circumstance if you are a carer?

Emily Holzhausen: You can either ring or you can e-mail or you can write in to report a change of circumstance. A few months back it was a little bit harder to get in touch with the Carer's Allowance Unit through the telephone.

Q17 **Chair:** Just to qualify that, was there a period where they were short-staffed, do you think, or were there too many calls so they were not picking up?

Emily Holzhausen: I think it was taking a little bit longer to process calls. That was a few calls we had from carers. That was quite a few months ago. We have not heard anything recently about that.

From the carer's experience and point of view, people have said, "I reported it. I rang them and I told them". Then you ask them, "When did you ring them?" and they cannot remember when they rang, they did not have a record. That is part of the problem, their own record-keeping. Some of them send letters and slips to the Carer's Allowance Unit, but do not necessarily send them recorded delivery. Again, they then do not have a record of when they have sent them. If they send things by e-mail they do have a record, which is quite important, and they can scan and upload documents. However, that requires somebody to be on e-mail and to be able to do that. Not everybody is.

Q18 **Steve McCabe:** Is the problem not that it is difficult to report to the Department—you are saying that is relatively easy—but proving you have done it? Is that what you are saying is a problem?

Emily Holzhausen: For some people they will not have an audit trail of when they have done it. That is a challenge for both proving when they did it as well as keeping track of when they have done it, if you see what I mean. Unless the Carer's Allowance Unit has a record themselves of that call and that person or if letters do go astray, then of course the carer does not have any record of it. Therefore e-mail is a good form, but not everybody has that trail. Things through the website gov.uk have improved in that some of the pathways are a little bit clearer.

However, it is also remembering to do this. In some of their correspondence with us you can see how pressed they are for time in caring and looking after people and remembering to do this and send a change of circumstance. There is quite a lot of administration, as you well know, in caring for somebody, arranging different appointments, arranging different benefits and checking other benefits. Some people have said it is quite easy for this to slip away and not get done, so the easier we can make it the better.

Q19 **Chris Stephens:** Emily, I think you touched on some of this earlier, but just to maybe flesh out the impact that repaying overpayments can have on individual claimants, particularly thinking about the amounts they would have to repay and also what effect that would maybe have on a carer maintaining employment, maybe discuss that in a bit more detail for us.

Emily Holzhausen: The first thing you see when the queries come through is that the emotional impact is really very significant, people saying they have been crying for days on end, their mental health has been affected and some of them practically do not know how they will manage. It could be they have not yet had a discussion with the Department about how those payments are rescheduled, what size they are and over what period. Certainly there are decisions people have to make. We have had carers say, "It is just not worth it. I am not working. I cannot predict this. It is too much, I have to give up". They do not want to do that, which is really clear from their responses. Others say they wish they had not claimed benefits in the first place, but of course it was a vital source of income—potentially their only source of income—but they are so struck by their experience. We had correspondence with somebody who owed £10,000, had made a mistake and it was not picked up.

Chair: They owed or they earned £10,000?

Emily Holzhausen: Owed.

Q20 **Chair:** Talk us through that. How does it get to £10,000? A quick bit of maths: at £64 a week that is not a short period of time. Have they had no dialogue with the DWP at all?

Emily Holzhausen: I think they had a small job, were self-employed, and said they did not realise so it had not been picked up.

Chair: It is more than a year.

Emily Holzhausen: Yes, it is several years.

Chair: No interaction with the DWP?

Emily Holzhausen: The DWP will have written to them every year.

Q21 **Chair:** Did they? Do we know this?

Emily Holzhausen: No, we do not know this, but the DWP does write to all claimants every year. They get a letter. They will have had that contact. It is possible something might have gone wrong, of course. We did not talk to her about that specifically because it was an advice query.

Q22 **Chris Stephens:** Just to be clear, did the Department write to the claimant every year, on an annual basis, describing what they were going to be receiving?

Emily Holzhausen: The letter is quite comprehensive, as you have said, with the award and with all the different conditions, all the things you need to report the change of circumstances of.

Q23 **Chris Stephens:** Then someone that you are aware of gets a subsequent letter saying, "You owe us £10,000"?

Chair: Out of nowhere, which is the part I cannot get my head around.

Emily Holzhausen: Quite often these calls are unexpected. Obviously if people have made mistakes they do not expect to be asked for an overpayment.

Q24 **Chris Stephens:** I take it the issue you are talking about was resolved. Was there any underwriting or are they having to pay the £10,000?

Emily Holzhausen: We referred that person to some casework locally. We told her what her different rights were and then referred her to local casework, so I do not know the outcome of that particular case.

Chris Stephens: You do not know the outcome of that. Sorry, Chair.

Chair: I am thinking the same as you. I want to make sure I am understanding it properly. For a number of years this person would have had an annual letter, "You receive Carer's Allowance, do not forget you need to keep telling us about changing circumstances". There is no warning and then out of the blue, "You owe us £10,000"?

Q25 **Ruth George:** With self-employment, how does it work? You will not know what your annual profit is until the end of the year, until your accounts are done for tax purposes, probably about nine months after your year end anyway. You could have been receiving Carer's Allowance for about 21 months before you even have any idea that your profits, after taking in all your general profit and loss expenses, are over the allowance. Then you have all the different Carer's Allowance expenses to take into account, with your travel expenses and everything on top of those self-employment deductions. It seems almost impossible for carers who are self-employed. I suspect self-employment is something that fits quite well around caring. Lots of people might be able to run an eBay business or something from home while they are caring. It is not going to be an uncommon situation.

Steve McCabe: Is this affected by the fact that it is one of these benefits that is not annually reviewed, only occasionally reviewed? Is it a case that the Department has a trawl periodically and scoops up a whole load of people who have been missing?

Q26 **Chair:** That is what I am trying to get to the bottom of. Self-employment is slightly more complicated, for all the reasons you outline.

However, have you had experience of people coming to you where they are a regular PAYE earner and have then had a mystery letter out of the blue after four years, five years, whatever, saying, "By the way, you owe us this much money"?

Emily Holzhausen: Yes, there will be PAYE earners. It is not always easy to tell people's employment status when they come to us. It was not a question we necessarily asked, so unless they declared it I am making an assumption of who might be PAYE. Really the earnings limit is the earnings limit. However, there are different rules for people who are self-employed both short term and in the longer term. How one works that out, I do not know. If it was me, I would find it very complicated.

Q27 **Chris Stephens:** Coming back to this case that you have raised with us of £10,000, do you know how far back that went in terms of years? If I am trying to get money back off Steve, for example, I know I can only go to court and claim back so many years. Therefore I am wondering about this £10,000 alleged overpayment, what the timespan of that was.

Emily Holzhausen: It was several years, maybe three years.

Q28 **Chris Stephens:** Is it possible the DWP could write to someone and say, "We are going back 10 years or seven years"?

Emily Holzhausen: I do not recall how far back the DWP can go.

Q29 **Ruth George:** We have had evidence they have been reclaiming £48,000 as a maximum, which is what the Permanent Secretary has told us. That would mean them going back 15 years or so.

Emily Holzhausen: It is possible within that amount there are other benefits that are also included.

Ruth George: This is the Carer's Allowance, £48,000.

Emily Holzhausen: Just Carer's Allowance specifically.

Q30 **Chair:** I am struggling to understand the interface with the DWP. On the one hand we can have a debate about whether carers are not given clear information about, "You must report a change in circumstances over £120". I do not understand how with the DWP—which if you are PAYE has access to HMRC real time—it can be "tra-la-la-la", nothing at all, and then 10 or 15 years later, "We are coming after you". I do not understand that. I am trying to get a handle on whether there are annual letters that tell people that they owe some money that they are ignoring or whether it is the DWP not being disciplined enough and then suddenly doing a random piece of analysis and going, "We found some people who owe us some money. Let's write to them". Do you have any sense of that?

Emily Holzhausen: The annual letter is more or less a standard letter. I do not know whether it varies to different people according to their slightly different circumstances. It may well do because of people's different benefit mixes potentially. It does not say, "You owe this much". That is a completely separate exercise. From what I can tell from some of the evidence you have also looked at and *The Guardian* article there is records matching. That will be a separate process that might raise cases and questions for people who have earnings that do not match the records within the Carer's Allowance Unit.

Q31 **Chris Stephens:** Emily, we know now that there are over 1,000 carers facing prosecution. Can you tell us, from the experience of Carers UK and the carers you represent, what the impact on claimants who face prosecution is?

Emily Holzhausen: It is extremely stressful getting letters to say you have done something wrong. Most people are very honest and are shocked by that. Then it is extremely stressful for people's mental health and wellbeing when they are caring and some of them are not caring anymore. There is the legacy and of course they still need to go through that process. They feel it very personally and it is very difficult.

Q32 **Chair:** Where is the best place for us to get data? Is it CAB? If somebody comes to you, "I have had this horrible letter. Goodness, I do not know what to do" is it the CAB you are handing it on to? I would like to understand more. It seems to be haphazard that people get this letter arriving. I want to try to get some sense of the data around that. Where would you recommend?

Emily Holzhausen: CAB certainly locally, the Welfare Rights Bureau as well. There are fewer law centres around who are able to support nowadays. As I said, we provide national advice and then we refer people on. We can look at what people have told us so far. Those would be the evidence places. I do not know if that CAB has that data. It is well worth asking, but it depends whether it is collated as part of their case recording. I am sure they would be happy to help.

Q33 **Chris Stephens:** It raises the question then of what more you think the DWP could do to reduce the number of overpayments?

Emily Holzhausen: This is a very long-standing issue. If the penalty was not quite so harsh, losing 100% of your Carer's Allowance, it would instantly reduce the number of overpayments. We have tapers on other benefits, but not on Carer's Allowance. It would allow people to flex. Trying to predict earnings would still be complicated because it is hard to work out withdrawal rates, but the penalty would not be as severe.

Q34 **Chair:** How would you recommend that it was tapered? Would you align it with Universal Credit?

Emily Holzhausen: That could be one option to be explored. At the moment we are just running through some calculations to see who is better off or not within Universal Credit where they have earnings. Because Carer's Allowance still exists technically within UC, if you still claim that, the earnings limit still exists. If you do not, but you have the carer element, then you are potentially better off. We are going to run a number of different scenarios through Universal Credit to see how that works and to see whether people are better off or not.

Chair: If that is a piece of work you are doing now, could you let us know the conclusions you reach from that? Thank you.

Q35 **Ruth George:** We have had evidence from the Permanent Secretary of DWP that there are around 70,000 cases of overpayment of Carer's Allowance that they are looking into at the moment. Not a lot of them are coming through to advice agencies, it seems. Do you think part of the problem is that carers are so very isolated when they are stuck at home, and possibly only just able to get out to work and not able to make appointments with Citizens Advice, or if they are not online, to be able to seek advice from you? How far is that going to make these sorts of overpayments and claims worse for carers than it might be for other sections of society?

Emily Holzhausen: People are more isolated even if you are going out to work. Overpayments, as you know from some of the questions asked, are not just for earnings, they are sometimes for other reasons. People have taken breaks: perhaps they are caring for somebody who is really very severely disabled or in hospital and they have had some very much-needed time off and are still in payment and should not be. Some are no longer caring and there are overpayments there as well. However, earnings is the largest segment.

Q36 **Ruth George:** Bearing in mind the level of advice that is given to carers, do you think it is fair they are being prosecuted under criminal procedures in some of the cases we have seen in the media under the Proceeds of Crime Act for carers who have gone a little bit over the earnings threshold?

Emily Holzhausen: It is very difficult. There are different cases. I know in terms of the advice people get locally from other sources, like Citizens Advice or ourselves, they have to know we exist. They have to be able to make the time to make an appointment, which can be difficult. Certainly Citizens Advice do a fantastic job, but they are also extremely stretched as a service locally. Prosecutions are hard. There are people who unwittingly make mistakes and if they cannot pay administrative penalties then they may well be prosecuted. That is very difficult when you are caring for somebody. It is difficult if you have not knowingly made the mistake and you think you have been honourable in what you have been doing.

Q37 **Ruth George:** Obviously there will be cases of deliberate fraud.

However, in a lot of the cases we are looking at it has been unwitting, as you say. People get an extra £1, but they lose £64.50. How does that fit within the concept of fairness and British justice?

Emily Holzhausen: It is very difficult. We say that caring is an incredibly important activity. The support people provide is worth £132 billion a year. It is something we simply cannot do without. To have the harshest penalty—earn £1 over, lose 100% of your Carer's Allowance—is not supporting families in the way we should be to continue caring and to continue with a foot in the workplace. It is not really being aligned with other caring responsibilities for children, for example, where we have understood that that flexibility is really important. All the research points to caring for disabled or older people being more complicated and more unpredictable. If you are caring for somebody with a severe mental illness, it can be very unpredictable and very difficult. You may have many different hospital appointments and you cannot predict when or how they will come. That is very different to caring for a non-disabled child where the development cycle is predictable.

When we look at the earnings limit and losing 100% of the Carer's Allowance, it is not just us who would like to see that change, there are other organisations such as Contact a Family that supports parents of disabled children. There are challenges around those parents' interaction with tax credits because of course where the earnings limit is set you cannot work 16 hours, so you are under the threshold for other support. Although the earnings limit—forgive me for saying this, because this is another issue—might have risen in the last couple of years above the rate that wages have risen, because it does not keep pace with the National Living Wage, the number of hours you can work is dropping. It has just dropped below 15 hours a week now. People have to be aware in all of this in actual fact the number of hours they might be able to work is dropping. You are still doing the same job, but your earnings might have gone up.

Q38 **Chair:** Not dramatically or intentionally. That person will not perceive that their circumstances have changed at all. They are still doing the 15 hours at Tesco or whatever it might be.

Emily Holzhausen: Yes.

Q39 **Ruth George:** In the shop workers' union we used to see a lot of cases where people would get a 2% pay rise and not realise they had gone over the limit. In the past that seemed to have been picked up at the year end, so they would have maybe eight or nine months at most to pay back, which is bad enough, because that would be about £2,000, but not the sort of figures we are seeing now when you are looking at three or four years' worth.

Emily Holzhausen: I want to say on record as well that we welcome the rise in the National Living Wage, which is really important.

Q40 **Chair:** The whole lot needs to shift then, doesn't it?

Emily Holzhausen: The whole lot needs to shift. If it could just peg with that, then it would be a lot easier for people to understand. We are down to about 14.9 hours now on National Living Wage, so it is—

Chair: It is out of step, isn't it?

Q41 **Ruth George:** It is. Lots of employers do 16-hour contracts as basic because that is what so many lone parents and other sectors of society want. Their gateway to working tax credit is doing 16 hours and that has become quite a norm. If carers cannot earn that amount then there will be jobs they cannot access.

Emily Holzhausen: Also what is the negotiation with your employer? Do you say, "I need to drop my hours. This benefit is really important to me as the mainstay of my security and I know if anything goes wrong it is there and I get it. This is the only work I can do. I cannot do much more". Do you ask an employer to drop your hours? That is not always possible for an employer to do.

Q42 **Ruth George:** Not at this time of year, not in the run-up to Christmas in many sectors.

Emily Holzhausen: It is a difficult and complicated situation for people to have to think about and manage.

Q43 **Chair:** Can I just ask one blindingly obvious question to make absolutely sure I have this right in my head? You are expected, on a weekly basis, to tell the DWP if your earnings have gone over £120. If for 48 weeks of the year I am under that by a lot or a tiny bit, but for four weeks of the year I am over it, that would generate an overpayment?

Emily Holzhausen: That would generate an overpayment for those four weeks potentially.

Q44 **Chair:** I could be earning £50 a week for 48 weeks of the year and for four of those weeks I go to £121, there is just no balancing over the year, is there? I want to absolutely check my understanding of that.

Emily Holzhausen: The averaging out of earnings is over a normal work cycle, whatever that is. That is different for different people. That is the trickiness of trying to work it out, with people who have slightly fluctuating earnings, what the normal work cycle would be. For a lot of them that would be a month.

Q45 **Chair:** We have talked a little bit about taper. What else would you do to change the way it operates? Would you make it annualised? What sort of things would you recommend?

Emily Holzhausen: We have not really looked at annualisation.

Chair: I am just picking that as an example.

Emily Holzhausen: We could go away and look at that. It is quite complicated.

Chair: I am just thinking out loud what would be better.

Emily Holzhausen: I think everybody would like to get to a place where we have quicker information in and if there is an overpayment it is dealt with quickly. That is in the interests of everybody. Some of the processes that DWP has put in they have said will enable that process to be quicker. Some of the cases I am talking about date back over the past year so I hope that maybe they are picking up some of the historical elements they have been looking at as well.

We have not looked at annualised. There is also the question, as you say, of weekly or monthly. I do not know how often people are still paid weekly; I do not know how frequent that is. Then of course there are the self-employed people who have completely different calculations.

Q46 **Ruth George:** I think the Committee was sent directly some evidence by a carer who said they had earned under the weekly amount every week but they were paid monthly. Because some months that took them over the monthly allowance, even though every single week they earned less than the earnings threshold, they have still been asked to repay four or five months' worth of Carer's Allowance, even though they never went over the weekly threshold. That just seems a completely unfair way of penalising someone. Because of the way they are paid, someone who was very aware of the threshold and made sure they earned less than that amount every week has been penalised massively, because the monthly pay was worked out differently.

Emily Holzhausen: That is a good example of how difficult it is to work out where you are with these different calculations.

Q47 **Chair:** Do you have any examples or knowledge of where somebody has found the strength to argue the toss with the DWP through an appeal process in an example like that and won? Is there an appeal process?

Emily Holzhausen: There would be. Obviously you have to provide evidence. On the averaging out of earnings, perhaps there might be a slightly different discussion. One case we had, for example, they worked one week in every four and they were averaging that out over every week.

Q48 **Chair:** On the assumption that it was per week?

Emily Holzhausen: Yes, but it was for that week. That was problematic for them. I am sure there are cases where people have successfully argued averaging out of earnings, how to treat those earnings over the normal work cycle and what that is. I would think the Carer's Allowance Unit sees a lot of those examples so has probably quite a lot of experience of making decisions. We do not have that raised very often with us, which might suggest they get it more right than not.

Chair: I do not feel like I understand the system or how it works terribly well, to be honest.

Q49 **Nigel Mills:** If we gave you a shopping list of ideas that could improve it, what ones might you prioritise? The taper, was that your first choice before?

Emily Holzhausen: Taper would be very helpful. Pegging the earnings limit with the National Living Wage so people do not have to make complicated decisions and people benefit a little bit more from work. I know we have journals within UC, whether we can move towards something like that where people could enter that. An alignment of the two systems would be very helpful, and certainly improving the kinds of information that appears on gov.uk and whether it is possible to have some worked examples as well. We have done some.

Q50 **Nigel Mills:** I suppose the most generous solution would be not to means test this at all and say, "If you are doing the 35 hours' care you get this, whatever you are earning" but I sense that will not be one the Department will be overly keen to accept. That would be the dream solution.

Emily Holzhausen: I would agree with you, just for the record.

Q51 **Nigel Mills:** We cannot get there, can we, so the taper is better. Could you do a run on—which appears to be a popular phrase in the DWP now—so if your earnings go over £120 you keep your Carer's Allowance for four weeks, but then if you are still over £120 then you lose it, but if you have gone back under it effectively smooths out?

Emily Holzhausen: There are all different scenarios. We have picked ones that we think would be doable. We have not looked at things like that, but definitely could.

The other thing you will probably know is that carers feel very strongly that Carer's Allowance is a benefit that should be higher. It is the lowest benefit of its kind. Of course Scotland have—

Q52 **Chair:** Or take away the earnings element so it is just what it is.

Emily Holzhausen: Yes. Those are different things we could look at in terms of smoothing paths. There are so many rules around how you compute final earnings and the period within which that rolls, what is included and what is not included. The advice within the "Welfare Rights Handbook" from the Child Poverty Action Group runs to several pages just on this.

If we are looking to more agile and flexible working in a mixed economy, we need a more flexible way of people being able to keep track of what they are doing and for them to be helped to work to pay for them, not to fear the benefit system will penalise them if they get it wrong.

Chair: Anything from anybody that we have not covered?

Q53 **Derek Thomas:** This may be more for members here than Emily. There may be an issue with Work and Pensions and HMRC, that they cannot share data when they are dealing with an individual, which might be worth understanding.

Ruth George: They can.

Derek Thomas: They can, all right. The other one is when it comes to self-employment, which we have discussed, whether making tax digital might address that. They would have to submit in real time every quarter, so you potentially would not have the 21-month backlog that you described if there is a system that corrects it naturally as each month goes by.

Ruth George: That is coming in for very small businesses.

Derek Thomas: This is the problem. That is my next point, the very people we are talking about initially will not be covered by that.

Emily Holzhausen: On self-employment, there is a slightly higher than average number of people who are self-employed in caring just because of the flexibility around caring. By no means is it everybody on a low income, but there are people with quite low income self-employment jobs as well who would fit with Carer's Allowance. I am afraid I am not very knowledgeable about the new tax system coming in for self-employment. It might also depend on the different thresholds.

Derek Thomas: At the moment they are starting off at over £10,000.

Chair: It is all about data-sharing, isn't it? It seems to me haphazard the way the DWP come after you. They suddenly decide after 10 years to do a bit of internal analysis, "Right, let's go for this bunch of claimants". It does not seem to me regular and predictable and that is the bit I want to try to understand.

Nigel Mills: There is this naive view that the way RTI works is that there is a big database, which would put a red flag up that says, "You are paying Carer's Allowance to somebody who has just earned £200 this week". It would flag it up and you would go and say, "What has happened here?" You would say, "That is a mistake. I have been paid for two weeks in one go. Do not worry, it is fine" or, "I have got some deductions, it is fine" so you would never have these arrears building up. However, that is not how RTI works, is it? I think you have to ask the system to check; it does not does not do it by some clever means.

Q54 **Derek Thomas:** There are examples, Chair, of debt being written off. I think it was with the tax credits that a lot of debts were written off. Are you are arguing, as an organisation, for the Government to not go after this money?

Emily Holzhausen: The Department has the ability to look at different waivers as well as longer-term payment prospects. We will be asking for them to take the circumstances very much into account for different cases. Obviously there are people who deliberately defraud the state, which is a different matter. We will be asking to look at those.

Q55 **Nigel Mills:** When I claim Carer's Allowance, does the system track who I am a carer of? If I am caring for Derek do I have to say I am the fulltime carer for Derek or does the system not record who I am caring for, it just records I am caring for someone? Does it know if Derek dies or loses his entitlement?

Emily Holzhausen: I know when you apply for the benefit the person you are caring for has to acknowledge that you are a carer for them. That was introduced to reduce people who were saying, "They do not care for me". That has been quite successful. The system generally does not know that you are a carer unless you are tagged to something like Carer's Allowance or any of the other carer flags within the system, maybe in Income Support. The system will know the claimant for whom you are caring because of course they have to be on the correct level of disability benefit.

Q56 **Nigel Mills:** The reason why I was asking was whether the system should be able to say, "You are not entitled to Carer's Allowance now because of a change in circumstances for the person you are caring for". It can stop paying me. Even if I forget to tell the system for a while it should know. Do they not have the capacity to say, "We know you are not entitled because the person you are caring for has lost their welfare entitlement so you lose yours"? Is there any way of joining it all up?

Emily Holzhausen: I know carers say, "My Carer's Allowance stopped because another benefit is no longer in payment". I also know that a number of overpayments are due to people no longer caring for somebody but continuing to claim. I think that is a question you might have to ask the Department about, where that sits between the two.

Derek Thomas: Going back to the circumstances, which is a good point, sometimes the circumstances are quite stressful. If someone has gone into hospital, particularly a child or something, the last thing you are thinking about is contacting DWP to say, "This is not necessary at the moment". Therefore when these things are investigated we would hope they would apply some empathy to the situation, if that is possible.

Ruth George: There are examples online of people who have asked for advice when somebody they care for has gone into hospital and they have been so busy running around, going into the hospital every day with two-hour round trips and doing 35 hours' worth of care. Even though the person they care for is in hospital they are still having to go and liaise with doctors, sort things out at home about missed medical appointments and things and still then being charged for the Carer's Allowance overpayment.

Chair: It is whether it is a permanent change, I suppose, rather than a temporary stay in hospital or something. There are certainly questions we need to ask the Department.

Brilliant. Thank you very much, Emily. We really appreciate your time.

Emily Holzhausen: Thank you very much.