



Department
for Work &
Pensions

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The Rt Hon Sir Stephen Timms MP
Chair, Work and Pensions Committee
House of Commons
London
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DATA PROTECTION AND DIGITAL INFORMATION BILL

Dear Sir Stephen,

Thank you for your letter of 13 December regarding DWP's amendment to the Data Protection and Digital Information Bill – known as the third-party data gathering measure. I was pleased to give evidence to the Committee recently and am happy to offer further clarification as requested.

Fraud is a growing problem across the economy, accounting for over 40% of all crime and the welfare system is not immune to this. Although down by 10% in 2022-23, last year £8.3bn was still overpaid due to fraud and error in the benefit system. It is vital that the Government takes measures to reduce this to ensure the support reaches the right people. As first set out in DWP's Fraud Plan, '[Fighting Fraud in the Welfare System](#)' published in May 2022, the third-party data gathering measure will enable DWP to better access relevant data which will help identify fraud and error in the system. We expect this to save up to £600m in the next five years. This approach follows that of HMRC who already have the legal power to obtain data at scale from banks on accounts for the purposes of tax calculations and checking self-assessment returns as per schedule 23 of the Finance Act 2011.

Let me address the misconceptions about this measure that have emerged. This is not a new surveillance power. The measure does not allow DWP to see how claimants are spending their money – as has been inaccurately reported in the media - and it does not give DWP access to millions of pensioners' bank accounts. What this power does is require third parties to look within their own data and provide relevant information to DWP, at scale, that may signal where DWP claimants do not meet the eligibility criteria for the benefit they are receiving. This data may suggest there is fraud or error and require a further review by DWP – through business-as-usual processes - to determine whether wrongful payments are being made. No personal information will be shared by DWP with third parties and only the minimum amount of information on those in receipt of DWP payments will be provided by third parties to enable us to make further enquiries, if required. As specified in 1(2) of the Schedule, the powers can only be exercised for the purpose of identifying cases which merit further consideration to establish whether fraud or error may be present. To facilitate this, DWP will develop criteria to enable third parties to identify relevant data that, when shared with DWP, will enable more effective fraud and error detection by the Department.

I would like to take the opportunity to clarify the scope of these powers. The power covers all benefits, grants and other DWP payments as set out in paragraph 16 of the schedule. This is to ensure that, where fraud and error arises, the Department has the power to address it. Whilst fraud and error in the State Pension is currently relatively low, it is still present - accounting for £100m of overpayments in FYE 2023. Likewise, fraud and error is also relatively low in Personal Independence Payment but is present, accounting for £200m of overpayments in FYE 2023. For example, in both cases we find that some people live in different countries to the one they tell us so they can receive more support than the relevant rules allow. This measure would help correct for this. However, as I outlined to the committee, in the first instance my department intends to use this measure to focus on addressing areas where there is already a very significant fraud and error challenge, namely Universal Credit.

This power is necessary. Fraud and error is a serious challenge, and we must do everything we can to keep pace. If our fraud and error powers only targeted certain benefits we risk driving fraud and error to benefits excluded.

Through affirmative procedure, DWP will define which data holders they will be requesting information from in regulations. DWP will continue to work with stakeholders on these definitions before they are brought forward in regulations. To provide opportunity for further scrutiny, as set out in the measure, the regulations will be accompanied by a Code of Practice, presented to Parliament following a consultation, which DWP can use to outline which benefits the measure will be focused on and provide more detail on how the criteria will work.

A full regulatory impact assessment has also been undertaken and published to assess the burden on third-party data holders which, as stated, will be banks and financial institutions in the first instance. This impact assessment has been scrutinised by the Regulatory Policy Committee and rated green. We have also committed to update this assessment ahead of presenting secondary legislation to Parliament.

Finally, recognising your acute interest in this measure, I would like to offer the opportunity for you to discuss this further with my team as this measure progresses through the Lords as a part of the Data Protection and Digital Information Bill.

I hope this further information is helpful and provides the necessary reassurances.

With every best wish,



MEL STRIDE
SECRETARY OF STATE FOR WORK AND PENSIONS



Work and Pensions Committee

13 December 2023

Rt Hon Mel Stride MP

Secretary of State for Work and Pensions
(By e-mail only)

Dear Mel,

Data Protection and Digital Information Bill

Thank you for giving evidence to the Work and Pensions Committee on 6 December for our inquiry into benefit levels in the UK. It was helpful to understand the Government's position on the Data Protection and Digital Information Bill for the purpose of inspecting bank accounts.

At the beginning of the session, you [confirmed](#) that powers conferred through the Data Protection and Digital Information Bill, as amended, and if agreed to by the Lords, would make it possible for the Government to inspect the bank account of people in receipt of the state pension. We understand the powers for specific benefits would be provided for following the two Houses approval of an affirmative Statutory Instrument, and that the Act itself would not determine whether future powers would be used or not by this Government or any future Government. We also recognise the Government has chosen a wide ranging power in this area to "futureproof" its ability to detect fraud and error in the system.

Nonetheless, we are particularly concerned about the Government being given such a power, even if it currently has no intention of using it, in respect of the state pension and Personal Independence Payment (PIP). You and your officials explained the rationale for wanting to look at the bank accounts of State Pensioners—to look for evidence about whether they live in the UK—though we are not convinced that would justify taking such a huge power. You were unable to give any reason at all for looking into the bank accounts of people claiming Personal Independence Payment. We encourage you to rethink these provisions as the Bill progresses through the Lords.

In the Report stage debate on the Data Protection and Digital Information Bill, the Minister leading for the Government [made](#) the principled point that "*the powers of the state should be limited to those that are absolutely necessary*". The powers being obtained here represent a significant increase in state surveillance of the affairs of private citizens, but—at least in the case of State Pension and Personal Independence Payment—do not appear to be absolutely necessary.

I would be grateful for your response to these points ahead of Second Reading of the Bill in the Lords. As is usual practice with the Committee's correspondence I will be publishing this letter and your response on the Committee's website.

I am copying this letter to the House of Lords Delegated Powers and Regulatory Reform Committee and the House of Lords Economic Affairs Committee.

Yours sincerely,

A handwritten signature in black ink that reads "Stephen Timms". The signature is written in a cursive style with a horizontal line above the name.

Rt Hon Sir Stephen Timms MP
Chair, Work and Pensions Committee