HM Revenue & Customs

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Dame Meg Hillier
Chair of the Treasury Select Committee
House of Commons
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Dear Dame Meg,

Further to my letter of 13 March 2026, I am writing to update the Committee following the conclusion of the National Audit Office's (NAO's) review of HMRC's Child Benefit compliance exercise. I welcome the NAO's report, published on 24 June, and recognise the importance of its findings.

HMRC has a responsibility to use data effectively to protect public money and tackle error and fraud in the benefits system. However, that must be done in a way that is fair, carefully controlled and with proper safeguards for customers. I agree with the NAO's findings that errors were made in the initial use of the data and intend to implement all of the recommendations they have set out.

The NAO report recognised that the activity identified significant levels of non-compliance and helped prevent incorrect Child Benefit payments. It also highlighted shortcomings in HMRC's implementation of the expanded exercise and the impact this had on some of our customers. The report acknowledged that HMRC responded within 2-4 weeks to make changes to the intervention process following problems emerging in the first rollout. Where HMRC confirmed customers as still eligible for Child Benefit, we apologised for the disruption caused and reinstated awards, with payments backdated to ensure that they received their full entitlement.

Since I wrote to you in July, HMRC has moved this compliance exercise from hypercare into a controlled business-as-usual process. This follows the successful completion of the hypercare phase, which commenced in March, during which we kept enquiry volumes low until we had assurance that improvements were delivering the intended outcomes.

The Annex to this letter includes the latest data and I would be happy to discuss the progress we have made at the Committee’s Work of HMRC evidence session on 9 September 2026.

Yours Sincerely,

John-Paul Marks
CHIEF EXECUTIVE AND FIRST PERMANENT SECRETARY

Annex – Latest progress update

Updated figures from the first roll out of the Child Benefit compliance campaign using international travel data

As shown in the table below, which commences from when HMRC decision making began, nearly all of the 23,800 enquiries opened as part of the expanded exercise between August and October 2025 have now concluded. It also provides detail on both the compliance risk identified and the impact of the changes HMRC introduced shortly after issues began to emerge in October 2025.

As at 27 July 2026, around 23,700 cases had been closed, of which approximately 14,400 customers were confirmed as eligible for Child Benefit. The activity has identified around 9,300 (39%) ineligible customers who have been overpaid Child Benefit and protected around £60 million of public money. Around 100 enquiries remained open at that date, pending further inputs including outstanding customer responses and information from other Member States, before a final determination of entitlement could be made.

	Oct	Nov	Dec	Jan	Feb	March	April	May	June	July
Case status (A) Confirmed eligible	2,500	10,800	12,800	13,100	13,700	14,000	14,100	14,200	14,300	14,400
(B) Ineligible	600	1,000	1,000	5,000	9,600	9,600	9,500	9,500	9,400	9,300
(C) Total number of cases closed (A+B)	3,000	11,800	13,800	18,100	23,300	23,600	23,700	23,700	23,700	23,700
Percentage confirmed ineligible	**19%**	**8%**	**8%**	**27%**	**41%**	**41%**	**40%**	**40%**	**39%**	**39%**
(D) Enquiries still open	20,800	12,000	10,000	5,700	500	200	100	100	100	100

Notes: *July figures are as at 27th July. Figures for October to February exclude a small number of mandatory reconsiderations (MRs) that have changed no more than 100 cases from ineligible to eligible due to more evidence being provided. Figures for March to July include results from MRs as their volume had increased (in line with expectations) to around 300 by end April, therefore having a more significant impact on overall figures. The ineligibility rate may reduce by around 1% dependent on the outcome of the remaining MRs.*

Within the 23,800 total, HMRC issued compliance enquiries to 826 Child Benefit customers in Northern Ireland. Of these, 744 customers were confirmed to be eligible for Child Benefit, while 82 were found to have been incorrectly receiving it. No enquiries remain open.

The analysis suggests the outcomes of the original activity were influenced by factors that have since been addressed through changes to the compliance process. In particular, the figures include cases that would now be excluded through upfront checks of PAYE data and improvements to case selection. The figures also include a cohort of Northern Ireland customers whose exit from the UK was to the Republic of Ireland and who are now excluded from this activity. Taken together, these changes increase the proportion of customers confirmed as ineligible compared with the outcomes achieved under the original process, while reducing the exercise's impact on genuinely eligible customers.

The hypercare phase and transitioning to business-as-usual
Activity restarted in March 2026 with fewer cases to provide assurance that the improved process is operating as intended, with almost 4,100 new enquiries opened as of 27 July. Of the approximately 650 cases closed to date, almost half have been found to be ineligible compared to the 39% ineligibility rate seen for the first roll out. This demonstrates that the activity continues to identify significant levels of ineligible claims and remains an important tool in tackling error and fraud in the Child Benefit system. Where customers are found to have not met the entitlement conditions, Child Benefit payments are stopped, and any associated overpayments are considered for recovery in line with HMRC's normal processes. The activity helps prevent further incorrect payments and protects public money.

The changes introduced for this hypercare phase have now been embedded within the operational process. HMRC has now moved from the hypercare phase into business-as-usual operation while continuing to review the effectiveness of the activity through established governance arrangements. This will ensure the activity continues to support efforts to reduce Child Benefit error and fraud, while maintaining the safeguards needed to ensure customers are treated fairly and avoidable impacts are minimised.

As noted in the NAO report, HMRC plan to update its longer-term cost and benefit estimates for Autumn Budget 2026. We anticipate that savings from this measure will be reduced from the £350m estimated in Autumn Budget 2024. We are working closely with the Home Office to revise the process in order to mitigate this reduction. Proposals include extending the time period for identifying ineligible customers who may no longer reside in the UK. This will include safeguards to prevent enquiries being opened where the individual’s absence from the UK predated their Child Benefit award and steps to prevent customers being investigated again for this identified risk. I can confirm that any such changes will remain consistent with the stated parameters detailed in the existing data share agreement

In addition, we are ensuring that lessons are learned from the design and implementation of this activity and to ensure they are embedded in future compliance work. I am clear that those lessons must be applied not only to this activity, but to future work where HMRC uses data to identify and address error and fraud. Our aim is to ensure that this activity, and wider compliance work, is effective in protecting public money while being designed and delivered with the right safeguards for customers from the outset.

Latest estimates show that £270m, or 2% of total expenditure, was lost to Child Benefit error and fraud in 2025-26 (unchanged from the rate in 2024-25), with unreported changes to claimant’s residency status being a leading cause. As our compliance work on residency is strengthened, it should over time drive a reduction on the observed level of error and fraud. We would expect to see an impact from the 2027 to 2028 Resource Account.