Department for Work & Pensions

Will Quince MP
Minister for Welfare Delivery
Caxton House
Tothill Street
LONDON
SW1H 9DA
www.dwp.gov.uk

Rt Hon Stephen Timms MP
Chair
Work and Pension Select Committee
House of Commons
LONDON
SW1A 0AA

16th July 2021

Dear Stephen,

Thank you for your letter of 27th May 2021. I apologise for the delay in responding.

Your letter raised a series of specific questions and I will address those in order where possible, however where the Department's answers overlap, I have brigaded them for ease.

1. When do you expect rates of fraud and error in Universal Credit to return to their pre-pandemic levels?

2. When do you expect that rates of fraud and error in Universal Credit will be brought below the levels they reached in 2019-20?

3. In the light of the impact of the pandemic, will you publish updated forecasts of the fraud and error savings that Universal Credit is expected to make?

When the pandemic struck last year, the Department faced an unprecedented challenge in meeting the surge in new Universal Credit claims, which at their peak reached ten times the levels we would expect during normal times. As your letter acknowledges, this led to some specific challenges with regards to fraud from people claiming Universal Credit.

These were partly the inevitable consequences of the work we did to make sure, in the extraordinary circumstances of a national lockdown, that benefits could still be paid whilst adhering to national lockdown restrictions. The Department successfully paid an additional three million claims during the early months of the pandemic, at the peak of the surge in claims.

Furthermore, the composition of the caseload changed markedly, as we took on higher volumes of cases with more susceptibility to fraud, such as the self-employed where claims increased seven-fold. The decision to suspend the Minimum Income Floor and conditionality also generated an increased fraud risk.

Turning to your question as to when levels of fraud will return to pre-pandemic levels, this will be determined by a number of factors including the nature of the economic recovery, how quickly the policy easements are unwound and the success of the corrective exercise we are now engaged in. However, I can assure you that the Department continues to be focussed on reducing Fraud from claimants in UC and across all benefits.

The Department set out in the Annual Report and Accounts further detail on the future target for fraud reduction, including Fraud and Error. However, we do need to be mindful that until the impact of COVID have diminished and we have an agreed spending position, the Department will not be in a position to set a meaningful target.

To answer your third question, the UC business case forecasts that in 2026/27, the level of overpayments will be 6.4%, on anticipated volumes and make-up of the caseload at that time. The NAO made an assessment for 2019/20 against the 2026/7 measure. However, the Department has not set out interim targets or assessments, given there is often a necessary period of adjustment as you implement something new.

4. What information about Advance fraud do you expect to publish in the Department's Annual Report and Accounts?

5. Would you consider including information about Advance fraud in future publications of fraud and error statistics?

With regards to UC advances, generating a robust estimate for the level of fraud from the small level of fraudsters that receive an advance but do not go into payment is challenging. The current measurement process is carried out on samples of people who have UC in payment and therefore it will not pick up cases where an Advance has been paid.

Outside of the measurement process, the Department can track cases where a UC Advance is claimed and paid and the claimant closes their claim prior to their first UC payment. We are looking at how we currently identify cases where there is an entitlement, but their claim was closed by finding work for example or those that are committing fraud.

6. When you say that the Department will "correct each and every case where we find something is wrong", what does that mean in practice?

9. How many staff are working on this exercise (in FTE terms), how much will it cost, and how much money do you expect to recover?

As previously mentioned, as an organisation we processed an additional 3 million new Universal Credit claims since mid-March 2020. Our aim was clear: getting money as quickly, and as safely as possible, to those who needed it. To achieve this, we streamlined some of our normal checks that prevent fraud from claimants.

We have now identified those claims made during this period that are considered to carry the highest risk of being incorrect and are reviewing them accordingly. This exercise seeks to ensure information provided is factually correct at the time the claim was made and adjust the award where needed.

In cases resulting in overpayments, we take the appropriate steps to recover. We will consider whether formal action is appropriate in each instance which could result in prosecution action being taken. We currently have around 1,400 staff engaged in this exercise to date.

I share your view that we need to be both sensitive and proportionate here. Please be assured that we are undertaking this work with the utmost care and diligence.

7. If a claimant made an honest mistake in their claim and you find that they have been overpaid as a result, will the Department seek to recover the overpayments?

8. If someone has been overpaid as a result of an error made by DWP, will you seek to recover the overpayments?

DWP makes welfare payments on the basis of the specific legal powers which have been passed by Parliament. It is right and fair that the Dept pays claimants what they are due. While a claimant may have made an honest mistake which results in an overpayment, it is reasonable to ask them to repay the excess.

We also understand the impact that recovering debt can have on benefit claimants and people with low income. The amount we can deduct from people on benefit is set by legislation and has seen two successive reductions in the proportion of UC we can deduct; from 40% of the UC Standard Allowance to 30% and now 25% from April 2021.All claimants can contact us if they are experiencing financial hardship in order to negotiate a reduction in their rate of repayment

In terms of official error, the committee will note that the level fell in the pandemic, from 1.3% in 2019/20 to 0.9% in 2020/21.

I hope you and the Committee find the above useful.

Yours sincerely,

WILL QUINCE MP
MINISTER FOR WELFARE DELIVERY

Work and Pensions Committee
House of Commons, London, SW1A 0AA
Tel 020 7219 8976 Email workpencom@parliament.uk

Will Quince MP
Minister for Welfare Delivery
Department for Work and Pensions

27 May 2021

Dear Will,

I am writing to ask for some further information about fraud and error in Universal Credit, following your written statement on 13 May and the publication of the most recent statistics.

Before the pandemic, £1 in every £10 of Universal Credit was paid wrongly. The latest figures show that that figure is now £1 in every £7. The proportion of claims with overpayments has stayed the same, at nearly a quarter. But the cases with errors now have more mistakes and higher value overpayments.

We recognise that the uniquely difficult circumstances of the pandemic meant that the Department had to suspend some of its usual checks. But fraud and error rates in Universal Credit were high even before the pandemic. The 2019-20 Universal Credit overpayment rate was 9.4%, with the Department having forecast that it would be 6.4%.[1]

1. **When do you expect rates of fraud and error in Universal Credit to return to their pre-pandemic levels?**

2. **When do you expect that rates of fraud and error in Universal Credit will be brought below the levels they reached in 2019-20?**

3. **In the light of the impact of the pandemic, will you publish updated forecasts of the fraud and error savings that Universal Credit is expected to make?**

The figures published on 13 May do not include fraudulent Advance payments, on the grounds that Advances are a "not a benefit payment". An NAO report from March 2020 found an estimated range of between £148 million and £221 million in Universal Credit Advance fraud between June 2018 and December 2019. The risk of this type of fraud was substantially reduced when the Department introduced, in September 2019, a requirement for a face-to-face interview at a JobCentre. That requirement was necessarily lifted when the pandemic hit.

4. **What information about Advance fraud do you expect to publish in the Department's Annual Report and Accounts?**

5. **Would you consider including information about Advance fraud in future publications of fraud and error statistics?**

[1] National Audit Office, Universal Credit: getting to first payment, July 2020, p 40

Your statement also explained that the Department is part way through an exercise to examine claims made during the pandemic, in cases where the Department's usual verification processes had been suspended. You said that:

> "We will correct each and every case where we find something is wrong, and where appropriate, we will bring to bear the full force of the law."

We are conscious that, with so many people making claims for the first time and with advice services over-stretched, many claimants may have made honest mistakes in their claims. It is also possible that DWP staff, deployed to the frontline at great speed to handle an unprecedented volume of new claims, may have—entirely understandably—made some errors in processing them.

6. **When you say that the Department will "correct each and every case where we find something is wrong", what does that mean in practice?**

7. **If a claimant made an honest mistake in their claim and you find that they have been overpaid as a result, will the Department seek to recover the overpayments?**

8. **If someone has been overpaid as a result of an error made by DWP, will you seek to recover the overpayments?**

9. **How many staff are working on this exercise (in FTE terms), how much will it cost, and how much money do you expect to recover?**

We would be grateful for a reply by Thursday 10 June.

Yours sincerely,

Stephen Timms

Rt Hon Stephen Timms MP
Chair, Work and Pensions Committee

Work and Pensions Committee
House of Commons, London, SW1A 0AA
Tel 020 7219 8976 Email workpencom@parliament.uk

Will Quince MP
Minister for Welfare Delivery
Department for Work and Pensions

27 May 2021

Dear Will,

I am writing to ask for some further information about fraud and error in Universal Credit, following your written statement on 13 May and the publication of the most recent statistics.

Before the pandemic, £1 in every £10 of Universal Credit was paid wrongly. The latest figures show that that figure is now £1 in every £7. The proportion of claims with overpayments has stayed the same, at nearly a quarter. But the cases with errors now have more mistakes and higher value overpayments.

We recognise that the uniquely difficult circumstances of the pandemic meant that the Department had to suspend some of its usual checks. But fraud and error rates in Universal Credit were high even before the pandemic. The 2019-20 Universal Credit overpayment rate was 9.4%, with the Department having forecast that it would be 6.4%.[1]

1. **When do you expect rates of fraud and error in Universal Credit to return to their pre-pandemic levels?**

2. **When do you expect that rates of fraud and error in Universal Credit will be brought below the levels they reached in 2019-20?**

3. **In the light of the impact of the pandemic, will you publish updated forecasts of the fraud and error savings that Universal Credit is expected to make?**

The figures published on 13 May do not include fraudulent Advance payments, on the grounds that Advances are a "not a benefit payment". An NAO report from March 2020 found an estimated range of between £148 million and £221 million in Universal Credit Advance fraud between June 2018 and December 2019. The risk of this type of fraud was substantially reduced when the Department introduced, in September 2019, a requirement for a face-to-face interview at a JobCentre. That requirement was necessarily lifted when the pandemic hit.

4. **What information about Advance fraud do you expect to publish in the Department's Annual Report and Accounts?**

5. **Would you consider including information about Advance fraud in future publications of fraud and error statistics?**

[1] National Audit Office, Universal Credit: getting to first payment, July 2020, p 40

Your statement also explained that the Department is part way through an exercise to examine claims made during the pandemic, in cases where the Department's usual verification processes had been suspended. You said that:

> "We will correct each and every case where we find something is wrong, and where appropriate, we will bring to bear the full force of the law."

We are conscious that, with so many people making claims for the first time and with advice services over-stretched, many claimants may have made honest mistakes in their claims. It is also possible that DWP staff, deployed to the frontline at great speed to handle an unprecedented volume of new claims, may have—entirely understandably—made some errors in processing them.

6. **When you say that the Department will "correct each and every case where we find something is wrong", what does that mean in practice?**

7. **If a claimant made an honest mistake in their claim and you find that they have been overpaid as a result, will the Department seek to recover the overpayments?**

8. **If someone has been overpaid as a result of an error made by DWP, will you seek to recover the overpayments?**

9. **How many staff are working on this exercise (in FTE terms), how much will it cost, and how much money do you expect to recover?**

We would be grateful for a reply by Thursday 10 June.

Yours sincerely,

Rt Hon Stephen Timms MP
Chair, Work and Pensions Committee