



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

The Rt Hon Stephen Timms MP
Chair, Work and Pensions Committee
House of Commons
London
SW1A 0AA

21 July 2021

Dear Stephen,

RTI Earnings and Universal Credit

Thank you for your letter of 8 July regarding my response to your WPQ 18458 on the matching of RTI records to individual taxpayers. My officials have kindly collated answers to your questions from DWP and HMRC, as set out below.

1. Has HMT made any assessment of:

a. revenue lost to UC overpayments from RTI earnings never disclosed to DWP because HMRC is unable to match the data to a taxpayer's record?

No assessment has been made by the Treasury. This policy falls under DWP, and DWP cannot hold relevant data where there is no match.

However, DWP have a process that is used when they do not have a match to a claimant's RTI data. In these instances DWP ask the claimant to self-report earnings until such time that they can set up the automated feed to RTI. This can happen in several ways; the most common is where an agent identifies the claimant as working, but a feed has not been set up. In this case, the agent asks the claimant to self-report earnings. Another example is where the claimant contacts DWP to advise the same. Overall, these and similar processes allow DWP to keep the award as accurate as possible.

b. the additional funding costs to HMT and DWP arising from late or incorrect RTI data?

The additional cost to DWP is forecast as £4.86 million for 2021-2022. This covers the funding for the team responsible within HMRC to administer RTI disputes that arise as a result of claimant dispute.

2. What steps is HMT taking to improve RTI data administration and to minimise the creation of new claimant debt?

HMRC are responsible for RTI data administration, and are continuing to investigate why some employers persistently submit poor quality data, and how that can be improved. HMRC and DWP have reported that they continue to keep under close review the impact of RTI upon Universal Credit. HMRC and DWP also have a joint team which deals with exceptions when a Universal Credit payment is disputed on the basis of the earnings supplied via RTI.

Where errors have arisen because of gaps in the RTI system, will you consider not using Universal Credit to recover incorrectly calculated awards?

For Universal Credit, new style JSA and ESA, Section 105 of The Welfare Reform Act 2012 amended The Social Security Administration Act 1992 such that any overpayment in excess of the entitlement is recoverable by DWP, even where the claimant is not at fault. This means that for these benefits, all debts, including Official Error debts, are recoverable.

With regard to benefit overpayment recovery, DWP has a duty to protect public funds and an obligation to ensure that overpaid benefit payments are recovered in accordance with the appropriate social security legislation. DWP seeks to recover benefit overpayments as quickly as possible without creating any undue financial hardship to the claimant.

In order to reduce instances of Official Error, I understand that DWP has established a robust quality checking regime to give them a deeper understanding of the cause of Official Error and identify the highest risk errors, which allows the Department to take remedial action. This could include revised guidance for staff and/or refresher training.

Yours ever,

A handwritten signature in black ink, appearing to read 'Jesse'.

RT HON JESSE NORMAN MP



Work and Pensions Committee

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

From the Chair

Rt Hon Jesse Norman MP
Financial Secretary to the Treasury

8th July 2021

Dear Jesse,

I am writing following your response to my WPQ 18458.

Your answer said that 99.25% of the Individual Payment Submissions held by HMRC are attached to an employment with a valid National Insurance number. In other words, 0.75%—or about 325,000 returns per month—are not.

This discrepancy highlights an important difference between DWP's digital Real Time Earnings system and HMRC's electronic-only approach to reporting RTI: that RTI does not mandate the use of National Insurance Numbers required to make the data immediately available to DWP.

That means in turn that there is a gap in the availability of RTI earnings to DWP for calculating Universal Credit awards.

Universal Credit's digital design means, as you know, that monthly awards are calculated automatically for working claimants and households using RTI. UC assumes that all HMRC RTI earnings are made available to it in real time and are correct when it calculates a claim award. If RTI earnings paid to, and received by, the claimant are not then shared with DWP, or arrive late from HMRC after the claim date, the UC award will be wrong.

Many claimants may not realise that their full income has not been disclosed to DWP and that they need to inform DWP about the undisclosed earnings. They run the risk of being accused of committing fraud if they do not tell DWP about earnings that have not been picked up by the UC system.

Where people do self-report earnings not shared with DWP, they face their awards changing—exposing them to budgeting challenges, the recovery of overpayments and the risk of debt.

Please can you answer the following questions:

1. Has HMT made any assessment of:

- a. revenue lost to UC overpayments from RTI earnings never disclosed to DWP because HMRC is unable to match the data to a taxpayer's record?
 - b. the additional funding costs to HMT and DWP arising from late or incorrect RTI data?
2. What steps is HMT taking to improve RTI data administration and to minimise the creation of new claimant debt? Where errors have arisen because of gaps in the RTI system, will you consider not using Universal Credit to recover incorrectly calculated awards?

HMT ministers committed in 2010 to give consideration to the further development of PAYE once RTI had bedded in and been evaluated.¹

Given the seriousness of the impact on claimants, the likelihood that there will be higher numbers of UC claimants in work as the Coronavirus Job Retention Scheme comes to an end, and—in due course—DWP's plans to resume the managed migration of Working Tax Credit claimants to UC, I hope you will look again at RTI's technical shortcomings.

We would be grateful for your response by 22nd July.

I have also written to Jim Harra today, and enclose a copy of that letter.

Yours sincerely,



Rt Hon Stephen Timms MP
Chair, Work and Pensions Committee

¹ [Improving the operation of Pay As You Earn \(PAYE\): Collecting Real Time Information](#), 3 December 2010



HM Revenue
& Customs

Jim Harra
Chief Executive and First Permanent
Secretary

Room 2/75
100 Parliament Street
London
SW1A 2BQ

22 July 2021

Tel 03000 577293

Email perm.secs@hmrc.gov.uk

Dear Mr Timms

I am writing in response to your letter of 8 July 2021 regarding information sharing between HMRC and DWP.

As stated in your letter, the information sharing agreement relies on a Universal Credit (UC) claimant's RTI earnings being matched to a record that includes a NINO in the HMRC RTI System Data Store. You raised a concern that where a claimant's RTI earnings are not matched to a NINO and consequently information is not sent to DWP, an overpayment of UC may occur.

In this context you raised the following questions to which I am now providing a response:

1. What is the proportion of all RTI employment records (excluding pensions in payment) first reported by employers without a NINO?

6.5% of employments are first reported to RTI without an employer submitted NINO.

a. Does HMRC process such RTI data to attempt to identify the taxpayer and NINO to match the earnings to the correct taxpayer identity?

Yes

b. If yes, what data fields does HMRC use to identify the taxpayer's NINO?

On receipt of data from an employer, HMRC will attempt to match the data to a record for an individual employee by using the information in the RTI System Data Store. What data fields are utilised will depend on the data submitted by the employer.

If the data received from the employer does not include a NINO, the system will determine if a NINO is held in the RTI System Data Store and send a NINO notification back to the employer.

c. How much does this HMRC data processing reduce the initial proportion of (1.)?

Of the percentage identified above first reporting without a NINO, around half are subsequently reported with a NINO matching that of the validated NINO identified by HMRC.

That rectifying action taken by the employer may be as a result of the RTI System NINO notification back to the employer or other factors, such as employee intervention.

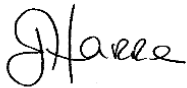
d. How long does it take before earnings matched to a NINO in this way are made available to DWP?

DWP submit a 'set interest' request to HMRC for information. At that point all data matched to a NINO is made available to DWP.

2. Has HMRC done any analysis to understand if employers reporting RTI without NINOs is associated with more frequent (weekly) pay cycles and particular types of employment, such as casual or lower paid work?

We do not have any analysis to test these hypotheses.

Yours sincerely

A handwritten signature in black ink, appearing to read "J Harra". The signature is written in a cursive, slightly slanted style.

JIM HARRA CHIEF EXECUTIVE AND FIRST PERMANENT SECRETARY



Work and Pensions Committee

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

From the Chair

James Harra, CB
Chief Executive & First Permanent Secretary
HM Revenue and Customs
100 Parliament Street
London SW1A 2BQ

8th July 2021

Dear Jim,

I am writing following the Financial Secretary's response to my WPQ 18458, which acknowledges a gap in the availability of RTI earnings to DWP for Universal Credit.

The information sharing agreement between HMRC and DWP relies on the claimant employee's National Insurance Number (NINO) to ensure RTI earnings are immediately made available to DWP.

Where a claimant's RTI earnings cannot be matched to a NINO, DWP's digital systems calculate the individual claimant or household's monthly UC award on the basis that they did not receive these earnings, despite being paid by their employer.

This has significant impacts for UC claimants, who may not realise that they are required to disclose the unreported income. They may find that they have to repay overpayments that they have inadvertently received, which could lead to budgeting difficulties and debt. More seriously, they may be at risk of being accused of fraud for failing fully to report their earnings.

Please can you answer the following questions:

1. What is the proportion of all RTI employment records (excluding pensions in payment) first reported by employers without a NINO?

- a. Does HMRC process such RTI data to attempt to identify the taxpayer and NINO to match the earnings to the correct taxpayer identity?
- b. If yes, what data fields does HMRC use to identify the taxpayer's NINO?
- c. How much does this HMRC data processing reduce the initial proportion of (1.)?
- d. How long does it take before earnings matched to a NINO in this way are made available to DWP?

2. Has HMRC done any analysis to understand if employers reporting RTI without NINOs is associated with more frequent (weekly) pay cycles and particular types of employment, such as casual or lower paid work?

We would be grateful for your response by 22nd July.

I have also written to the Financial Secretary today, and enclose a copy of that letter.

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 Stephen Timms MP
Chair, Work and Pensions Committee