



HM Revenue
& Customs

Jim Harra
Chief Executive and First Permanent
Secretary

Darren Jones MP
Chair, Business, Energy & Industrial
Strategy Committee

Room 2/75
100 Parliament Street
London
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By email only

24 March 2022

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Dear Mr Jones,

I am aware that the use of HMRC data to help banks prevent fraud in the Covid loan schemes was discussed in your evidence session on 15 March 2022 with witnesses from the banking sector. Subsequently, there have been media reports that have misconstrued the evidence given to your Committee by suggesting that HMRC withheld vital data that could have helped to prevent fraud.

I wish to assure the Committee that HMRC has always stood ready to assist the banks in any way we can to prevent and tackle fraud in the Covid loan schemes. We have at no time declined to share data for this purpose.

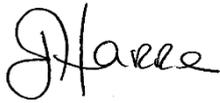
From January to March 2021 and June to December 2021, at the request of Cabinet Office's Government Counter Fraud Function, and in collaboration with the department for Business, Energy, Innovation and Skills (BEIS) and the British Business Bank (BBB), HMRC provided a data verification service for banks to use to check loan applications against our data. That included, upon the lending bank's request, a check on business turnover which could be made before loans were paid out to support the bank's pre-loan risk assessment or after the event to support their post-loan risk assessment of loans that might require follow-up investigation.

HMRC also carried out a data matching exercise with other government departments using scheme data provided by banks to BEIS. In July 2021 HMRC undertook a data exchange with BEIS through Cabinet Office, under the counter-fraud powers in Section 56 of the Digital Economy Act and we continue to explore ways in which our data can be used effectively. Initially this data was shared so BEIS could identify the scale of potential fraud in the BBL scheme. That exercise enabled Cabinet Office/BEIS/BBB to identify loans that appeared to have particular risks attached to them. A variation data sharing agreement was subsequently agreed with BEIS to allow data to be shared with British Business Financial Services Limited and loan providers to further help identify fraud.

The data that HMRC holds on business turnover is currently largely drawn from annual tax returns, which are filed some considerable time after the end of the trading period. and is, therefore, not fully current or "real-time". Although it can be useful, its lack of currency means it also has its limitations. Our Making Tax Digital programme will in future give us access to

more up-to-date information business turnover, allowing for better targeted policy responses and making the tax administration system more resilient and effective in responding to future crises.

Yours sincerely

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

JIM HARRA
CHIEF EXECUTIVE AND FIRST PERMANENT SECRETARY