HMD0001

Written evidence submitted by Mr Geoff Bantock

A recent report by the NAO found that tax debt is now more than double pre-pandemic levels, and current staffing at HM Revenue & Customs (HMRC) are unlikely to be enough to manage the increased tax debt workload as the UK emerges from the COVID-19 pandemic, with HMRC needing to pursue tax debt while allowing taxpayers time to recover their finances.

Total tax debt rose to £42 billion in September 2021, from £16 billion in January 2020. Total tax debt peaked at £67 billion in August 2020. More debt has been repaid as extensions for VAT and Self Assessment passed, and the economy has reopened. HMRC forecasts total tax debt will fall to £33 billion by March 2022, but this assumes the COVID-19 pandemic has not changed repayment behaviour.

Research indicates the impact of the COVID-19 pandemic on taxpayers is polarised, with some groups shoring up their bank balances, and others more badly affected.

Up to 2.4 million more taxpayers are in debt to HMRC following the COVID-19 pandemic, and those who were already in debt owe more. The average amount taxpayers owe has increased by 60%, from around £4,300 to £6,800. Older debts, which are often more difficult to collect, have increased in value from £2.5 billion in 2019-20 to £4.4 billion in 2020-21.

Pre-pandemic, HMRC achieved workforce efficiencies, but it did not close the gap between new tax debts and debts collected., and is now unlikely to have enough staff to manage the increased tax debt that has resulted from the COVID-19 pandemic. HMRC intends to recruit 1,000 full time staff in 2021-22, however, it told the NAO that once staff turnover is factored in, this resource will only address current staffing shortfalls. HMRC forecasts that it will have twice the usual level of debt to manage at the end of March 2022. New debtors may require more support in the short term to agree payment plans.

The Committee will question senior officials at HMRC. If you have evidence on these issues, please submit it here by Monday 10 January 2022.

Summary of evidence

I believe that HMRC and DWP will never resolve their debts unless they have a joined-up workforce tackling these issues and use their combined knowledge and penalties to change taxpayer/claimant behaviour.

My own background working for HMRC debt recovery is the reason for my submission.

I read with interest the " **National Audit Office report issued on 17 November 2021 - Managing tax debt through the pandemic"** and list the key facts below which interested me

I worked on Inland Revenue/HMRC enforcement for 40 years before retiring in March 2011. 30 years were spent on getting rid of intractable old debt. If I could make the old debts disappear staff had far more time to clear the larger and more recent debt which were far easier to collect. As a result of that strategy our office was one of the highest performing offices in the south of the country and people came from afar to see how we did it.

<u>Intractable debt cases (back in 2011)</u>

Over time and office closures, our office, Bournemouth ended up with dealing nothing but old intractable debt – usually old County Court Judgements (CCJ), mainly on self-assessment (SA) debts.

From about 2001, I studied closely the known tax debt such as in this report, as well as providing analytical advice to both regional and head office. I also studied closely DWP performance on welfare and benefits and their overpayment and fraud issues and I also found the "House of Commons Committee of Public Accounts The Department for Work and Pensions' Accounts 2020–21 – Fraud and error in the benefits system Twenty-Fifth Report of Session 2021–22 Report, together with formal minutes relating to the report Ordered by the House of Commons to be printed 4 November 2021" interesting and very relevant.

I used review lists (SAM73001 - Manage work: management statistics: introduction DMBM900020 - Miscellaneous: dealing with lists of outstanding LA charges give an indication of what is currently available).

I reviewed these, annually produced massive (two inches thick) paper lists of old intractable debt cases where the enforcement signal was set as in DMBM515070 – (Debt and return pursuit: Self Assessment: debt and return background: enforcement action).

I only looked at cases where there were 4 or more SA returns outstanding and I was using up to 15 different IT systems to decide if these cases were worth pursuing (assessing, collecting,CIS, DWP, VAT, Experian, Land registry and Internet systems). What I was trying to establish was whether somebody was likely to have enough income or assets to justify further pursuit. What I did notice that a lot of these cases were in rented accommodation, had CCJs, had irregular self-employment and were often claiming benefits.

These no hope cases I just remitted the debt, cleared off any outstanding SA returns (some cases from London offices had as many as 10 outstanding SA returns) - current guidance is DMBM515065 - Debt and return pursuit: Self Assessment: debt and return background: cleansing an SA return and/or record in DMB (current detailed guidance is withheld from me) .

It would have greatly helped me if I could have direct access to all DWP benefit and welfare systems.

I believe that we cannot solve a lot of these old tax intractable cases unless we consider them in conjunction with DWP as we must solve their overpayments at the same time.

These intractable cases were probably about 90% of the cases where an enforcement signal was set on the SA system. The remaining 10% of the cases, that I considered worth pursuing I kick started by issuing large SA determinations (DMBM518040 - Debt and return pursuit: Self Assessment: revenue determination: calculating the amount of a determination)' so that debt was big enough to get regular treatment from debt recovery staff.

In 2006, in addition, we started to get New Tax Credit (NTC) overpayment debt cases. As these could not be recovered from future NTC years entitlement they were near impossible to collect. In the NAO report published on July 11, 2006 (see extracts below) you can see the extant of the NTC problems back in 2003, 10% of the amounts paid out were caused by error and fraud in 2003/04 up to £1.28 billion.

The ghastly experience of NTC led me to come with up an idea

Geoff Bantock, HMRC; A "Unified Tax System" that can work out straightaway

household's net disposable monthly income.

https://www.wired-gov.net/wg/wg-news-

1.nsf/0/4E2308643AC5B8848025741E0045B747?OpenDocument

Whilst the initial (or second or third) idea did not work) I eventually, in summer 2010 came up with the reason why the interface between tax and benefits is difficult to establish just using IT systems.

The problem as I see it is that welfare is treated much as a type of tax credit. Tax is based on income, is a national system, is an annular system and is for an individual. You punch in the numbers and out comes a widget, the tax due for the year. Works brilliantly for employees but not so well for the self-employed and directors who can avoid or evade their taxes as the Pandora papers seem to suggest. No subjective judgment is required for assessing tax for those who are employed.

Welfare is based on what essential expenditure the Government believes you should be allowed by a subjective assessment, (if you have more than 2 children you suffer, if you have rent over a certain amount you suffer – suffering means going to food banks and charities – not surprising the birth rate for women is down to 1.58 its lowest level – women are not stupid). It should be a regional system – rural Durham has different needs to London. It should be a weekly or monthly system to cater for zero hours contracts and term time working. It is also based on the total family income and expenditure. Subjective assessment will always be difficult for the mentally disabled to prove how their condition affects them – the power is always with the assessor – particularly if they are being targeted (either formally or informally) to reduce the number of benefit claims being allowed.

In my opinion, a national system of call centres and online forms will never be made to work for the mentally disabled due to subjective assessment.

Assessments for welfare should be made locally by DWP, with effective input from, HMRC, mental health nurses, local council housing departments, social services and local GPS.

Whilst I suggest only mentally disabled to start with, I believe all challenging welfare and HMRC cases do need local input from staff who know the area.

Intractable debt cases (back to 2021)

Whilst intractable debt was bad in 2011, it is now much worse in HMRC Older debts, which are often more difficult to collect, have increased in value from £2.5 billion in 2019-20 to £4.4 billion in 2020-21. Whilst NTC was bad in HMRC with between 8.8 and 10.6 per cent of the total by value lost through fraud and error, Universal Credit (UC) in DWP is worse with fraud and error on Universal Credit (UC) with an estimated overpayment rate of 14.5%. Both self-employed income and capital are vulnerable to fraudulent misstatement.

Clearly there is some scope to use the new: -

Focus: Connect – HMRC's analytical tool: -

Connect cross-references more than 22 billion lines of data including customers' Self Assessment returns, property and financial data.

Connect identifies more than 500,000 cases (onshore and offshore) for HMRC to enquire into every year.

https://www.gov.uk/government/publications/no-safe-havens-2019/no-safe-havens-2019-responding-appropriately

However, I doubt if it has the capacity to deal with the huge volume of intractable cases.

I feel that the way forward could be to penalise taxpayers through the benefit system if they have debt and returns outstanding on Self-Assessment similar to what can be recovered on UC overpayments. Link gives what can be recovered

https://www.turn2us.org.uk/Benefit-guides/Overpayments-under-the-Universal-Credit-system/How-is-an-overpayment-recovered#guide-content

Similarly, Overpayments in DWP should be able to be recovered through the PAYE system.

To achieve this, I feel that we need to engender the same mindset that was present at **Civil Service Live to inspire and showcase the best in innovation** 1st to 3rd April 2008.
. *Sir Gus O'Donnell said: "Civil Service Live is an opportunity not only to showcase all that is best about the civil service but also to learn from our partners in the wider public, private and third sector.*
"The Prime Minister recently set out the key challenges that the nation will face in the next 10-15 years and the civil service has a central role to play in meeting these challenges.
"The civil service is working within an ever-changing environment to deliver public services to a diverse range of users. It will be challenged to do more with less and to respond to an evolving and competitive global market. To meet these challenges we must be better at innovating. I am looking for all civil servants attending the event to take an active part and then go back to their departments and put into practice the innovative lessons they have learnt."
** John McGregor, DWP; A tool to calculate arrears of benefit.*
** Geoff Bantock, HMRC; A "Unified Tax System" that can work out straightaway household's net disposable monthly income.*

As you can see, I also attended but sadly HMRC gave me zero support to take my idea forward (in fact they told me, on 31st March 2008, the eve of the conference, I was to be transferred to a different part of the country, become a manager of people doing different work).

However, I still pursued my idea, in my own time, getting help from the third sector and in particular, Simon Duffy, Centre for Welfare Reform and his ideas of personalised support. Whilst I found out by summer 2010, what should be done, I did not have the evidence to justify my conclusion.

It was not until 4th November 2021 when I saw this ghastly article in the Guardian that I felt I had to resurrect my idea ***Before my sister died, I promised her I'd hold Britain's benefits system to account***

Imogen Day *4 Nov 2021*
Hour after hour we listened to how 28 individual mistakes made by both the DWP and Capita led to Philippa's death.
https://www.theguardian.com/commentisfree/2021/nov/04/sister-died-britain-benefits-system-dwp-capita

If HMRC had given me support and let me work with someone in DWP, such as John McGregor, DWP referred to above, I believe that we would have come up, by Summer 2008, with a better way of HMRC/DWP joint working not only on the collection of tax and benefit arrears for these intractable cases but also these challenging mental health welfare cases that might have saved the life of Phillipa.

5000 extra HMRC/DWP (50 staff based in 100 different cities -plenty of empty cheap offices in our cities) could perhaps deal with the number involved. Salaries and overheads at say £40k. Total cost £200 million. I suspect that the yield both in extra tax collected and less benefits paid out would be in excess of £2billion a year giving a benefit cost ration (BCR) of 10 plus.

Large Value debts back in 2008

In October 2008, at the height of the financial crisis, I was tasked to become a specialist case worker handling debts between £0.25million and £2.5million to provide “a support mode” service rather than our normal “pay up or enforcement” mode. It was a humbling experience, I helped over 100 businesses in an 18-month period get through the financial crash perhaps saving 15,000 jobs (a very small number compared to the figures nationally of losing 1 in 7 jobs) compared to tackling debt in the normal way.

The companies emailed their last formal accounts, management accounts, profit and loss account, balance sheet and their proposals.

It is worth noting what companies (or local authorities) must do when they are having financial difficulties, one of the three following or combination of: -

1. Obtain an injection of capital, such as a loan or selling off asset – such as land
2. Increasing turnover
3. Cutting costs – 80% or more of most company’s costs are staffing

In a recession options 1 and 2 are nonstarters so that leaves option 3.

Practically every case I handled showed that the staff’s wages had been cut by 10% and senior staff by more than that. These cases were businesses that were mainly businesses that had never had debt problems with HMRC in the past. They are far easier to deal with than intractable cases,

Large Value debts back to 2021

What concerns me about the inflation rate increase announced on 17th November 2021 (CPI of 4.2%) is that it will lead to more strained household budgets. The combined effects of Brexit, Covid (delta and Omicron variety), energy crisis and climate change may yet result in a similar or worse financial crash to 2008. Effects may be a large increase in unemployment, food and fuel poverty, house evictions, house repossessions and an inability to afford to run a car.

I feel that HMRC will have to deal with far more of these large value cases particularly from April 2022 when the energy cap rises, higher NC contributions and probably higher council tax.

Whilst HMRC forecasts total tax debt will fall to £33 billion by March 2022, but this assumes the COVID-19 pandemic has not changed repayment behaviour, I feel that a higher figure is more likely.

Recovery of Furlough overpayments

From NAOs report below: -

(HMRC's) upper estimate of fraud and error on CJRS to 20 September, based on 5% to 10% fraud and error levels on £39.3 billion of payments. The 5% estimate equates to £2.0 billion

I suspect that fraud and error will be nearer 10% based on the problems HMRC faced with implementing NTC above. The Furlough scheme was implemented much quicker so will be more prone to fraud. DWP have had a similar fraud problem with Universal Credit fraud given out under Furlough rules. DWP and HMRC, I feel, should work much more closely to tackle fraud together.

I suspect you will end up having to write off most of these overpayments, particularly the smaller amounts

Possible action now for intractable cases

Look at some SA intractable cases.

What is total number of SA cases ?

What is total number of SA cases where there is at least one SA return outstanding?
Of these what is the number where enforcement has been started.?
Do the same for 4 or more returns outstanding?
Do the same for 10 or more returns outstanding?

When you have found about 100 of these multiple SA return outstanding cases, find a debt management expert to review the cases, and either remit them or kick start them back into action.

Share your findings and decide how this could be implemented nationally, possibly with some joint pilot with DWP.

I hope these ideas will prove useful to HMRC. Hopefully their IT will have improved since I retired 10 years ago

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National Audit Office report issue 17 November 2021

Managing tax debt through the pandemic

Key facts

£42bn tax debt owed to HM Revenue & Customs (HMRC) as at 30 September 2021

2.4m the estimated increase in number of taxpayers in debt as at 30 September 2021

compared with 31 January 2020

300 FTE shortfall as at September 2021 between planned number of full-time equivalent (FTE) debt management staff and actual FTE debt management staff numbers

£26 billion increase in tax debt between January 2020 and September 2021

18% reduction in HMRC staff working on debt management under effi ciency drives between March 2014 and March 2020

£4.8 billion value of write-offs and remissions of tax debts in 2018-19 (in 2021-22 prices), the year when this fi gure was highes

https://www.nao.org.uk/wp-content/uploads/2021/11/Managing-tax-debt-through-the-pandemic-Summary.pdf

The wider economic impact of the pandemic, and HMRC's decision to suspend most debt collection, has led to large increases in the amount of tax owed to HMRC. Tax debt peaked at £67 billion in August 2020, including deferred payments. This was far in excess of levels seen in the previous 10 years. While tax debt has reduced since then, HMRC still faces a significant challenge in clearing the backlog. **As the UK emerges from the pandemic, HMRC will need to strike a balance in pursuing debt and allowing taxpayers time to recover their finances.**

Up to 2.4 million more taxpayers are in debt to HMRC following the pandemic, while those already in debt owe more. HMRC estimates that up to 6.2 million taxpayers were in debt as at 30 September 2021, compared with 3.8 million taxpayers in debt as at 31 January 2020. However, HMRC does not have a single customer record and its figures double-count taxpayers with debts for more than one tax. The average amount of each tax debt increased by 60%, from around £4,300 at January 2020 to £6,800 at September 2021. The value of debts over two years old increased from £2.5 billion in 2019-20 to £4.4 billion in 2020-21**. Older debts are typically more difficult to collect (paragraphs 2.2 to 2.5).**

Self Assessment taxpayers in the low-impact group did not have access to COVID-19 grants that Self Assessment taxpayers in the high-impact group could draw on. HMRC encourages taxpayers to make contact if they are in difficulty and will always discuss debts on a case-by-case basis

The average duration of Time to Pay arrangements increased from around five months before the pandemic to 12 months by July 2021.

13 HMRC forecasts that total tax debt will fall to £33 billion by March 2022 but this assumes that the pandemic has not changed repayment behaviour. HMRC forecasts that the debt balance will decrease throughout 2021-22, falling to £32.8 billion by March 2022. T

4 HMRC has a limited understanding of how the pandemic will affect the amount of specialist work needed to manage debt. We considered two customer groups where HMRC already had specific processes or work in place to provide additional engagement. These were 'phoenix' companies, where companies are wound up and reformed specifically to avoid paying debts, and where HMRC seeks to intervene to avoid tax losses; and vulnerable taxpayers, where HMRC provides additional support to help them pay their taxes. In both cases,

16 HMRC is unlikely to have sufficient capacity in the short term to manage increased levels of tax debt arising from the pandemic. It told us that it intends to recruit 1,000 full-time equivalent (FTE) staff in 2021-22. However, once staff turnover is factored in, this is sufficient only to fill the current shortfall in staff compared to planned levels which is 300 FTE.

17 In the years leading up to the pandemic, HMRC made efficiency gains but it did not close the gap between new debts and debts collected.

18 HMRC's estimates indicate that new powers, tools and increases in capacity, planned before COVID-19, are unlikely to bridge the increase in debt

19 HMRC lacks a sufficiently detailed understanding of its activity to identify the resources needed to optimise debt collection.

Conclusion on value for money 20 The pandemic has left HMRC with a far greater debt balance to deal with than in recent times.

21 HMRC faces several years of managing the impact of the pandemic on tax debt and current staffing is unlikely to be enough to manage the increased workload. It made efficiencies before

22 While some debtors have been able to repay tax debt quickly during the pandemic (helped by loans and support from other parts of government), there remains an unknown number of taxpayers who have been badly affected and will struggle to repay tax debt. HMRC m

Recommendations Working with government 23 HMRC should work with the rest of government, and, in particular, HM Treasury and the Department for Business, Energy & Industrial Strategy to: a develop and communicate a strategy that sets out how recovering debt should change in light of the pandemic. T

Meeting demand 24 HMRC faces a large increase in debt and the number of taxpayers in debt. Taxpayers are taking more time to pay off debts, which may mean more contact points with HMRC and different rates of escalation. To manage this workload effectively, HMRC should do the following: b In its planning for the new Spending Review period, HMRC should urgently consider increasing capacity using both recruitment

e Identify how debt management needs to operate differently to deal with the changed nature and amount of debt. HMRC now has more old debt, and much of the pandemic debt will be difficult to collect quickly.

https://www.nao.org.uk/press-release/hm-revenue-customs-2005-06-accounts-the-comptroller-and-auditor-generals-standard-report-2/

Published July 11, 2006

HM Revenue & Customs 2005-06 Accounts: The Comptroller and Auditor General's Standard Report

Tax credit overpayments

HMRC estimates that it overpaid £1.8 billion and underpaid £556 million in tax credits in 2004-05 and that the position for 2005-06 will be similar. It cannot recover all overpayments and in 2005-06 wrote-off £397 million and made a provision of £409 million for doubtful debts.

Tax credit fraud and error

HMRC has now completed its exercise to provide more information on the level of claimant fraud and error under the new tax credits. According to the results, in 2003-04 payments of between £1.06 billion and £1.28 billion (between 8.8 and 10.6 per cent of the total by value) were made to claimants who were not entitled to them as a result of error and fraud.

https://www.nao.org.uk/wp-content/uploads/2020/07/Implementing-employment-support-schemes-in-response-to-the-COVID-19-pandemic.pdf

HM Treasury, HM Revenue & Customs Implementing employment support schemes in response to the COVID-19 pandemic

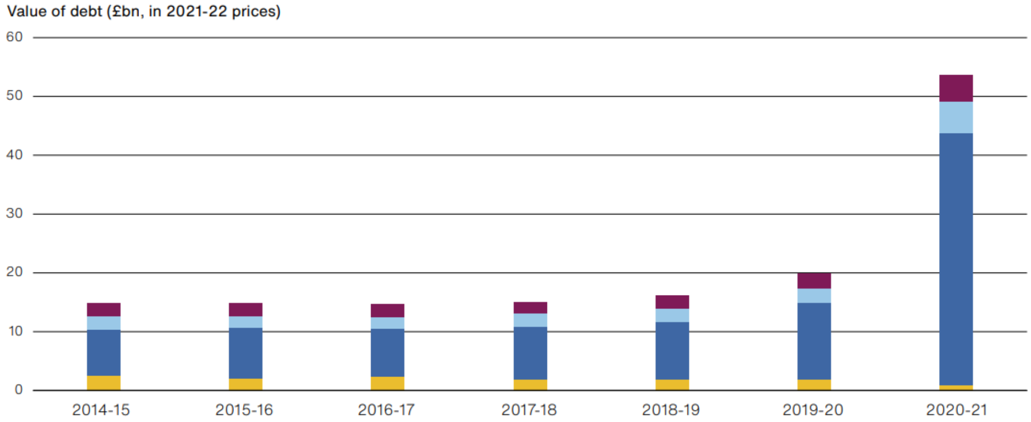
Managing tax debt through the pandemic

https://www.nao.org.uk/report/managing-tax-debt-through-the-pandemic/

Figure 8

UK tax debt owed, by age of debt at the end of the financial year, 2014-15 to 2020-21

Debt less than a year old has shown the largest increase during the COVID-19 pandemic but the value of aged debt is also increasing



	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
More than 2 years (£bn)	2.27	2.14	2.15	1.94	2.18	2.45	4.41
1–2 years (£bn)	2.12	2.04	2.00	2.22	2.39	2.59	5.38
0–1 year (£bn)	7.93	8.48	8.22	8.97	9.63	12.94	42.90
Non-analysed (£bn)	2.55	2.17	2.36	1.92	1.98	1.91	0.88
Total	**14.86**	**14.82**	**14.72**	**15.06**	**16.19**	**19.89**	**53.58**

Notes

1 Figures are stated in 2021-22 prices.

2 'Non-analysed' refers to debt that HM Revenue & Customs (HMRC) does not know the age of because it has not yet analysed it.

3 Data excludes taxpayers with tax credit debt.

4 Numbers may not sum due to rounding.

Figure 10

Proportion of UK tax debt balance accounted for by different types of taxes, 2016-17 to 2020-21

VAT increased from 23% of the balance in 2019-20 to 58% in 2020-21

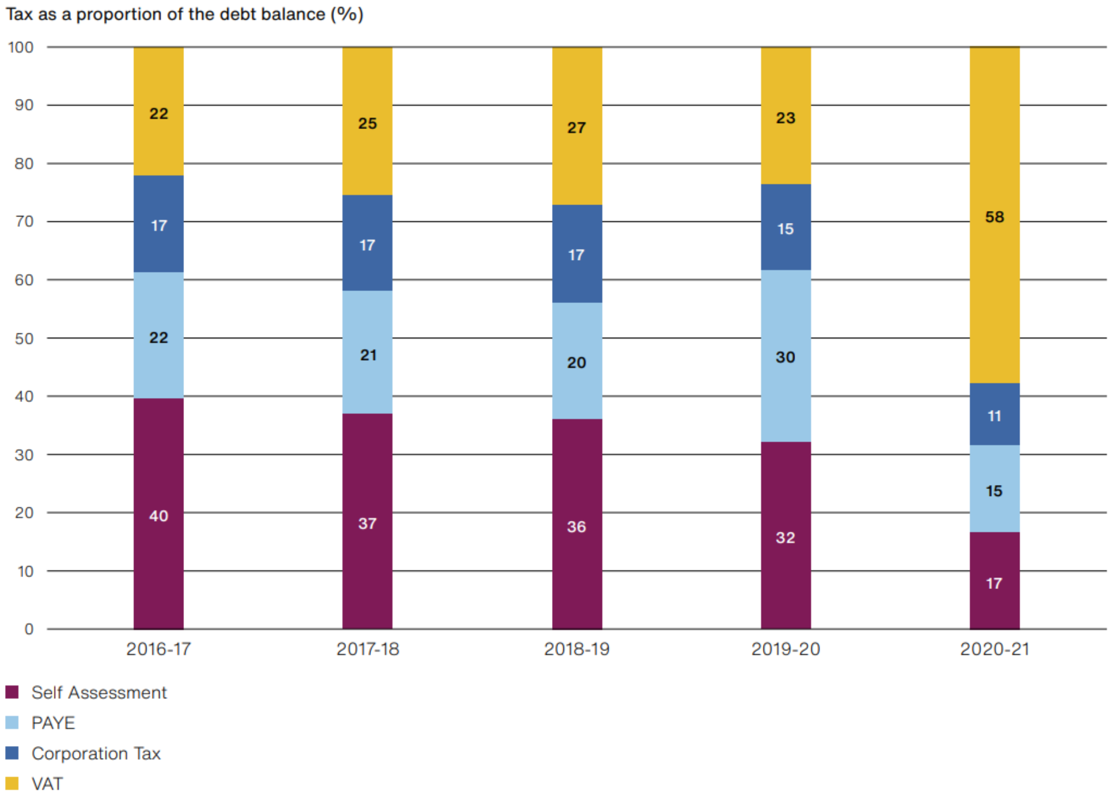


Figure 20

Number of customers in debt, number of items of debt and average value of debt, by type of tax, as at September 2021

There is variation in both value and volume across different types of tax

Type of tax	Number of customers with debt[2]	Average value of debt owed per customer[3]	Number of items of debt[2]	Average value of item of debt[3]
		(£)		(£)
Self Assessment	3,913,000	2,100	12,435,000	700
PAYE	757,000	10,600	18,313,000	400
Corporation Tax	665,000	7,300	1,125,000	4,300
VAT	730,000	24,100	2,927,000	6,000
Total[1]	**6,158,000**	**6,800**	**38,223,000**	**1,100**

Notes

1 Total includes all types of tax debt, not just those listed above, excluding tax credit debt.

2 Number of customers and number of items are rounded to nearest 1000.

3 Average value of debt is rounded to nearest 100.

4 PAYE is Pay As You Earn.

5 Taxpayers may owe debt for more than one type of tax but HM Revenue & Customs' information technology systems cannot identify taxpayers with debts across multiple taxes. Therefore, calculating average debt per taxpayer across all types of tax will double count some taxpayers and cause the average debt to appear lower than it actually is.

Departmental Overview 2020-21 Department for Work & Pensions

https://www.nao.org.uk/wp-content/uploads/2021/11/DWP-DO-2021.pdf

Department for Work & Pensions' (the Department's) fraud and error The level of fraud and error is at a record high with estimated overpayments of 3.9% (£8.4 billion), and underpayments of 1.2% (£2.5 billion) of benefit and pension expenditure.

Excluding State Pension1 7.5% of benefits were overpaid, meaning there were an estimated £8.3 billion of overpayments from £111.4 billion of benefit expenditure.

Fraud and error in Universal Credit Nearly all the increase in fraud and error was on Universal Credit (UC), which now has an estimated overpayment rate of 14.5% and accounts for approximately 66% of total overpayments. This is the highest rate of fraud and error for any benefit ever recorded. UC overpayments increased from 9.4% (£1.7 billion) to 14.5% (£5.5 billion) in 2020-21, an increase of £3.8 billion.

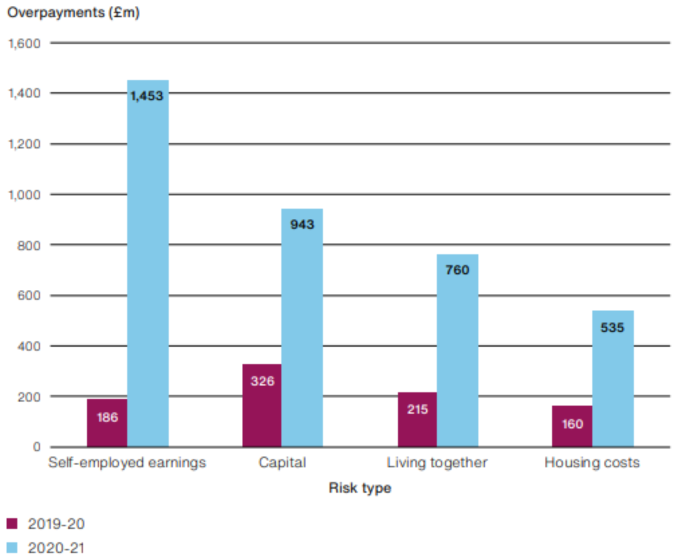
The increase in Universal Credit overpayments was the result of three key factors £1.86 billion The total expenditure on UC increased from £19.8 billion to £38.2 billion in 2020-21. In 2020-21, Universal Credit accounted for 18% of benefit expenditure compared with 9.6% in 2019-20. A surge in claims at the start of the pandemic led to the number of people claiming UC doubling from three million in March 2020 to six million a year later. from the increase in UC caseload £0.65 billion Many of the new claimants brought more complex claims, which were more vulnerable to fraud. For example, the rise in overpayments due to the change in the composition of the caseload is because the proportion of self-employed claimants trebled between 2019-20 and 2020-21 and the proportion who had capital to declare doubled. Both self-employed income and capital are vulnerable to fraudulent misstatement. from the change in caseload composition £1.3 billion Measures designed to reduce the risk of fraud were relaxed in order to better manage the increased demand for benefits. Examples include: • the suspension of face-to-face engagement with claimants, which weakened the control environment around benefit payments; • Trust and Protect, during the period at the start of the pandemic when the Department relaxed several key controls to process and pay claims on time; and • the removal of the minimum income floor – an assumed minimum level of income for claimants who are gainfully self-employed. Created more opportunity for people to mis-state their earnings and claim more than they were entitled to

https://www.nao.org.uk/wp-content/uploads/2021/07/Department-for-Work-and-Pensions-Accounts-2020-21.pdf

Figure 5

Universal Credit overpayments by largest risk types in 2019-20 and 2020-21

There were large increases across all four main risk types in 2020-21



Notes

1 The Department for Work & Pensions (the Department) revised its categorisation of Universal Credit risks in 2020-21 and applied the revisions to 2019-20 figures as well. This revised categorisation means that some fraud previously attributed to risks such as capital and self-employment have been reassigned to a category labelled "failure to provide evidence/fully engage in the process" reflecting uncertainty as to the exact cause of the fraud.

2 The data presented here are central estimates. The Department reports its ranges in its published statistics on fraud and error in the benefit system. Available at: www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-financial-year-2020-to-2021-estimates/fraud-and-error-in-the-benefit-system-for-financial-year-ending-2021

3 The risks shown here are the four largest risk categories. The Department categorises self-employed earnings as a sub-category of a wider earnings/employment risk. Previous National Audit Office reports have presented the data using the earnings/employment categorisation. A full list of all categorisations can be seen in the Department's fraud and error estimates at the link above.

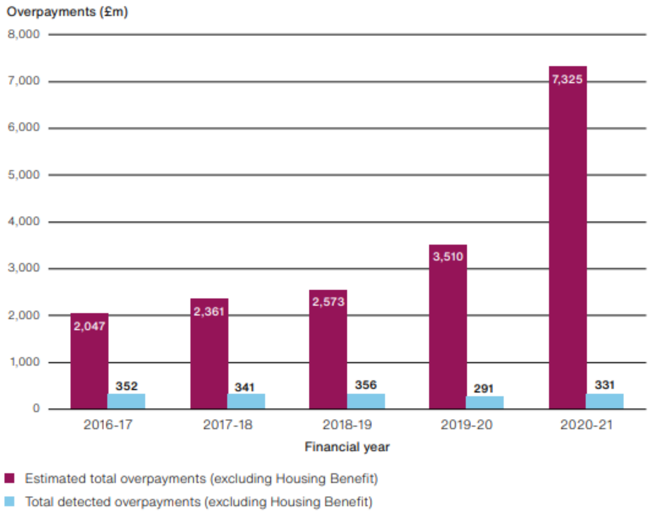
4 Data relate to benefit expenditure in Great Britain, excluding expenditure that has been devolved to the Scottish Government. Benefit expenditure in Northern Ireland is the responsibility of the Northern Ireland Executive.

Source: National Audit Office analysis of the Department for Work & Pensions' published data on fraud and error

Figure 6

The estimated total of fraud and error compared with total overpayments detected, 2016-17 to 2020-21

The Department for Work & Pensions (the Department) does not detect billions each year compared with its estimate of total overpayment levels



Notes

1. Values presented here exclude Housing Benefit because the Department is not responsible for the collection of Housing Benefit overpayment debt.
2. The estimates of total overpayments are the Department's central estimates based on the sampling that it does each year across different benefits. The Department reports its ranges in its published statistics on fraud and error in the benefit system.
3. The Department changed its methodology for estimating overpayments in 2019-20 and restated its results for 2018-19. The data above shows the restated results for 2018-19.
4. The total detected overpayment values in a given year may increase in the future because the Department continues to detect overpayments that may span several financial years. For example, the Department has detected and recorded a further £284 million of overpayment debt relating to 2020-21 between April and June 2021, increasing the total overpayments detected and reported for 2020-21 to £615 million, around 8% of total estimated overpayments.
5. Data relate to benefit expenditure in Great Britain, excluding expenditure that has been devolved to the Scottish Government. Benefit expenditure in Northern Ireland is the responsibility of the Northern Ireland Executive.

Source: National Audit Office analysis of the Department for Work & Pensions' fraud and error statistical data

December 2021