

**Group Finance Directorate**

Recovery of HMRC small debt  
from DWP Benefits

# Equality impact assessment for recovery of Her Majesty's Revenue and Customs (HMRC) small debt from ongoing Department for Work and Pensions (DWP) benefits on a voluntary basis

## Introduction

1. The DWP has carried out an equality impact assessment on the voluntary trial to recover HMRC small debts from DWP benefits to meet the requirements of the:
  - Race Equality Duty;
  - Disability Equality Duty; and
  - Gender Duty.
2. This is to ensure that:
  - The Department's strategies, policies and services are free from discrimination;
  - Due regard is given to equality in decision making and subsequent processes; and
  - Opportunities for promoting equality are identified.

## Background

3. A closer working initiative between the DWP and HMRC has identified the scope for recovering HMRC small debt from ongoing DWP benefits. HMRC small debt includes overpayments of tax credits and personal tax debts under the value of £1,000.00.
4. A team was tasked with exploring where and how we can best work together on joint debt recovery.
5. The team considered a range of ideas on joint recovery of debt. They concluded that offering HMRC customers the voluntary option of paying their proposed Tax Credit overpayment and Self Assessment debt by deductions from certain Social Security benefits would both improve customer service by delivering a new cost effective payment method and increase revenues to the Exchequer.
6. In July 2010 HMRC will start to trial the recovery of tax credits through deductions from certain DWP benefit payments. A trial for deductions of self assessment debts will follow shortly afterwards.
7. The trial is designed to provide a further simple nil cost payment option to those owing money to HMRC who wish to repay their debt by deductions from ongoing benefit payment. Recovering the debt in this way will be subject to the taxpayer's agreement. Both Departments will carefully evaluate the trials and the information obtained will be used to decide whether this should become a permanent payment option.

8. The trials will be used to assess the effectiveness of collecting HMRC debts via deductions from certain DWP benefit payments and test customer response to this method of payment.
9. For tax credits, we will select a sample of debtors with overpayments not recovered through deductions from ongoing awards that are identified as being in receipt of certain DWP benefit payments. We estimate that 20,000 debtors are likely to fall into this category and a sample of 5,000 cases from this pool will be used for the trial.
10. These regulations permit DWP to collect HMRC's debt in this way and will have no impact on the amount of the debt to be recovered or the rate of the repayment. These decisions will already have been made before the customer decides if they want to use this simple and convenient new option.

## **Purpose and aims of the proposal**

### **What is DWP proposing?**

- 11 We are proposing to make available on a voluntary basis an additional, straight forward and free alternative method for repaying HMRC tax credit or self assessment debt.

### **Why are we doing this?**

12. We are doing this to improve customer service and choice. For example, for a number of different reasons some customers may not wish or, be able, to pay by cheque or direct debit, so this will provide them with a simple to use alternative method of repaying their debt which will not cost them anything.

### **What do we want to achieve?**

13. We wish to improve customer service by giving the customer greater choice.

### **Who is it for?**

14. This option will be available to DWP customers in receipt of prescribed benefits<sup>1</sup> who have an HMRC tax credit or self assessment debt.

### **How will it be put into practice?**

15. We will be running a trial to establish if there is sufficient customer demand. If there is, and it is cost effective we will consider introducing this as a permanent option. **(See Annex 1).**

### **What information and/or data (evidence) has been obtained to impact assess this proposal?**

16. There is anecdotal evidence that since the replacement of the DWP in work benefit (Family Credit) with the tax credit regime, a number of people have missed the ability for any overpayment of in work benefit to be recovered from their ongoing income-related social security benefits, particularly where they cease to be in employment. Previously, overpayments of Family Credit could be recovered by deduction from ongoing DWP benefits in the same way as other

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<sup>1</sup> – Income Support, Jobseeker's Allowance (Income Based), State Pension Credit and Employment Support Allowance (Income Related).

overpayments. Many customers found this an easy means of repaying their overpayment.

17. Officials have informally met customer organisations to seek their views on the proposal. The proposal was broadly well received. Representatives were aware of cases in the past where both DWP and HMRC were seeking recovery of debts from the same vulnerable customer. It was hoped that this initiative would stop this happening in cases of those receiving benefit.

### **Who will benefit mainly from this policy?**

- 18 The change is intended to help all customers who cannot afford to settle their debts with HMRC in one go and who would prefer to pay them off through voluntary deductions from their ongoing income-related DWP benefit. For example, this may be an attractive option to those who do not have access to direct debit facilities and would be reliant on other, possibly expensive, forms of repayment or credit.

### **Impact of the proposal or change**

19. At this stage, we have not identified any potential direct or indirect adverse impact on any equality strand, and we have not been able to find any evidence of any disproportionate effect as a result of these proposals. Evaluation of the trial will provide statistical evidence to enable this to be more fully evaluated. This will include looking at whether this nil cost repayment option for those on certain DWP benefits should they wish to use it is a viable option in terms of take-up and the resources required by each department.

### **Does the proposal have a positive impact on any group?**

20. The trial will be available to all groups regardless of race, gender and disability. Joint DWP and HMRC customers will benefit from a nil cost repayment option for tax debts should they wish to use it. This option will likely be very attractive to those who do not have a bank account. Those from disadvantaged groups are less likely to have a bank account than others.
21. We have been unable to establish how many customers of ethnic minority origin will be affected by the change because neither Department collects such information.

### **Monitoring and evaluation**

22. We have already engaged with customer representative groups regarding this trial. They will be fully involved in the detailed design of the trial which will include service standards, monitoring and evaluation to ensure that if the trial is to become a permanent option, it is fully compliant with DWP's diversity and equality issues.

## Contacts

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## **Annex 1**

### **Methodology**

- 1 For the voluntary trial we propose to deal with relatively fresh debt, to ensure consistency with the recent proposal to write off certain historic tax credit debts for which collection does not represent value for money.
- 2 The aim is to use a sample of approximately 5,000 customers who are in receipt of Department for Work and Pensions income-related benefit payments and who have a tax credit overpayment or self assessment debt. A selection of staff from HMRC and DWP will work alongside each other allowing them to share the relevant information to enable the pilot to progress.
- 3 From the start of the trial staff from HMRC will have identified 5,000 customers with a new tax credit or self assessment debt. They will liaise with DWP staff to establish whether the customer is in receipt of a DWP income-related benefit and if deductions could be taken and the maximum rate of those deductions.
- 4 Correspondence will then be issued to the customer asking if they would like to participate in the trial that will commence in July 2010. Participation will be on a purely voluntary basis and the letters will make this clear. If the customer does not wish to take part in the trial or no reply is received, then no further action regarding the trial will be taken.
- 5 If the customer replies to the correspondence stating they wish to take part in the exercise HMRC staff will then liaise with the customer to establish the details of the recovery and agree the rate of voluntary recovery. HMRC will then pass the relevant information on to DWP who will implement the voluntary deductions from the customer's benefit.
- 6 Evaluation of outcomes in terms of take up, customer service, recovery and costs are key deliverables. We aim to use the voluntary take up process to assess why debtors decline the opportunity and to use this group as our control sample for comparative purposes.