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Panel Study of Tax Credits Customers: Telephone survey 2012

Reducing error and fraud, and the transition to Universal Credit

HM Revenue and Customs Research Report 251

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NatCen Social Research

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Research summary

HM Revenue & Customs (HMRC) commissioned the first wave of the Panel Study of tax credits customers in 2008 to collect longitudinal data on a sample of tax credits customers. The survey has been used to improve understanding of customers by tracking their experiences, attitudes and behaviours over time, enabling HMRC to ensure that policy and operational developments take account of customer experience.

This report covers findings from the latest wave of the Panel Study, focusing on two areas of strategic priority to HMRC: reducing error and fraud, and the transition to Universal Credit. The study involved 1,000 telephone interviews with a representative sample of tax credits customers. The research was carried out by NatGen Social Research and was commissioned by HMRC.

Reducing Error and Fraud

Getting help and advice

So that HMRC can target its resources effectively, it is important to understand where customers currently go for help and advice about tax credits. The HMRC helpline was cited most often - by 56 per cent of customers - as customers' first choice for help and advice with tax credits.

HMRC plans to encourage more customers to make use of trusted intermediaries, such as voluntary and community organisations, when they need assistance. Whilst only three per cent of customers named third sector organisations as somewhere they would go first for help or advice about tax credits, 78 per cent said they would be prepared to use a third sector organisation for tax credits advice in the future.

Reporting changes of circumstances

For the tax credits system to work effectively, HMRC needs up-to-date information about any changes to customer circumstances which may affect their tax credits claim. The majority (95 per cent) of customers told us they did report changes of circumstances to HMRC.

Customers are expected to report any changes of circumstance to HMRC immediately. The majority of customers told us that they had reported changes immediately (69 per cent), or within one month (23 per cent); where customers took longer, a range of factors were identified:

- Having a relatively high household income (£26,000 per year or more);
- English being a second language;
- Working full time;
- Being aged 50 or over.

One third (33 per cent) of customers said they had been prompted to report changes as a result of something they had seen or heard, such as adverts or reminders from HMRC (44 and 24 per cent respectively), or the receipt of renewal documentation (41 per cent).

Almost all customers thought that there were repercussions for not reporting changes: 72 per cent accurately identified at least one of the consequences specifically mentioned on the HMRC website.

Eighty-eight per cent of customers thought that penalties would make them more likely to report changes. Penalties may be less effective with customers who speak English as a second language: 76 per cent, compared to 89 per cent of those who spoke English as a first language, reported that penalties would make them more likely to report changes.

Renewing claims

Late renewal of tax credits claims by customers can also have implications for over and under payments. Eleven per cent of customers told us they had previously renewed their tax credits claim late. Those who spoke English as a second language were more likely to say that they have done this than those who spoke English as a first language or were bilingual.

Customers largely ascribed renewing late to either their own forgetfulness (47 per cent), or delays in getting all of the documentation together (18 per cent). Reminders from HMRC had prompted around a quarter (24 per cent) of customers whose renewal was overdue to eventually renew.

Views on error and fraud

The majority of customers thought that inaccurate claims were relatively common (79 per cent saying felt they were either very or fairly common). While around two thirds of customers thought that HMRC was doing enough to tackle this problem (67 per cent), one third of (30 per cent) thought HMRC could do more. Seventy-five per cent thought it likely that inaccurate claims would be caught.

Most customers (72 per cent) thought it was always unacceptable to make inaccurate claims. Others felt there could be times when it would be acceptable, such as cases of genuine mistakes or confusion. Those with English as a second language were least likely to think that it was 'always unacceptable' to make an inaccurate claim.

The transition to Universal Credit

Awareness of Universal Credit

This year, 2013, sees the introduction of Universal Credit, which will gradually replace tax credits and other working age benefits by 2017. Awareness of the term 'Universal Credit' was low: only a quarter of customers (24 per cent) had heard of it.

The majority of customers who knew about Universal Credit felt that its introduction would have implications for them (66 per cent). More than a quarter of those who thought Universal Credit would affect them said they were very concerned about what would happen when the system changed.

Help and support with transition

The majority of customers who knew about Universal Credit thought that HMRC should be responsible for providing information about it (61 per cent), although 55 per cent felt the Department for Work and Pensions should have a role in providing them with information about Universal Credit.

Customers felt that providing information on the timing of the Universal Credit roll-out was more important than any of the other options provided, including when Universal Credit was likely to affect them (40 per cent). This was followed by details of how to make a claim (31 per cent).

The internet was seen as the first port of call by most customers when seeking information about Universal Credit (65 per cent). Smaller proportions said they would go to HMRC (22 per cent), the Citizen's Advice Bureau (15 per cent), or the Jobcentre Plus / Department for Work and Pensions (eight per cent). By far the most popular method for receiving information about Universal Credit was in a letter (81 per cent).

Internet use and online claims

Universal Credit will be a primarily digital service, meaning that most claimants will be expected to submit and manage their claims online. Most customers (82 per cent) said they had access to the internet in their own homes, and made use of it. Only three per cent reported that they had no access to the internet at all (either at home or elsewhere).

Internet access varied by household income (18 per cent of homes with incomes below £10,399 said they had no access to the internet, compared with four per cent of households with an income of £26,000 or more).

The majority of customers said they felt safe when using the internet generally (88 per cent). A smaller proportion said they felt safe managing financial information online (67 per cent).

More than a fifth of customers (21 per cent) felt that having to submit and manage Universal Credit claims online would present a problem for them. Reasons for this included: not knowing how to use the internet (30 per cent), concerns about security (ten per cent) or preferring to talk to someone (10 per cent). Those with: higher qualification levels; higher household incomes; and, internet access at home were all significantly less likely to anticipate a problem with online claims.

Budgeting and frequency of payments

Universal Credit payments will be made on a monthly basis, which will represent a change for the over half of tax credit customers who told us they currently receive their award as a weekly payment (57 per cent). In the survey, tax credits customers were asked about a move to four weekly payments which is a reasonable proxy for monthly payments. Three-quarters of this group felt that a move to four-weekly payments would affect them; those in lower income households were most likely to anticipate that this change would cause them problems.

Thirty-five per cent of customers who received weekly tax credit payments indicated that they would need advice or support to manage a move to four-weekly payments. Customers who speak English as a second language and those living in low income households were significantly more likely to require help and advice to manage this change.

In-year finalisation

As part of the stopping tax credits process, customers may be asked to finalise their tax credits award at the point of transition or 'in year' rather than at the end of the tax year as they currently do. Most customers (60 per cent) believed that checking and reporting their income in-year would be very easy or easy. Around a quarter of customers anticipated difficulties with in-year reporting of income information and 15 per cent thought it would be neither easy nor difficult.

The problems customers anticipated included calculating a portion of annual income (41 per cent), collating all the necessary information (17 per cent) and not having access to necessary paperwork (16 per cent). Customers saw late spring / early summer as the least problematic time of the year to provide income information (June in particular).

Forty-one per cent of customers felt that certain types of income would be more difficult to provide, such as that generated from self-employment (48 per cent). Forty-four per cent of those customers who envisaged difficulties with a change in reporting times felt that it would be difficult to provide the necessary information within a month.

1 Introduction

1.1 Background

This report presents findings from wave five of the Panel Study of tax credits customers. The study was conducted by NatCen Social Research on behalf of HM Revenue & Customs (HMRC). The first wave of the Panel Study was carried out in 2008. This report presents the analysis of data that was collected during the latest wave of the panel study only. While, the panel study does allow HMRC to track customer experience over time, that is not a focus of this report. HMRC is currently exploring areas where longitudinal analysis of the panel data could add value.

This report is based on the results from the 2012 wave of the study involving telephone interviews with 1,000 tax credits customers, with an overall response rate of 60 per cent. Two-thirds of the respondents had been interviewed in previous waves of the study; the remaining respondents were interviewed for the first time. New customers were included in the study to account for attrition and to ensure that the sample remained representative of all current tax credits customers. More information about the methodology can be found in a separate technical report.

Two of HMRC's key strategic objectives in relation to the tax credit system are:

- Reducing tax credits error and fraud by helping customers to get their claim right first time;
- Stopping tax credits and moving customers to Universal Credit effectively.

Reducing error and fraud

Helping tax credits customers to get their claim right the first time is central to reducing error and fraud in the tax credits system. In 2010/2011 the department lost an estimated £2.27 billion¹ due to error and fraud, with one in five claims thought to be inaccurate. A large part of this was related to customer error rather than deliberate fraud (NAO, 2013). This suggests that measures aimed at: improving tax credits customers' understanding of the tax credits system and their responsibilities as customers; the consequences of non-action; and, targeting support towards those most at risk of getting their claim wrong, could be effective in reducing the level of error and fraud.

Error can enter the system at a number of different stages. This report looks at two of these stages in particular: the reporting of changes of circumstances and the renewal of tax credits claims. It also explores where tax credits customers go for help and advice, and their views on error and fraud.

The transition to Universal Credit

Universal Credit represents the biggest reform of the UK welfare system for more than 60 years: it is a new single benefit that will replace a number of working age benefits including the Working Tax Credit and Child Tax Credit. Some customers will begin claiming Universal Credit this year, which will mean that their tax credit payments will stop and their awards will

¹ This figure does not include organised fraud.

be finalised. The Universal Credit system will differ from the tax credits system in key respects, including that payments will be made monthly and most will be online. HMRC is committed to using its experience with the tax credits system to help to develop the transition process to ensure that it is as efficient as possible for both customers and HMRC.

This report explores the issues that tax credits customers may face during the process of transition and in adjusting to the Universal Credit system.

1.2 Reporting Conventions

The information presented in this report uses data from the Panel Study that has been weighted using cross-sectional weights to take account of technical issues such as sample design and non-response. In particular, the weighting ensures that the distribution of the weighted data closely approximates the overall tax credits population, according to HMRC's administrative records, in terms of type of tax credits received and length of tax credits receipt. This ensures that weighted data is representative of all tax credits customers in 2012 on these key characteristics. The distribution of tax credits recipients on other potentially important characteristics was not known, so it was not possible to check how representative the sample for these other characteristics. Full details on the weighting can be found in the accompanying technical report.

The majority of tables in the report relate to questions with mutually exclusive responses, for example where customers went first for help and advice about tax credits. In these tables the percentages will generally sum to 100; however, there may be some instances where percentages will not sum to exactly 100 per cent because of rounding. In addition where the survey question allowed multiple responses, (i.e. the tax credits customer could choose a number of responses rather than just one) the percentages will not sum to 100. Some respondents did not respond to all questions. As a result, the unweighted sample size for tables and figures that refer to all tax credits customers can be smaller than the total number of interviews (1,000).

The tables use the following notations:

Base The unweighted count is the base presented in all tables.

0 Percentage value is greater than 0, but less than 0.5, which is rounded down.
Frequencies based on less than 50 cases are not robust and have not been included in the report.

Statistical significance was tested using logistic regression for complex samples.² All the differences cited in the text or presented in the charts are statistically significant at the 0.05 level. The report includes some cross-tabulations that present the findings by key customer characteristics. It should be noted that some of the characteristics used in this report are related to each other as well as to the outcome that is considered. This means that a statistically significant relationship between two variables could in fact be affected by a third variable. It is possible to untangle relationships between three or more variables by using multivariate analysis techniques, and this has been done for one key question in each chapter. The remaining cross-tabulations present statistically significant relationships between two variables only.

Throughout the report tax credits claimants are referred to as 'customers'. The breakdown of the sample by key customer characteristics is included in Appendix C.

² PASW 18 does not include a Chi-square procedure for complex samples. Equivalent analysis can be performed with the logistic regression command and specifying only one independent variable (break variable).

2 Reducing Error and Fraud

HM Revenue & Customs (HMRC) is committed to getting tax credits customers' claims right first time. This chapter looks at the factors that might affect the accuracy of a customer's tax credits claim, with a view to understanding possible sources of error and fraud and how they can be mitigated. The chapter explores: where customers go for help and advice; their experiences of and views on reporting changes and renewing claims; and their views on error and fraud in the tax credits system.

2.1 Getting help and advice

HMRC's Customer Charter (HMRC, 2013a) states that customers have a right to receive help and support from HMRC to get things right. This includes:

- Providing information that helps you understand what you have to do and when you have to do it;
- Providing information that clearly explains the taxes, duties, exemptions, allowances, reliefs and tax credits that we are responsible for;
- Processing the information you give us as quickly and accurately as we can;
- Putting mistakes right as soon as we can.

To achieve this HMRC needs to have a clear understanding of how tax credits customers' access help and advice about tax credits, and their views on using intermediaries so that services can be delivered to effectively meet customers' needs.

To facilitate this understanding, customers were asked a range of questions, including where they have traditionally gone for help, whether they were aware that they could use third sector organisations for advice, and whether they would be prepared to use them in the future.

2.1.1 Where customers went first for help and advice about tax credits

Over half of tax credits customers (56 per cent) said they had used the tax credits helpline as their initial source of help and advice on tax credits. The second most frequently reported source for this was the HMRC website (19 per cent of customers said they used it as their primary source of help or advice) (Table 2.1).

Table 2.1 Where customers went first for help or advice about tax credits

<i>Base: All tax credits customers</i>	
	%
Call Tax Credits helpline	56
HMRC website	19
Jobcentre Plus	5
Gov.uk or Direct.gov website	4
Friends or relatives (including other tax credit customers)	3
Visit HMRC Enquiry Centre/ local tax office	2
Citizens Advice Bureau	2
Independent professional advisor e.g. accountant	1
A voluntary/ community/ charitable organisation	1
Letter/ leaflet previously received from HMRC	1
Email to HMRC	1
Another website	1
Local council offices	0
Write a letter/fax to HMRC	0
All other responses	1
Nowhere (did not seek advice)	2
Total	100
<i>Unweighted base</i>	<i>1,000</i>

2.1.2 Use of third sector organisations for help and advice

HMRC's Business Plan 2012-15 (HMRC, 2012) states that tax credits customers who are in need of assistance will be encouraged to approach trusted intermediaries, such as voluntary and community organisations, and that HMRC will provide these organisations with assistance to help tax credits customers.

Table 2.1 shows that a total of three per cent of customers indicated that their first choice of help and advice with tax credits were voluntary or community organisations (including the Citizen's Advice Bureau). Those who did not report that they currently used voluntary, community or third sector organisations for help and advice were asked whether they were aware that such organisations could offer help (Appendix Figure A.1).

Over two-thirds of customers were aware that they could go to such organisations for advice about their tax credits claim. The majority of customers (78 per cent) who had not used such organisations previously said they would be willing to use third sector organisations in the future (Appendix Figure A.2).

2.2 Reporting changes of circumstance

Tax credits are designed to be flexible and to provide support that can change with a customer’s circumstances. To work effectively and to ensure that customers receive correct payments, HMRC needs up-to-date records of customers’ circumstances. Previous studies have shown that some customers do not always report changes of circumstances when they should and that particular changes are less likely to be reported than others (Maplethorpe & Toomse, 2011).

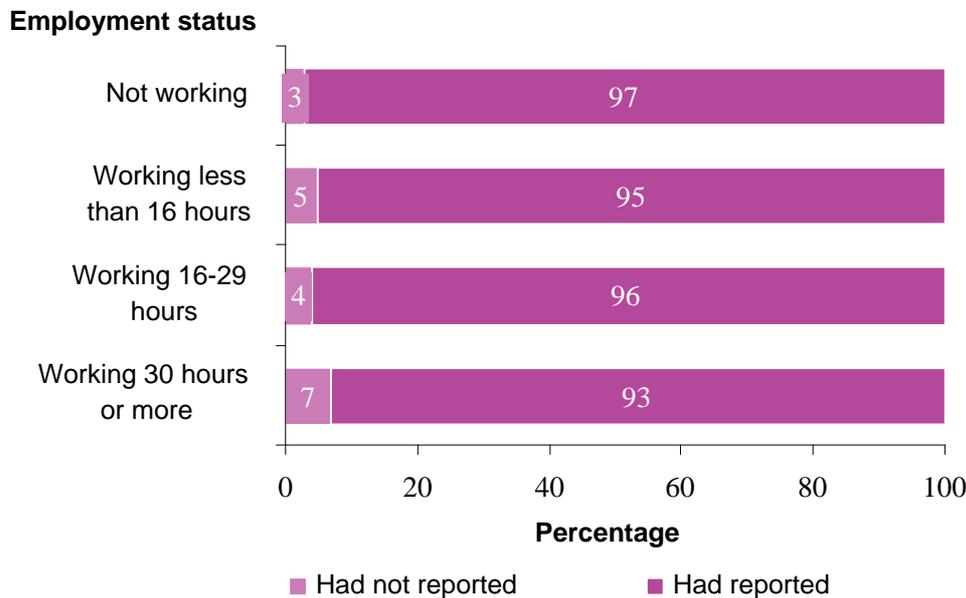
It is important that HMRC understands why customers fail to report changes of circumstances to inform its approach and communication with customers. Customers in this wave were asked whether they had ever not reported changes of circumstances, why they may not have reported changes, and how long they generally waited before reporting the changes to HMRC.

2.2.1 Failure to report a change of circumstance

Overall, five per cent of customers reported that there had been at least one instance when they had not reported a change of circumstance.³ A significant relationship was found between the non-reporting of changes and customers’ current employment status (Figure 2.1):

Figure 2.1 Proportion of customers who had not reported a change of circumstances: by employment status

Base: All tax credits customers



Unweighted base: 996

³ The changes that should be reported include changes to address, bank details, employment status, job, number of hours worked, income, marital status, family make-up, childcare arrangements, disability status, whether living in the UK, and their right to reside in the UK. Customers were not presented with this list when asked questions about reporting changes of circumstance.

As Figure 2.1 shows, a higher proportion of customers who were working 30 hours per week or more had not reported a change of circumstance when compared with those working either part-time or not working at all.

2.2.2 Reasons for not reporting the most recent change

Those who had not reported a change were then asked why they had not done so on the most recent occasion (Table 2.2).

Table 2.2 Why customers did not report the most recent change	
<i>Base: Customers who have ever not reported a change</i>	
	%
Did not know that I had to	24
Too busy or too stressed to report	21
Did not think about reporting the change when it occurred	14
I have not got round to it	8
Too much of a burden	7
Have more important things to get sorted first	5
It is not a permanent change	5
Would not affect amount of tax credits award	3
HMRC should already know about this change from another source	1
Concerned that payment would reduce	1
No reason, not planning on ever reporting this change	1
All other responses	31
<i>Unweighted base</i>	<i>52</i>

Note: Respondents were able to give more than one response to this question and therefore the sum of the percentages may be greater than 100.

Note: This table is based on a low number of cases, so the results should be interpreted with caution.

The most common reasons mentioned by customers for not reporting their most recent change were not knowing what they had to do (24 per cent) and being too busy or stressed to report (21 per cent). There were a substantial proportion of 'other' responses (31 per cent); this group comprised a mixture of several different answers that were mentioned too infrequently to be included as individual categories.

This group was finally asked whether they thought their most recent unreported change would have affected their award. Half of the customers (50 per cent) thought the unreported change would have affected their claim whilst the other half did not (Appendix Table A.1)⁴.

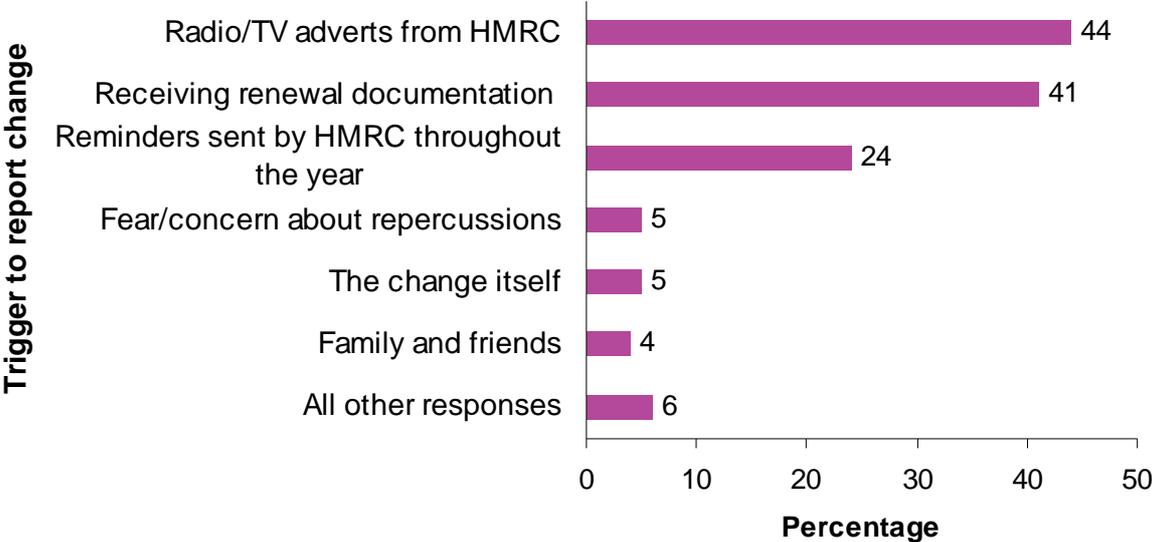
2.2.3 Reminders to report changes

One third of tax credits customers (33 per cent) said that there were things which reminded them to report changes of circumstances (Appendix Table A.2). The different ways in which customers said they were reminded to report changes are detailed in Figure 2.2.

⁴ The findings reported in Table 2.2 and Appendix Table A.1 were calculated on a small sub-set of the overall sample. Therefore, the bases are small and caution should be taken when using these data.

Figure 2.2 Triggers to report a change of circumstances

Base: Customers who indicated that something reminds them to report changes



Unweighted base: 317

Note: Respondents were able to give more than one response to this question and therefore the sum of the percentages may be greater than 100.

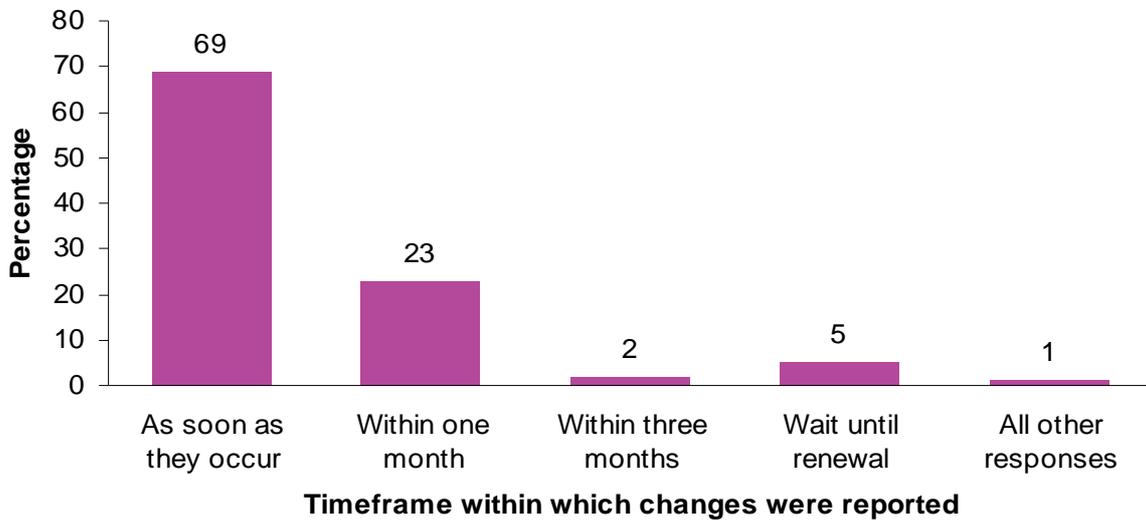
Where customers said that something or someone had reminded them to report changes, the most frequently cited triggers included TV or radio adverts from HMRC (44 per cent) and the receipt of the renewal documentation (41 per cent).

2.2.4 When customers reported changes of circumstances

As well as understanding which changes are reported, and which are not, it is also important to understand how long it takes for these changes to be reported as an undue delay may lead to either over or underpayment during that period. To minimise the risk of error, HMRC requests that customers report changes in their circumstances that could affect their tax credits claim straight away (HMRC, 2013b). As shown in Figure 2.3, most customers told us they reported either immediately or within one month of the change occurring.

Figure 2.3 Timeframe within which customers told us they usually reported changes of circumstances

Base: All tax credit customers



Unweighted base: 967

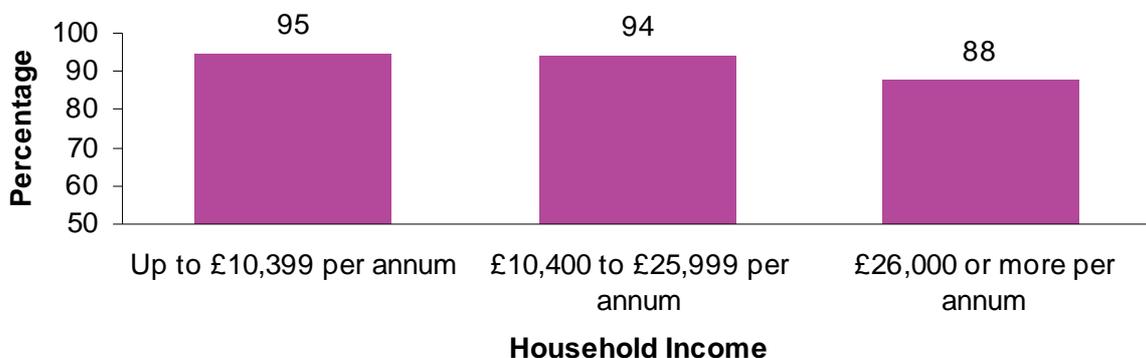
The likelihood that customers would report changes of circumstances either immediately or within one month varied significantly by household income, first language, age, and employment status. These factors are explored further below. There was no significant relationship between likelihood of reporting changes either immediately or within one month and the length of tax credits claim.

Household income

As shown in Figure 2.4, and consistent with previous findings (Maplethorpe & Toomse, 2011), those with lower awards (and therefore with higher income) were significantly less likely to report changes when compared with customers on higher awards.

Figure 2.4 Proportion of customers who told us they reported changes of circumstances within one month: by total household income

Base: All tax credit customers



Unweighted base: 956

English as a first language

There was also a significant difference in reporting behaviour between those who had English as a first language or were bilingual (i.e. speak English and another language as first languages) and those for whom English was a second language (Appendix Figure A.3). A higher proportion of those with English as a first language, or who are bilingual, told us they reported changes of circumstances within one month (93 per cent) compared to those for whom English is a second language (86 per cent).

Age

Customers aged 50 and over were less likely to have reported changes of circumstance within one month when compared with customers aged under 50 (84 per cent said they reported changes within one month compared to 94 per cent from the younger group) (Appendix Figure A.4).

Employment

The proportion of those who reported changes within one month also varied significantly by employment status (Figure 2.5).

Figure 2.5 Proportion of customers who told us they reported changes of circumstances within one month: by employment status

Base: All tax credit customers



Unweighted base: 956

Those working over 30 hours per week were least likely to say they had reported changes within one month with 88 per cent saying that they did this. Those not working were the most likely to say they had reported within one month with 96 percent saying they had reported changes within this period.

2.2.5 Encouraging customers to report changes of circumstances

All customers were asked what HMRC could do to encourage people to report changes of circumstances (Appendix Table A.3). The most commonly mentioned ways that customers thought HMRC could encourage them to report changes of circumstances was to send reminder letters to customers (41 per cent) or run television advertisements (30 per cent). Other methods such as reminders via email (15 per cent) or text (six per cent) were mentioned less frequently.

2.2.6 Consequences of not reporting changes of circumstances

It is possible that some customers may not report changes because they are unaware of the consequences of not doing this. Customers were therefore asked what they thought would happen if they did not report a change of circumstances (Table 2.3).

Table 2.3 What may happen if a change of circumstance is not reported	
<i>Base: All tax credits customers</i>	
	%
May receive an overpayment	52
Payments will stop	46
May receive an underpayment	24
Will be fined	24
May get prosecuted/break law	13
Payments will be reduced	12
May get the wrong amount of tax credits	12
Will have to make a new claim	2
May get told off/reprimanded	2
Not being able to claim again	1
All other responses	3
Nothing	0
<i>Unweighted base</i>	969

Note: Respondents were able to give more than one response to this question and therefore the sum of the percentages may be greater than 100

There are a number of consequences of not reporting changes of circumstances; these are detailed on the HMRC website (HMRC 2013c).⁵ When the responses given by customers were compared with this list, over a quarter (28 per cent) of customers did not accurately associate the consequences of non-reporting of changes with any of those listed on the HMRC website (Appendix Table A.4).

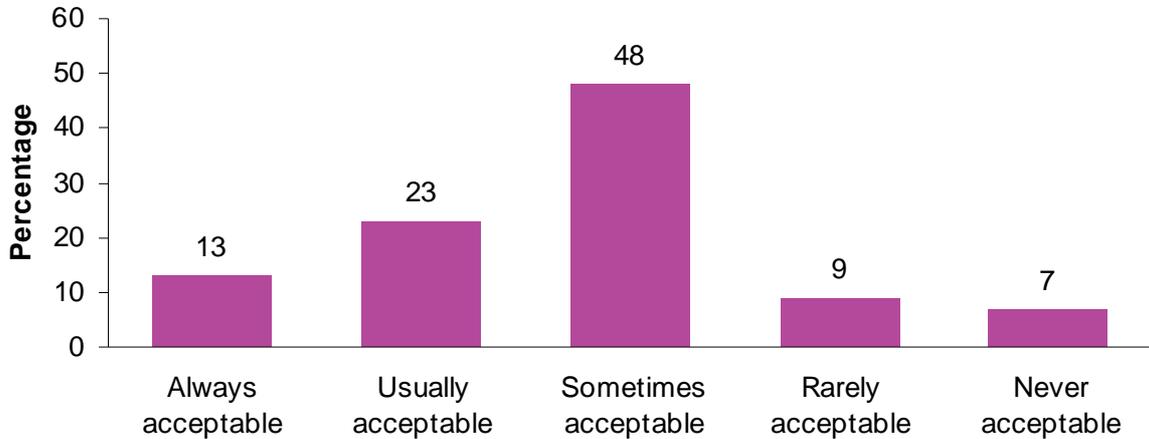
2.2.7 Use of financial penalties to encourage reporting of changes of circumstances

One of the measures that HMRC can use to encourage reporting of changes of circumstances is financial penalties. Findings from this study indicate that there is some customer support for financial penalties with only 16 per cent of customers saying that they would be either rarely or never acceptable (Figure 2.6).

⁵ The consequences listed are: 1) Receiving an overpayment (which would need to be paid back, which can include a reduction in payments, until it is repaid); 2) Having to pay a penalty of up to £3,000 where there has been deliberate error or error due to negligence; 3) Receiving an underpayment and potentially losing this money as any increase to the tax credit award as increases can usually only be backdated by up to one month.

Figure 2.6 Imposing a financial penalty on those who fail to report changes of circumstances in time: customer perceptions

Base: All tax credit customers



How acceptable it would be for HMRC to impose a financial penalty

Unweighted base: 975

Customers were also asked whether the risk of financial penalties would encourage them to report changes of circumstances: the majority of customers (88 per cent) said that it would (Appendix Table A.5). A significant difference was identified between customers with English as a first language and those for whom it was a second language. Those with English as a second language were less likely to say that financial penalties would encourage them to report changes of circumstances (76 per cent) than those with English as a first language (89 per cent) (Appendix Figure A.5)

2.3 Renewals

Customers who do not renew their tax credits claims on time (i.e. by the deadline of 31 July) may receive an overpayment which they will need to repay, or their payments may stop. HMRC is seeking to combat late renewing by proactively engaging with customers who are most at risk of being overpaid if they do not renew promptly in order to encourage them to renew on time. Understanding which customers fail to renew, and why this is the case, is central to these continuing efforts.

2.3.1 Timeliness of renewal

All customers were first asked if they had ever renewed late, for any reason. Overall 11 per cent of customers told us they had renewed late at least once (Appendix Table A.6). Customers who had renewed late did not vary by household income, claim length, age, employment status, how common customers felt inaccurate claims were, or how acceptable they felt they were, once other characteristics have been accounted for.⁶ However, late

⁶ So far the report has shown how customer behaviour and views vary between customers with different characteristics looking at one characteristic at the time. However, often these customer characteristics are related not just to a behaviour or view but also to one another. For instance, customers receiving Working Tax Credits are also more like to have lower household income than the rest. Because of this potential link, analysing

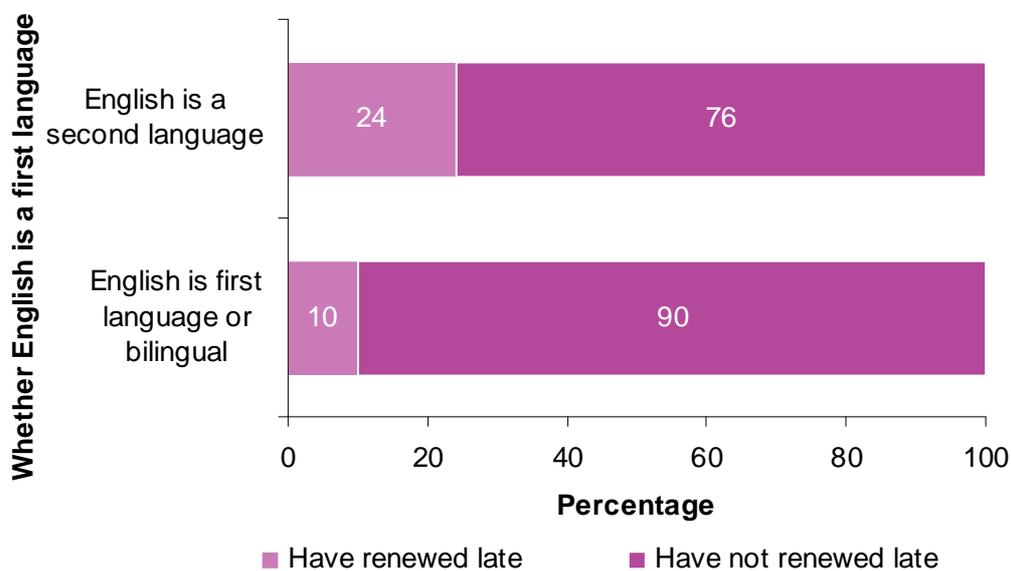
renewal was found to be associated with whether customer’s first language was English and the perceived likelihood that those who make inaccurate claims will be caught (see Appendix Table B.1).

As shown in Figure 2.7, customers who speak English as a second language were significantly more likely to have told us they had renewed late (24 per cent) than customers who speak English as a first language (ten per cent).

English as a first language

Figure 2.7 Proportion of customers who told us they have ever renewed late: by whether they had English as a first language

Base: All tax credit customers



Unweighted base: 997

2.3.2 Why customers renewed late

Those customers who had renewed late were asked why this had happened (Appendix Figure A.6)

Almost half (47 per cent) of those who said they had renewed late told us they had done so because they had been disorganised or forgot to renew. Other reasons for late renewal included:

- Waiting for, or collating necessary documentation (18 per cent);
- Not getting a reminder from HMRC (eight per cent);
- Not knowing about the deadline (four per cent);
- Not being able to get through to the tax credits helpline (four per cent).

relationships one by one may not reveal the independent effect of a particular characteristic. The combined effect of several characteristics can be considered together by using multiple logistic regression.

Customers also gave a range of other, personally specific responses which could not be coded into the categories above. These are captured in the 'all other responses' category (19 per cent of all responses). The numbers were too low to distinguish any specific themes in this category.

2.3.3 What prompted customers to renew

Customers who reported having renewed late previously were asked what it was that eventually prompted them to renew their claim (Table 2.4). Whilst one fifth (19 per cent) of customers said they had eventually remembered by themselves, other customers told us they had finally renewed for a range of reasons, with reminders from HMRC being the most common (24 per cent). There was also a range of 'other' responses that did not fit into any single category (21 per cent). The numbers were too low to distinguish any discrete themes within that group.

Table 2.4 What prompted tax credit customers to renew	
<i>Base: All tax credits customers</i>	
	%
Reminders sent by HMRC	24
Remember by themselves	19
Money stopped	16
Sent a bill	7
Receiving renewal documentation	5
Financial situation changed	5
Employer reminder	5
All other responses	21
<i>Unweighted base</i>	<i>110</i>

Note: Respondents were able to give more than one response to this question and therefore the sum of the percentages may be greater than 100

2.4 Views on error and fraud

This section describes tax credits customers' broader views on error and fraud in the tax credit system.

2.4.1 Prominence of inaccurate claims

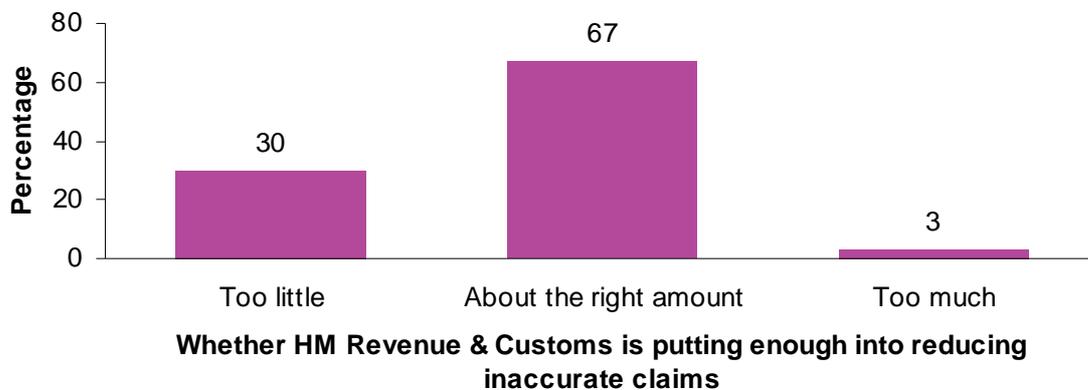
The majority of customers believed that inaccurate claims were either very common (21 per cent) or fairly common (58 per cent). Twenty per cent thought they were not very common but only two per cent thought they were not at all common (Appendix Figure A.7).

2.4.2 Reducing inaccurate claims: is HMRC doing enough?

The majority of customers (67 per cent) felt that HMRC was putting 'about the right amount' of effort into reducing inaccurate claims, however 30 per cent felt they were doing too little. Only three per cent felt they were putting too much effort into reducing inaccurate claims (Figure 2.8).

Figure 2.8 Reducing inaccurate claims: is HMRC doing enough?

Base: All tax credit customers



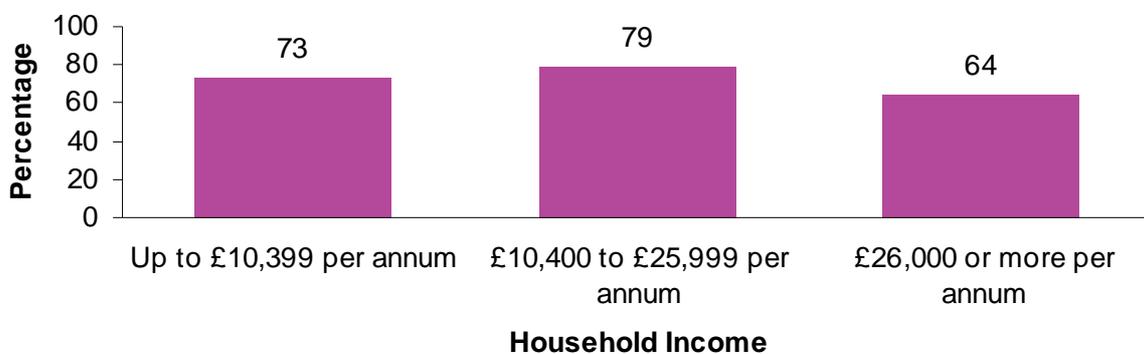
2.4.3 Likelihood that those who make inaccurate claims will be caught

The majority of customers felt that those who make inaccurate claims were either very likely (25 per cent) or quite likely (50 per cent) to be caught. Twenty-one per cent thought it not likely and four per cent not likely at all (Appendix Figure A.8).

Customer views on the likelihood that those who make inaccurate claims will be caught varied significantly by household income. Those with household incomes of £26,000 or more were less likely to think that those who make inaccurate claims are likely to be caught (64 per cent) compared to those with lower household incomes (79 per cent of households with annual income between £10,400 and £25,999, and 73 per cent of households with annual income of less than £10,399) (Figure 2.9). In the context of this result it should also be noted that those with higher incomes were also less likely to have reported changes of circumstances within one month, compared to those in lower income groups.

Figure 2.9 Proportion who thought it was very likely or quite likely that those who make inaccurate claims will be caught: by household income

Base: All tax credit customers



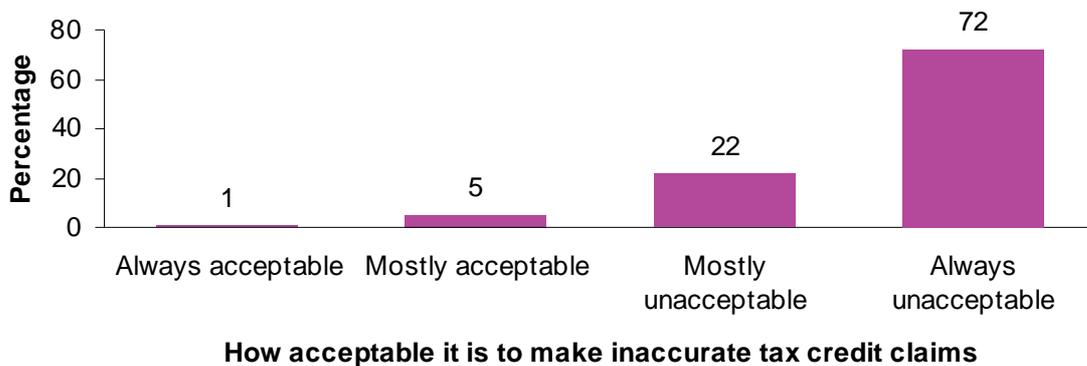
Unweighted base: 945

2.4.4 Whether making inaccurate claims is considered acceptable

All customers were also directly asked whether it was acceptable to make inaccurate claims (Figure 2.10).

Figure 2.10 How acceptable is it to make inaccurate tax credit claims

Base: All tax credit customers



Unweighted base: 982

Almost all customers (94 per cent) told us that they thought it was mostly or always unacceptable to make inaccurate claims. Only six per cent thought it was either mostly or always acceptable. The proportion of customers who judged it 'always unacceptable' to make inaccurate claims varied by whether English was a first language. Those for whom English was a second language were significantly less likely to tell us they thought it 'always unacceptable' to make inaccurate claims (56 per cent) compared to those for whom English was a first language (74 per cent) (Appendix Figure A.9).

2.4.5 Circumstances in which customers felt it was acceptable to make an inaccurate claim

Customers who said it was acceptable to make an inaccurate claim were asked in what circumstances it would be acceptable to do so (Appendix Table A.8).

Customers gave a range of circumstances including:

- Genuine mistakes (41 per cent);
- Confusion or difficulty on the part of the customer (23 per cent);
- Due to specific personal circumstances (14 per cent);
- For 'survival', such as in instances of acute financial hardship (11 per cent);
- If customers have unstable incomes, or are unsure of their incomes (four per cent);
- If the change of circumstances is very small (two per cent).
- Ten per cent of customers mentioned other circumstances, but the numbers were too low to distinguish any themes in this group.

3 The transition to Universal Credit

This year, 2013, sees the introduction of Universal Credit. It will bring together a number of different working age benefits (including tax credits) within a single payment and is regarded as the biggest change to the national welfare system in the past 60 years (DWP, 2012). It will mean a considerable amount of change for individual tax credits customers, whose tax credits awards with HM Revenue & Customs (HMRC) will end at some point during the four year transition period and a new claim for Universal Credit will need to be made to the Department for Work and Pensions.

This chapter focuses on the transition of tax credits customers to Universal Credit and the potential impact on them. It explores tax credits customers' awareness of Universal Credit and the help that may be required to support them during the stopping tax credits process.

The transition will involve a channel shift to most payments being made online. This chapter will therefore also consider customers' internet use and any concerns they might have about making greater use of the internet to manage Universal Credit claims. Finally, it looks at issues related to the in-year finalisation of customers' tax credits awards and any concerns they may have about outstanding tax credits debt following their transition to Universal Credit.

3.1 Awareness of Universal Credit

In order to understand the levels of information and support that customers are likely to need during the transition to Universal Credit, it is important to first assess levels of awareness among the customer population. Therefore this section begins with a series of questions exploring what customers knew about the new system and how they felt its introduction might affect them personally.

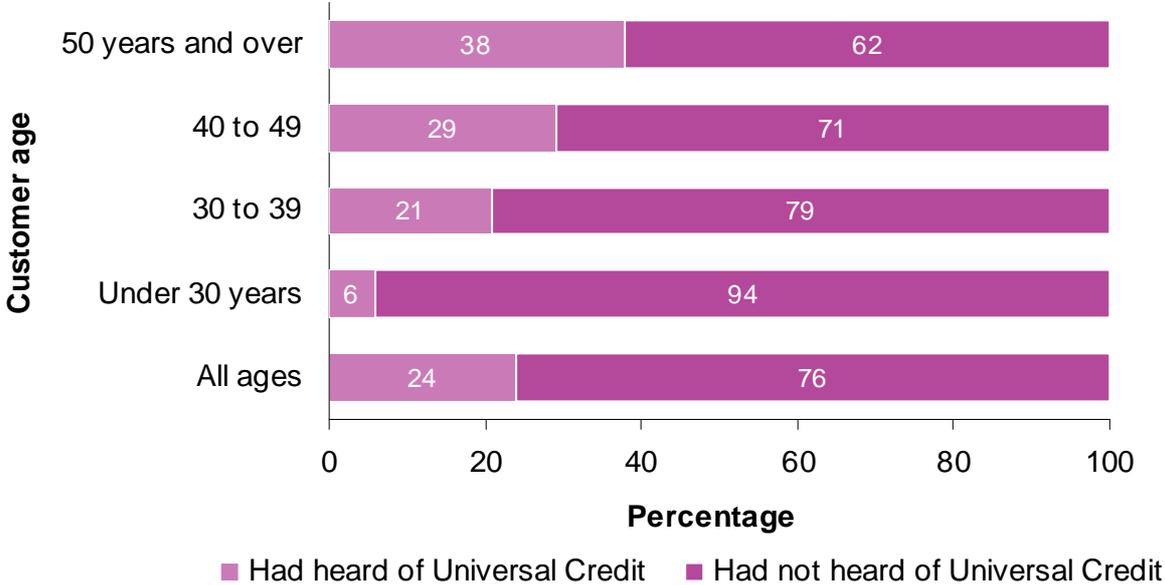
3.1.1 Whether customers have heard of Universal Credit

Only around one quarter of tax credits customers (24 per cent) said that they had heard of the term 'Universal Credit'. This was an unprompted question; no explanation about Universal Credit was given to respondents. The probability that a customer had heard of Universal Credit did not vary by household income, length of claim, main language or work status⁷. However, there were considerable differences by age, with low levels of awareness appearing to be a particularly prominent among younger customers (Figure 3.1). Only six per cent of those aged under 30 said they had heard of Universal Credit, compared to 38 per cent among those aged 50 and over (see Appendix Table B.2).

⁷ So far the report has shown how customer behaviour and views vary between customers with different characteristics looking at one characteristic at the time. However, often these customer characteristics are related not just to a behaviour or view but also to one another. For instance, customers receiving Working Tax Credits are also more like to have lower household income than the rest. Because of this potential link, analysing relationships one by one may not reveal the independent effect of a particular characteristic. The combined effect of several characteristics can be considered together by using multiple logistic regression.

Figure 3.1 Awareness of Universal Credit among tax credits customers: by age

Base: All tax credit customers



Unweighted base: 988

The customers who had heard of Universal Credit were then asked a series of follow up questions. A little over a third (35 per cent) reported that they knew which government department was going to be administering it (see Appendix Table A.9). However, only 63 per cent of this group correctly identified the Department for Work and Pensions at the follow-up question.

3.1.2 Whether customers felt that the introduction of Universal Credit would affect them

The survey asked those who had heard of Universal Credit whether they believed its introduction would affect them. Overall, two-thirds of customers who were aware of 'Universal Credit' (66 per cent) believed that its introduction would affect them.

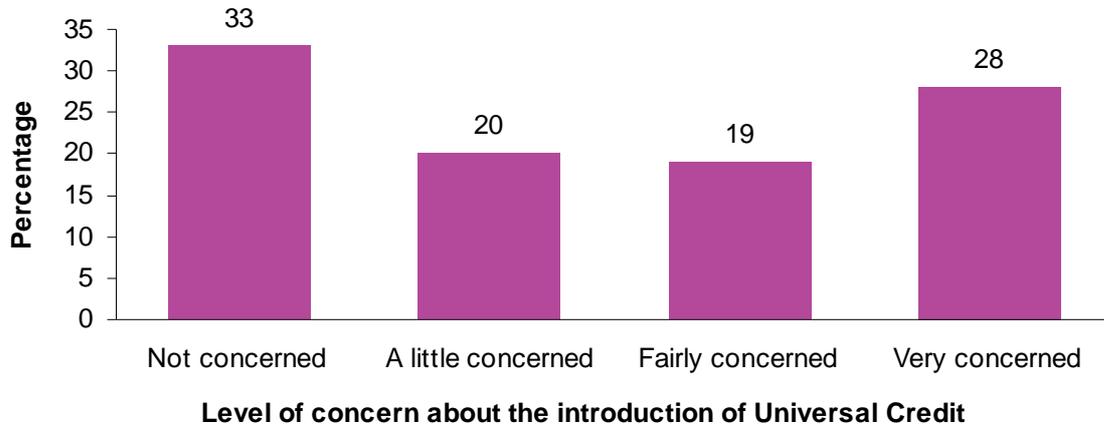
When asked how they would be affected, the most common response, mentioned by just over a quarter (27 per cent) of this group, was that they thought they would be worse off financially under Universal Credit (see Appendix Table A.10).

Customers who thought that the introduction of Universal Credit would affect them were also asked whether they were concerned about it and, for those who were, how strong their concern was. Of those who said Universal Credit would affect them, 67 per cent said they were concerned.

Figure 3.2, which combines results for these two questions, shows that more than a quarter (28 per cent) of customers who believed that the introduction of the Universal Credit affect them were very concerned about the effect it would have on them. Another one-in-five were either fairly concerned (19 per cent) or a little concerned (20 per cent).

Figure 3.2 Level of concern about the introduction of Universal Credit

Base: All customers who felt the introduction of Universal Credit would affect them



Unweighted base: 103

The most commonly mentioned reasons for customers feeling concerned were uncertainty about what may happen (37 per cent), followed by thinking that they would be worse off under the new system (35 per cent) (see Appendix Table A.11).

3.2 Help and support with transition

Customers were asked a range of questions about: who they thought should provide information about Universal Credit; what information in particular would be most important to them; where they would search for information; and their preferred method to receive information.

3.2.1 Who customers believed should provide information about Universal Credit

Of those customers who had heard of Universal Credit, 61 per cent thought that HMRC should provide information about it, whilst 55 per cent thought it should be the Department for Work and Pensions. A very small minority did not name a particular department but thought provision of information should be the responsibility of the 'government as a whole'. Few respondents felt that non-Government organisations such as local councils or independent bodies, should act to provide information (Table 3.1).

Table 3.1 Who should provide information about Universal Credit

<i>Base: All customers who reported being aware of Universal Credit</i>	
	%
HMRC	61
Department for Work and Pensions	55
Local Council	3
All other responses	5
<i>Unweighted base</i>	<i>201</i>

Note: Respondents were able to give more than one response to this question and therefore the sum of the percentages may be greater than 100

3.2.2 What information about Universal Credit is most important

Customers who had heard about Universal Credit were asked what information would be important to them with regard to the transition to Universal Credit (Appendix Table A.12):

- The response given most often was information about when the transition to Universal Credit would affect them (40 per cent);
- Almost a third (31 per cent) wanted to know how claims for Universal Credit could be made;
- Twenty-seven per cent of customers wanted information about their current payments;
- A slightly lower proportion (22 per cent) would prefer to be told what they needed to do; and
- A small number of customers thought it was important to know how Universal Credit would affect their other benefits.

3.2.3 Where customers would search for information

There was less variation in how customers said they would search for information about Universal Credit (Appendix Table A.13):

- Two-thirds of customers (65 per cent) said they would use the internet as a means to search for information about Universal Credit;
- Twenty-two per cent would turn to HMRC;
- Fifteen per cent would seek information from Citizens' Advice Bureau (or other voluntary organisations);
- Eight per cent of customers would go to a Jobcentre Plus/Department for Work and Pensions;
- Other sources of information, such as family and friends, government websites and local authorities were less commonly reported.⁸

3.2.4 How customers would like to receive information

All customers – not just those who had heard of it – were asked how they would like to receive information about Universal Credit (Appendix Table A.14):

- The majority (81 per cent) said a letter was their preferred method of gaining information;
- Twenty-eight per cent said they would prefer electronic means, such as via the internet (17 per cent) or by email (11 per cent);
- Information presented in the media, over the telephone or in person were the least preferred methods.

3.3 Internet use and online claims

The transition to Universal Credit will involve a channel shift to most payments being made online. Therefore the survey aimed to explore how easy managing their claim online might be

⁸ Respondents were able to give more than one response to this question and therefore the sum of the percentages may be greater than 100.

for customers. In particular, the survey sought to establish whether customers had internet access at home and how comfortable they would feel using it to manage their claim.

3.3.1 Customers' access to and use of the internet

Table 3.2 illustrates internet access and use among tax credits customers. Most customers have access to the internet in their own homes and use it:

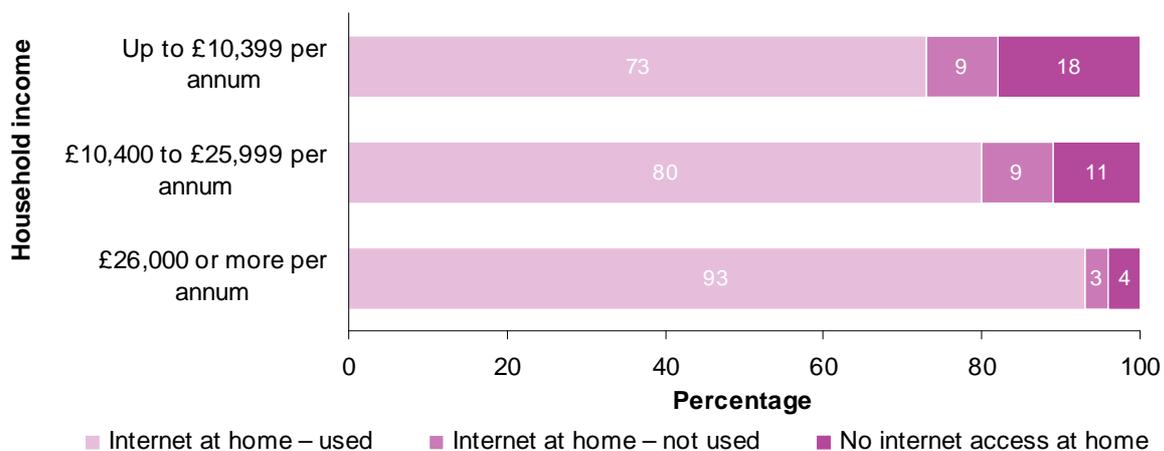
Table 3.2 Access and use of the internet at home	
<i>Base: All tax credits customers</i>	
	%
Internet at home – used	82
Internet at home – not used	8
No internet access at home	11
Total	100
<i>Unweighted base</i>	<i>1,000</i>

Access to the internet and its use varied by the socio-economic characteristics detailed in Figures 3.3-3.5 – specifically:

- Internet access and use was linked to income. Households with an income of more than £26,000 per year were significantly more likely to say they have internet access at home and to use it (93 per cent compared to 73 per cent in the lowest income group);
- Internet access and use was linked to customer age. Those aged between 30 and 39 were significantly more likely than older customers to say they have internet access at home and use it. Eighty-six per cent in this age group said they used the internet at home compared to 71 per cent in the oldest age group;
- Work status was also connected to internet use and access. Employed customers reported higher rates of internet access and use than those who were not working.

Figure 3.3 Access and use of the internet at home: by income

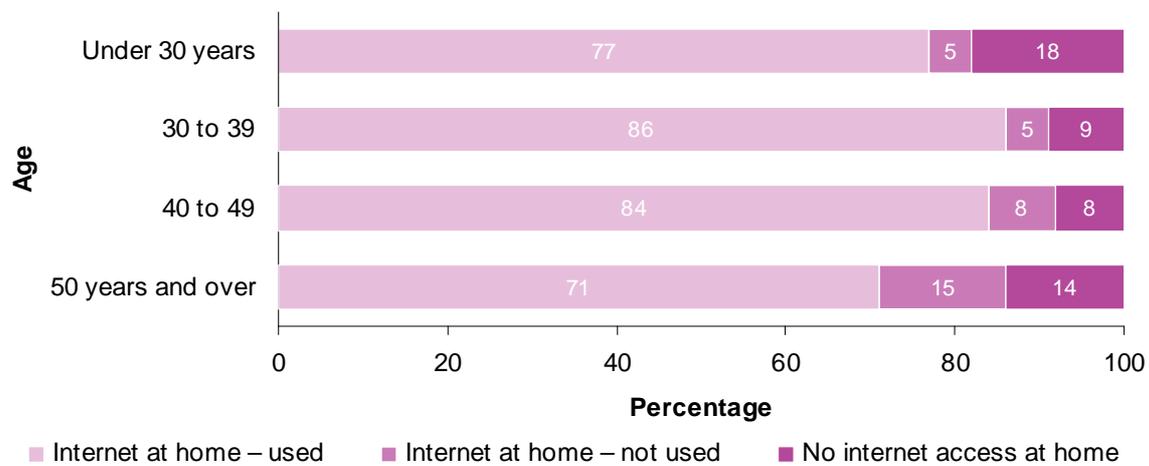
Base: All tax credit customers



Unweighted base: 1,000

Figure 3.4 Access and use of the internet at home: by age

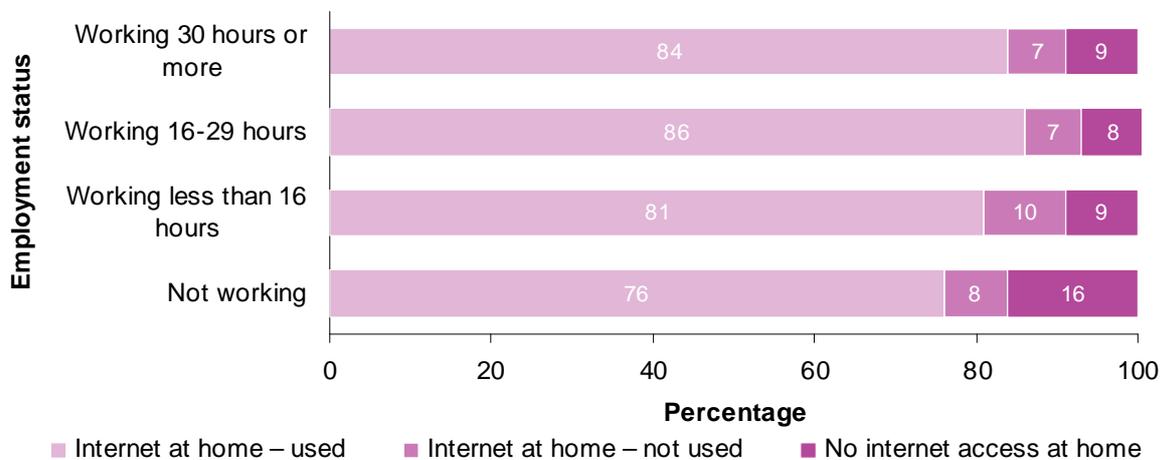
Base: All tax credit customers



Unweighted base: 1,000

Figure 3.5 Access and use of the internet at home: by employment status

Base: All tax credit customers



Unweighted base: 1,000

Of the 11 per cent of customers without internet access at home, the majority (75 per cent) said they were able to access it elsewhere, leaving just three per cent of all tax credits customers who said they had no internet access at all (see Appendix Table A.15).

3.3.2 Perceptions of safety and confidence when using online services

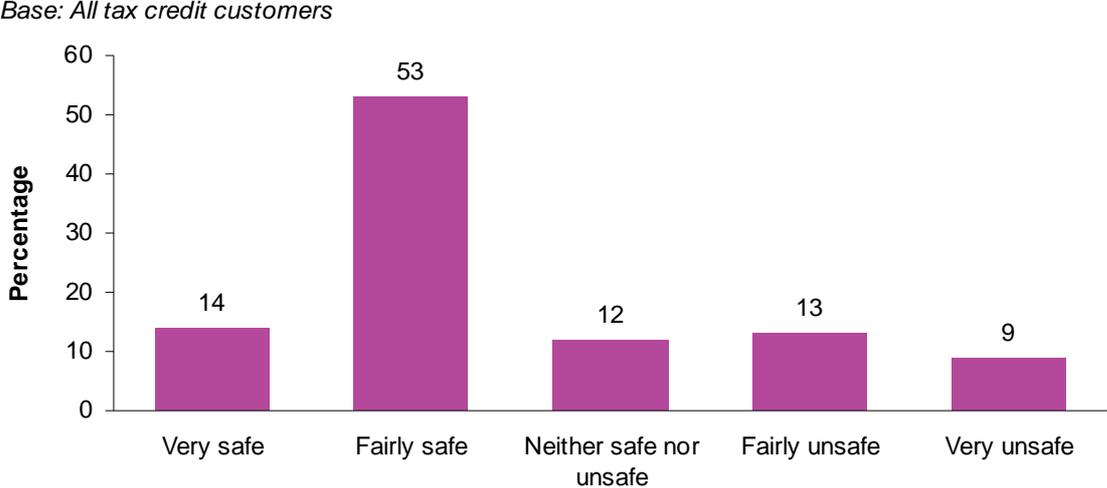
Also important for any movement towards an online system is how safe customers feel using the internet and, specifically for Universal Credit, how safe they feel dealing with financial information online.

Table 3.3 and Figure 3.6 show that the majority of customers feel safe or very safe using the internet at home (88 per cent) and two-thirds (67 per cent) feel fairly or very safe when managing financial information online.

Table 3.3 How safe customers feel when using the internet at home

<i>Base: All tax credits customers who use the internet at home</i>	
	%
Safe or very safe	88
Neither safe nor unsafe	6
Unsafe or very unsafe	6
Total	100
<i>Unweighted base</i>	796

Figure 3.6 How safe customers feel when managing financial information online



How safe customers feel when managing financial information online

Unweighted base: 974

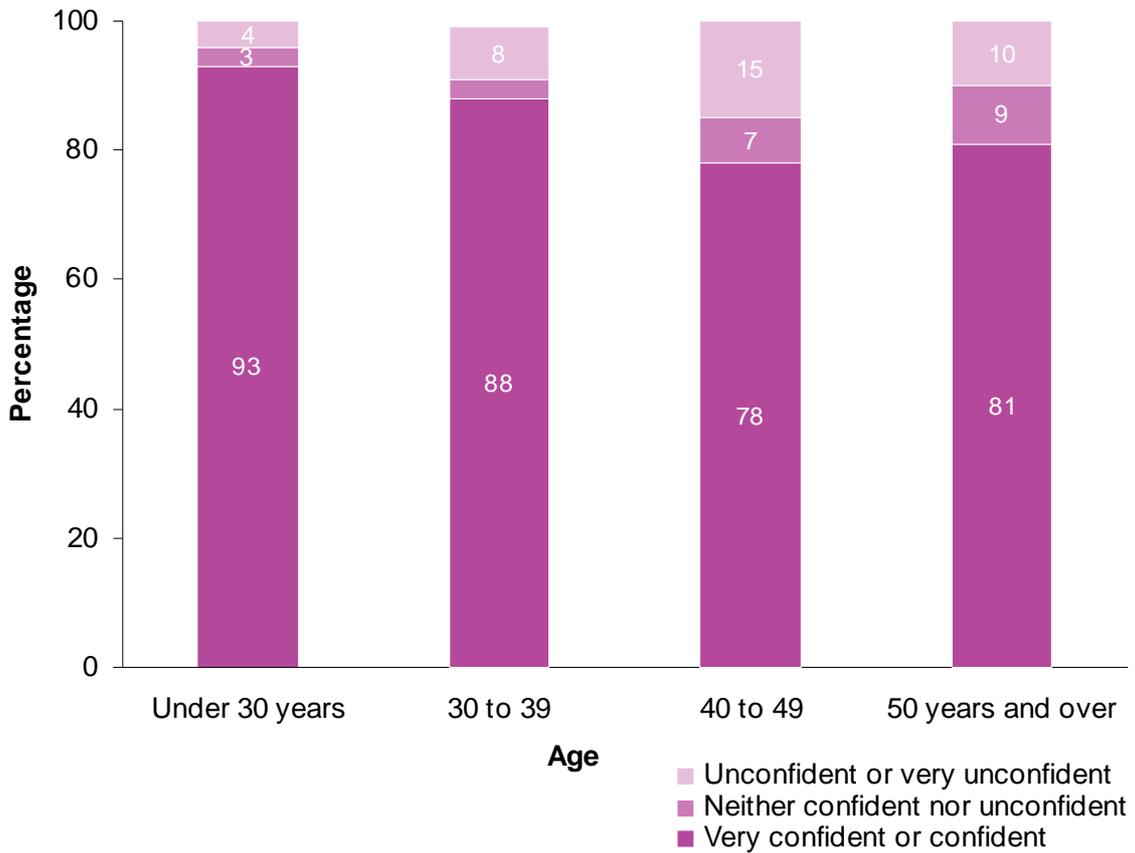
In general, those customers who used the internet felt confident when doing so; just ten per cent of customers reported being unconfident or very unconfident in their ability to use it (Table 3.4).

Customers' confidence in using the internet varied substantially by age, with younger customers (particularly those aged under 30) reporting the highest confidence levels: 93 per cent said they were very confident or confident. This compares to 78 per cent among 40-49 year old customers (see Figure 3.7).

Table 3.4 Confidence in ability to use the internet	
<i>Base: Customers who use the internet</i>	
	%
Very confident or confident	85
Neither confident nor unconfident	5
Unconfident or very unconfident	10
Total	100
<i>Unweighted base</i>	882

Figure 3.7 Level of confidence in ability to use the internet: by age

Base: Customers who use the internet

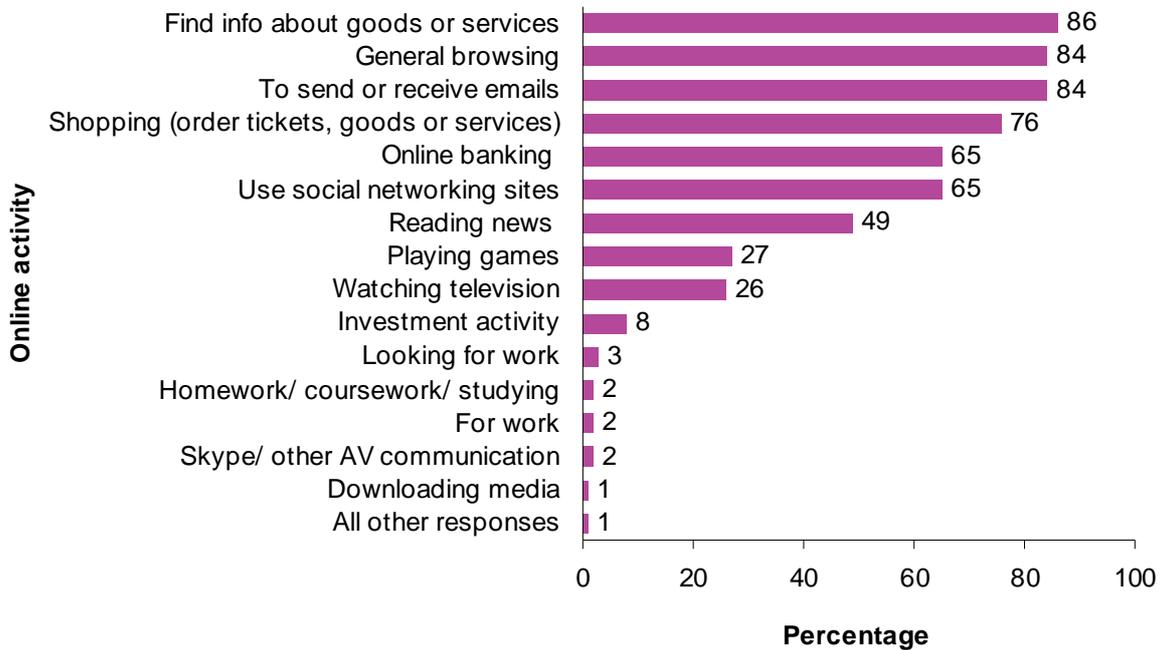


Unweighted base: 882

Those customers who used the internet did so for a variety of purposes, outlined in Figure 3.8. The most commonly reported uses were finding out about goods and services (86 per cent), general browsing (84 per cent): communicating by email and shopping. Sixty-five per cent used online banking services (this proportion corresponded closely with those who felt safe managing financial information online).

Figure 3.8 What customers use the internet for

Base: Customers who use the internet



Unweighted base: 883

Note: Respondents were able to give more than one response to this question and therefore the sum of the percentages may be greater than 100.

3.3.3 Problems with online services

Nearly a quarter (24 per cent) of internet-users said that they had experienced a problem using an online service (such as an online bank or a store) (24 per cent) (see Appendix Table A.16).

The most common responses to problems with internet services were to contact the provider by telephone, or to give up (Table 3.5). This suggests that customers may wish to see any online service (particularly where it is newly introduced / subject to teething issues) supported by a telephone helpline. It also shows that there is a risk of customers abandoning attempts to use the website. There was also a proportion of customers who mentioned an 'other' response that did not fit into existing categories (13 per cent). The numbers were too low to distinguish any themes in this group.

Table 3.5 Response to problems with an online service	
<i>Base: Customers who had experienced problems with online services</i>	
	%
Contact the website provider by phone	31
Give up	22
Contact the website provider online	15
Try again later	9
Ask a friend, colleague or family member	8
Rebooted or restarted computer	4
Contacted website provider (other method/method unknown)	4
All other responses	13
<i>Unweighted base</i>	<i>195</i>

Note: Respondents were able to give more than one response to this question and therefore the sum of the percentages may be greater than 100.

3.3.4 The internet and benefit claims

In terms of the tax credits system specifically, more than half of those customers with access to the internet (58 per cent) said they had already used it to find out about tax credits or to investigate how to make a claim (see Appendix Table A.17).

These customers said they predominately used the HMRC or other government websites to access information about tax credits and the claim process (Table 3.6). Only four per cent reported using a search engine when seeking information.

Table 3.6 Websites used to find out about tax credits	
<i>Base: Customers who have used the internet to find out about tax credits</i>	
	%
HMRC	64
Gov.uk / Direct.gov	41
Search engine	4
All other responses	3
<i>Unweighted base</i>	<i>493</i>

Note: Respondents were able to give more than one response to this question and therefore the sum of the percentages may be greater than 100.

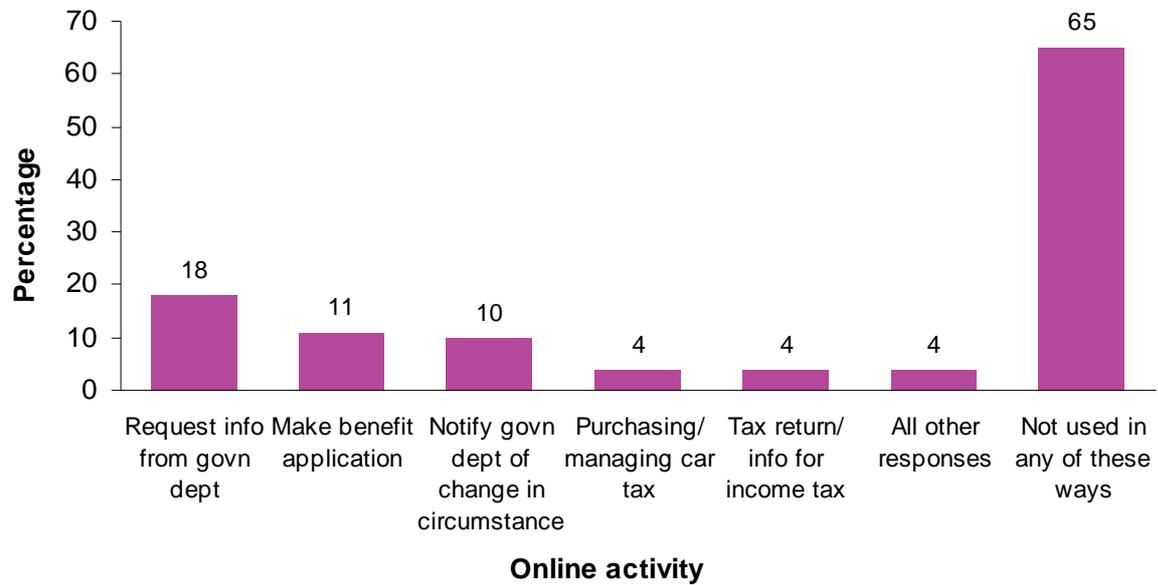
Internet use for a similar purpose – that is, to make a benefit application or to notify a government department of a change in circumstance – was less commonly reported (Figure 3.9):

- Only 18 per cent told us they had used the internet to request information from a government department;
- Just 11 per cent said they had made a benefit claim (to a government department other than HMRC);
- Ten per cent had reported a change of circumstance (also to a government department other than HMRC);

- The majority of customers (65 per cent) said that they had not used the internet for any of these purposes.

Figure 3.9 Internet used to communicate with a government department

Base: Customers who use the internet



Unweighted base: 883

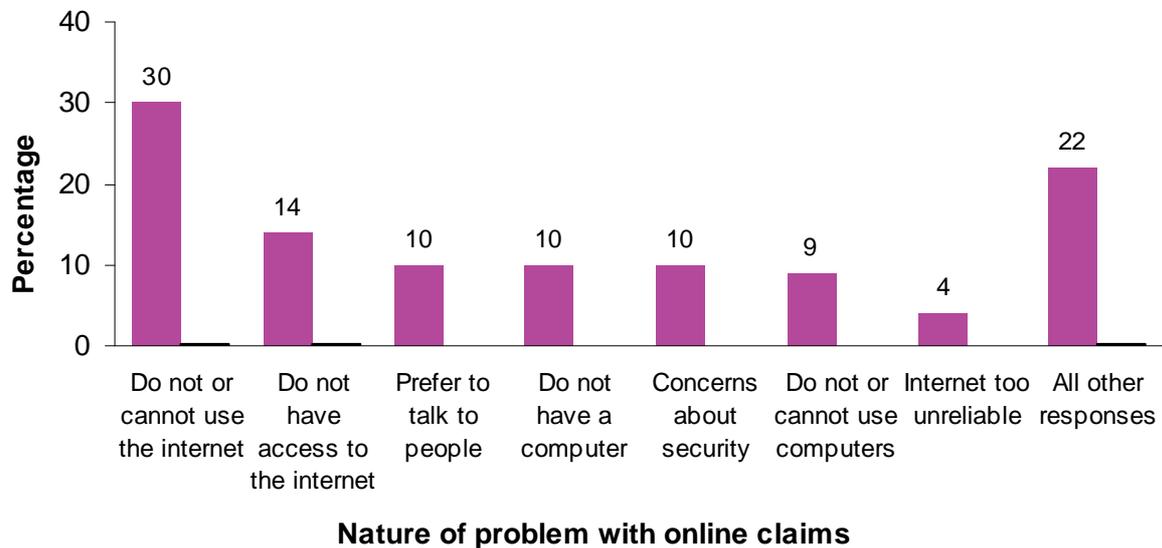
3.3.5 Making and managing Universal Credit claims online

The Universal Credit system will be a primarily digital service, meaning that claimants will be expected to interact with the system using the internet. A majority of current tax credit customers (79 per cent) said that this would not be a problem for them. However, more than a fifth (21 per cent), felt that having an online system for making claims, reporting changes of circumstance and seeking help would present a problem for them (Appendix Table A.18).

The areas where customers anticipated problems varied, as shown in Figure 3.10.

Figure 3.10 Nature of problems anticipated with submitting Universal Credit claims or reporting problems online

Base: Customers who anticipated having a problem with online Universal Credit claims



Unweighted base: 189

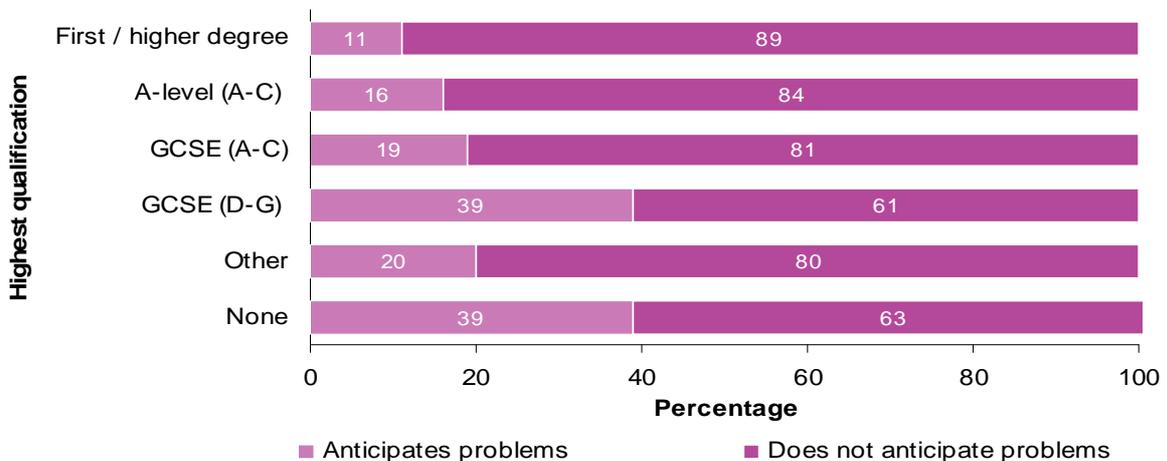
Note: Respondents were able to give more than one response to this question and therefore the sum of the percentages may be greater than 100.

Sub-group analysis of whether the customer thought an online Universal Credit claim system would present a problem for them revealed a number of significant associations. These are detailed in Figures 3.11-3.13.

Those reporting higher qualification levels (i.e. a degree) were significantly less likely to anticipate problems with the online claim process, than those without qualifications (11 compared to 39 per cent) (Figure 3.11).

Figure 3.11 Customers who anticipate problems using the internet to make and manage claims for Universal Credit: by highest educational qualification

Base: All tax credit customers

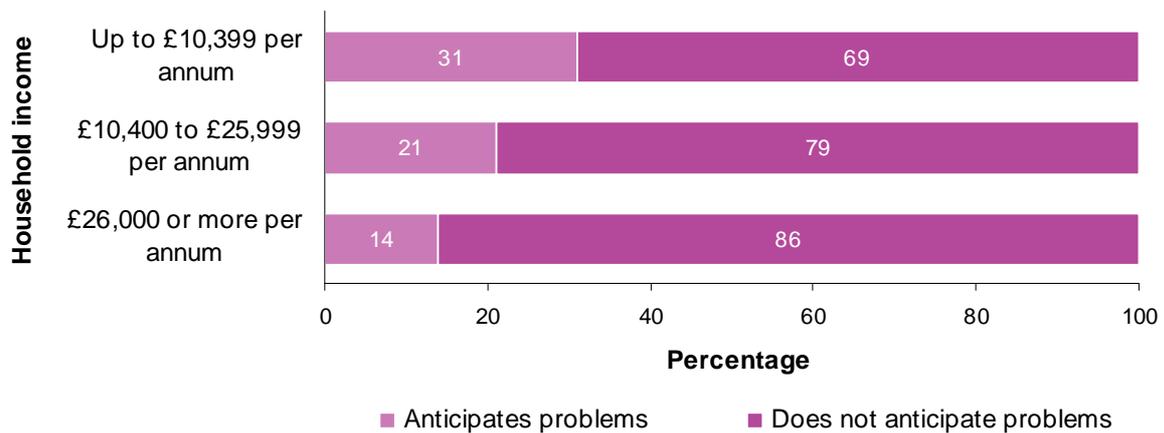


Unweighted base: 955

Lower levels of household income were also connected to the view that online claims were expected to pose a problem: 31 per cent among the lowest income band, compared to 14 per cent among the highest (Figure 3.12).

Figure 3.12 Customers who anticipate problems using the internet to make and manage claims for Universal Credit: by household income

Base: All tax credit customers

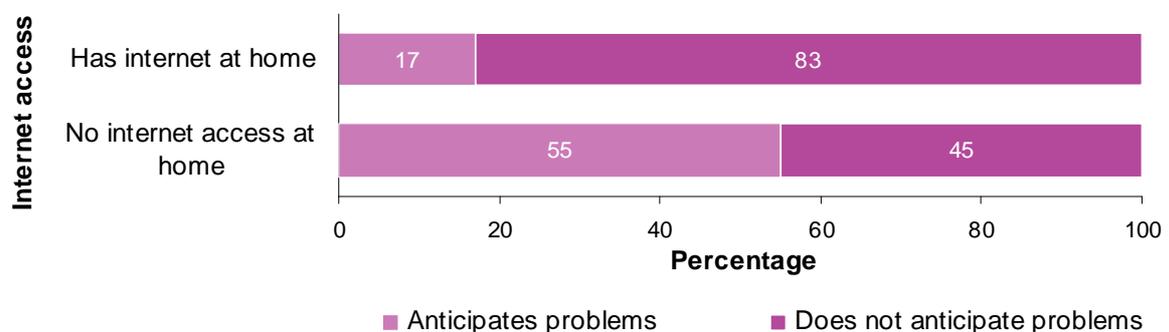


Unweighted base: 955

Internet access was also a highly significant factor, with customers without the internet at home being far more likely to anticipate a problem making and managing an Universal Credit claim online (55 compared to 17 per cent) (Figure 3.13).

Figure 3.13 Customers who anticipate problems using the internet to make and manage claims for Universal Credit: by internet access

Base: All tax credit customers



Unweighted base: 955

3.4 Budgeting

By default Universal Credit payments will be made to claimants monthly. Currently, tax credits payments are made either weekly or four-weekly depending on customers' preferences. A move to monthly payments will be a substantial change for tax credits customers who are currently paid weekly and may mean that they need to adjust their budgeting behaviour. This section will explore customers' responses to that change and the advice needed to manage the transition.

3.4.1 Frequency of payments

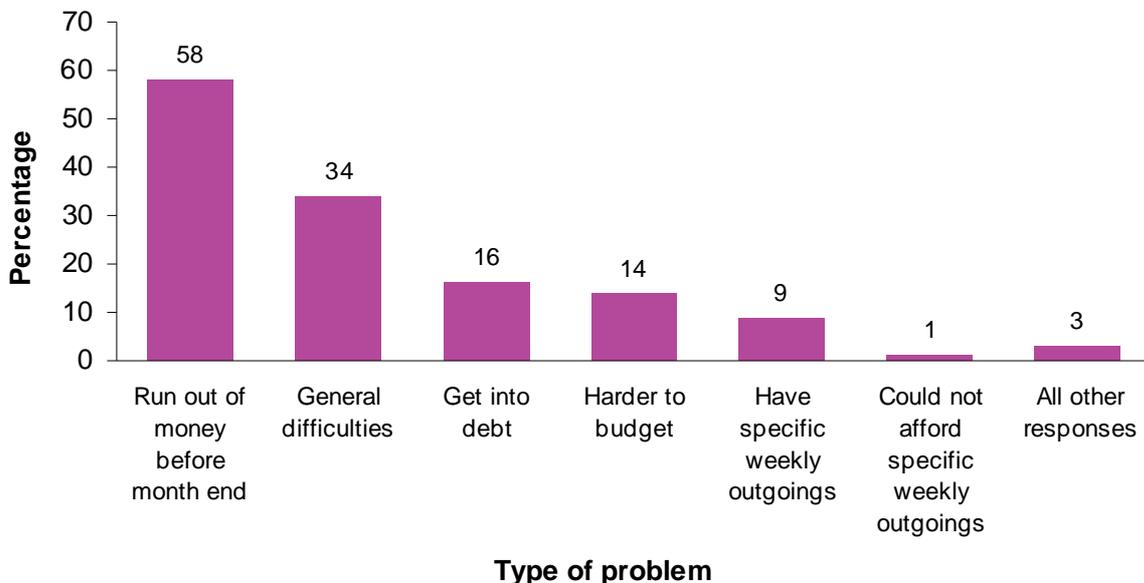
More than half of current customers said that they received their tax credits payments weekly (see Appendix Table A.19).

Three-quarters of customers who received payments each week reported that a change from weekly payments to payments made every four weeks would have an effect on them (see Appendix Table A.20). Universal Credit payments will be made monthly, however in the survey tax credits customers were asked about a move to four-weekly payments which is a reasonable proxy for monthly payments.

Of these customers, the largest proportion anticipated difficulties with running out of money before the end of the month (58 per cent), followed by general difficulties (37 per cent) and fear of getting into debt (16 per cent). Less commonly cited were finding it harder to budget (14 per cent), having specific things to pay for on a weekly basis (nine per cent) and not being able to afford specific things (one per cent) (see Figure 3.14).

Figure 3.14 Anticipated problems with payments every four weeks

Base: customers who anticipate problems with monthly payments



Unweighted base: 426

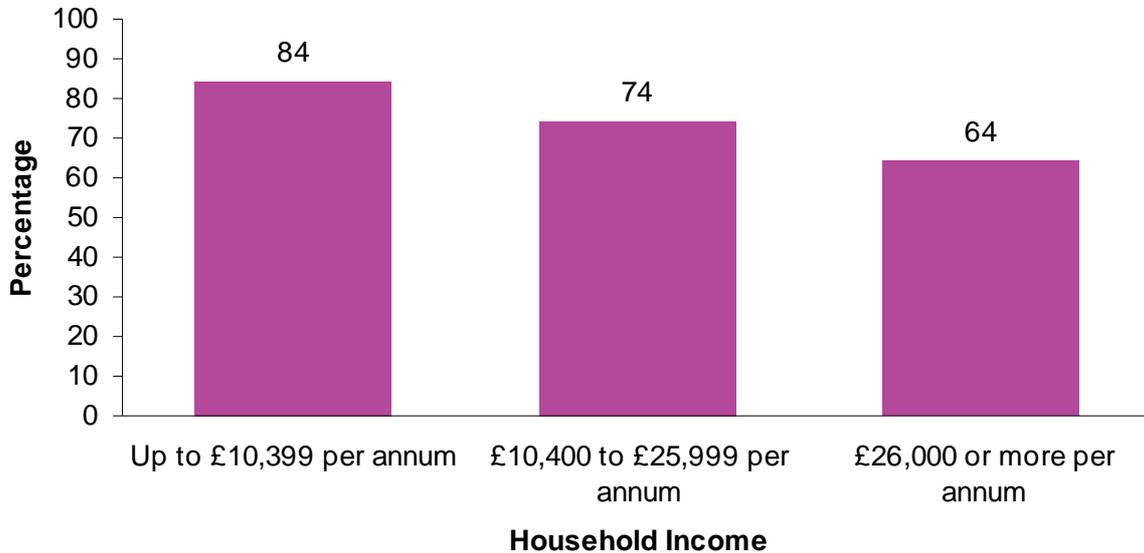
Note: Respondents were able to give more than one response to this question and therefore the sum of the percentages may be greater than 100.

A significant relationship was found between household income and the belief that less frequent payments would have an effect: 84 per cent of customers with an annual income of

£10,399 or less indicated they would be affected compared to 64 per cent among those with a household income over £26,000 (Figure 3.15).

Figure 3.15 Would be affected by payments every four weeks: by income

Base: All tax credit customers who currently receive weekly tax credit payments



Unweighted base: 569

3.4.2 Need for support and advice

Thirty-five per cent of customers who received weekly payments indicated that they would need advice or support to manage four-weekly payments (see Appendix Table A.21).

Need for support varied significantly depending on whether customers had English as their first language, their employment status and type of tax credits received:

- More than half (54 per cent) of customers for whom English was a second language believed they would need help to manage the change, compared to 33 per cent of customers whose first language was English (see Appendix Figure A.10);
- Unemployed customers were also more likely to say they would need support – two in five (42 per cent) among those who did not work compared to one in five (22 per cent) among those who worked for 30 hours or more (Appendix Figure A.11);
- Customers were also significantly more likely to feel they needed assistance if they were in receipt of both Working Tax Credit (WTC) and Child Tax Credit (CTC) (41 per cent) than if they were just in receipt of one tax credit (WTC 18 per cent and CTC 34 per cent) (Appendix Figure A.12).

3.5 In-year finalisation

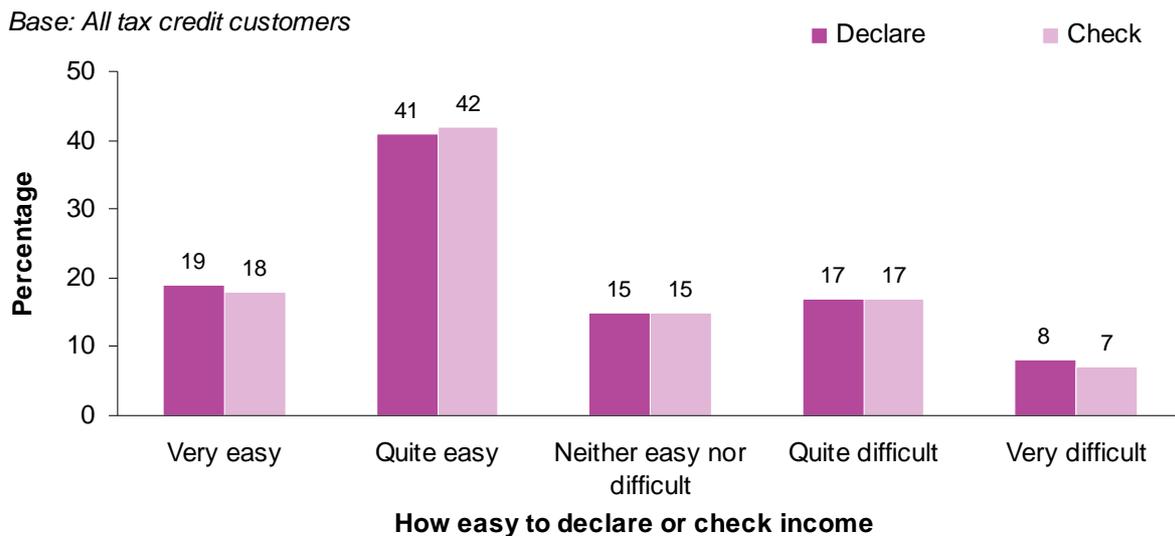
When a customer migrates to Universal Credit they will no longer be entitled to tax credits and HMRC will have to finalise their current tax credits claim ‘in-year’, at the point of transition. As part of this process customers may need to report their income for a part of the financial year and check that all the details about their claim are correct.

Currently, the finalisation process forms part of the renewals cycle between April and July and customers are required to provide information about their income for the whole of the previous tax year. Having to do this for just a part of the tax year is not something that most customers would have done before. Therefore, it is important to understand the extent to which this could pose problems for customers.

3.5.1 Reporting or checking income for parts of the tax year

Figure 3.16 suggests that most customers (60 per cent) anticipate the in-year checking or reporting to be either very or quite easy.⁹ However, around a quarter felt this might prove quite or very difficult.

Figure 3.16 Ease of declaring or checking income for part of the tax year



Unweighted base: 981

3.5.2 Reporting income at a different point in the tax year

Tax credits customers are currently asked to confirm either their actual or estimated income each year as part of the annual tax credits renewal cycle, before the 31st July deadline. Customers were asked whether it would cause them difficulties if a change was made to this system, requiring them to provide income information at other points during the tax year.

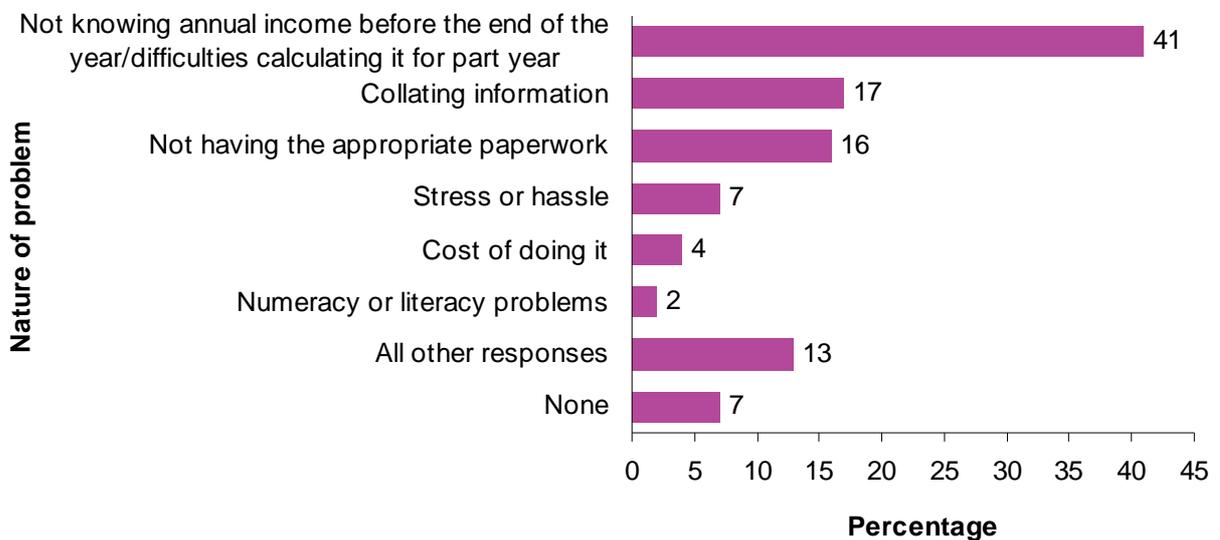
⁹ Customers did not receive an explanation about what in-year finalisation would entail.

Appendix Table A.22 demonstrates that slightly more than a quarter of customers (27 per cent) felt this kind of change would have a negative impact for them. Figure 3.17 shows that the problems these customers envisaged were around:

- Calculating just a portion of their annual income (41 per cent);
- Collating all the necessary information (17 per cent);
- Not having access to the paperwork they needed (16 per cent);
- Thirteen per cent of customers mentioned problems that did not fit into any of the existing categories, but were too infrequent to distinguish any themes.

Figure 3.17 Difficulties caused by providing information at a different point in the tax year

Base: Customers who anticipate difficulties providing information at a different point in the year



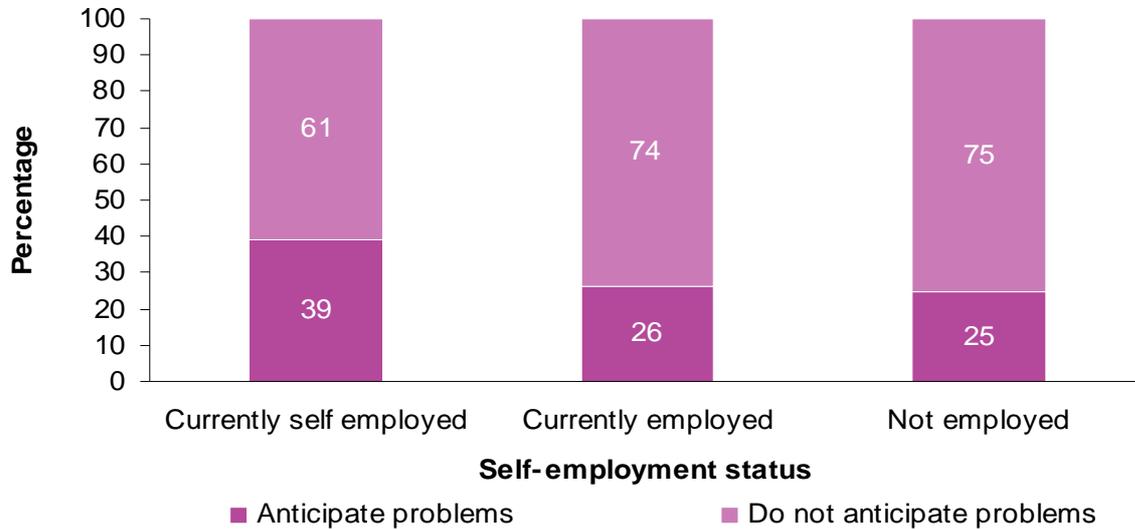
Unweighted base: 255

Note: Respondents were able to give more than one response to this question and therefore the sum of the percentages may be greater than 100.

Whether customers thought that providing income information at a different point in the tax year would cause them difficulties varied considerably by whether the customer was self-employed or not (Figure 3.18). In particular, 39 per cent of self-employed customers said it would be a problem compared to 26 and 25 per cent among employed and unemployed customers, respectively.

Figure 3.18 Difficulties if required to provide income information at a different point during the tax year: by self-employment status

Base: All tax credit customers

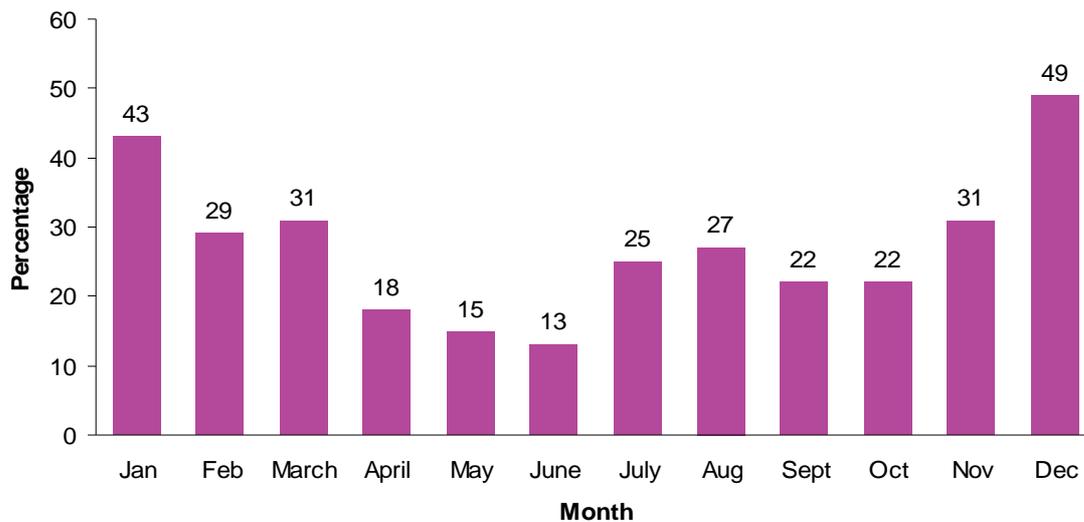


Unweighted base: 971

Of this customer group, more than half (55 per cent) felt that there was a particular point during the year that would be especially problematic (Appendix Table A.23). The months most frequently identified were at Christmas and New Year (December and January) (Figure 3.19). The least problematic periods were in late spring / early summer, June in particular – perhaps reflecting current reporting requirements.

Figure 3.19 Months when reporting would be more inconvenient when reporting income for part of the year

Base: Customers who anticipate problems providing information at a particular time of year



Unweighted base: 142 Note: Respondents were able to give more than one response to this question and therefore the sum of the percentages may be greater than 10

3.5.3 Problematic income information

Forty-one per cent of customers who said they would have problems reporting income mid-year felt there was a particular type of income that would prove especially difficult to provide information about at a different point during the tax year (see Appendix Table A.24). Examples of the types of income they identified as being difficult to provide are broken down in Table 3.7.

Table 3.7 Types of income it would be particularly difficult to provide	
<i>Base: Customers reporting difficulties providing a particular type of income information at a different point in the year</i>	
	%
Self-employment income	48
Earnings as an employee	43
Benefits in kind	6
Benefits	5
Investment income	5
All other responses	5
<i>Unweighted base</i>	102

Note: Respondents were able to give more than one response to this question and therefore the sum of the percentages may be greater than 100

More than two in five (44 per cent) of those customers who envisaged difficulties with a change in reporting times felt that it would be difficult to provide the necessary information within a month (see Appendix Table A.25).

3.6 Debt

3.6.1 Debt and the transition to Universal Credit

Customers who had heard of Universal Credit were asked if they would be concerned about the possibility of any outstanding tax credits debt being deducted from their Universal Credit claim post-transition. Over two-thirds responded that they were not concerned about this (see Appendix Table A.26). The level of concern did not differ between customers who reported that HMRC had informed them that they had received an overpayment in the past, and those who had not received an overpayment.

4 Conclusion

This report examined tax credits customers' behaviour and beliefs relating to factors that may contribute to error and fraud in the tax credits system. It also explored customer awareness of Universal Credit, and how the transition from tax credits to Universal Credit may affect customers.

4.1 Reducing error and fraud

Most tax credits customers reported going to HM Revenue & Customs (HMRC) (either the helpline or the website) and other government departments first when looking for help and advice with tax credits.

Customers who fail to report changes of circumstances can be a source of error and fraud in the tax credits system. The findings of this report show that the proportion of customers who said that they had not reported a change was low. Also low was the proportion of customers who told us they had reported a change, but outside the required timeframe of one month. Some groups of customers were less likely to report changes on time.

There was also a general acceptance that financial penalties to encourage reporting were acceptable in some circumstances. Most customers said that this type of sanction would encourage them to report any changes.

Another possible source of error is failing to renew tax credits claims on time. A small proportion of customers told us they had not renewed their claim on time at least once, with being disorganised and forgetting to do it being the most commonly cited reason. This, combined with the finding that a quarter of late renewers were prompted to report by receiving a reminder from HMRC, suggests that targeted reminders may increase the proportion of customers who renew on time.

Tax credits customers tended to believe that inaccurate claims were widespread. However, the majority believed that HMRC was doing enough to tackle this and that those making inaccurate claims were very or quite likely to be caught. While almost three quarters of customers said it would never be acceptable to make an inaccurate claim, a minority believed it was acceptable in some circumstances.

More work may be needed with customers who said that English was not their first language. When exploring error and fraud issues, it was found that these customers were more likely than others to say that they had not reported a change of circumstance or had renewed their tax credits claim late. They were less likely to say that a financial penalty would encourage them to report changes of circumstance. They were also less likely to say they thought it was 'always unacceptable' to make inaccurate tax credits claims. It is unclear how strongly, if at all, these findings were related to difficulties with English language.

4.2 Stopping tax credits and the transition to Universal Credit

Only a quarter of current tax credits customers said they had heard the term 'Universal Credit' before.

Not all customers who said they had heard of Universal Credit seemed to have a clear idea of what it would involve: only one third was aware which government department would be administering it and one third believed the introduction of Universal Credit would not affect

them. Of those who thought that the introduction of Universal Credit would affect them, one in three said they felt very concerned about it.

There was a strong preference towards receiving written information from either HMRC or the Department for Work and Pensions about Universal Credit among those who were aware of it. The information tax credits customers said they were most interested in was when the transition to Universal Credit would affect them.

Universal Credit claimants will be expected to manage their claims online. This may pose difficulties to some tax credits customers who have no access or do not know how to use the internet. However, this is only likely to affect a minority of customers as only three per cent said they have no access to the internet at all.

A large proportion of customers felt safe or very safe when using the internet. However, the proportion of those who felt safe or very safe managing financial information online was lower. This indicates that managing their Universal Credit claim online may be a concern for some customers.

Confidence in their ability to use the internet may pose another barrier to some customers: 85 per cent of customers who had access to the internet were confident in their ability to use it. This proportion was lower among older customers.

One in five foresaw problems with managing their Universal Credit claim online. The most common concerns were not knowing how to use the internet or not having access to it. Those with lower levels of income and education were more likely to anticipate problems.

Another major change for many tax credits customers will be a move to monthly payments under Universal Credit. The majority of tax credits customers who received their payments weekly said that receiving them every four weeks would affect them. This makes up close to half of all tax credits customers. However, two-thirds of those who said they would be affected felt that they would be able to manage this change without help or support.

As part of the transition to Universal Credit, HMRC may need to finalise customers' tax credits awards 'in-year' at the point of transition. These customers will need to report and check their income for only a part of the tax year outside of the annual renewal cycle. The majority of customers did not anticipate problems with having to report income for only part of tax year. However, a quarter did expect problems. The most common difficulty customers anticipated was with calculating income for only part of the year. The time of year when the claims are finalised did not make a difference for most customers; a small minority had a preference for May and June (the usual renewal cycle) as opposed to December and January.

This section also indicates that more work may be needed with customers who said that English was not their first language. In the area of Universal Credit, these customers were more likely to say they would need support and advice to manage a change from weekly to four-weekly payments.

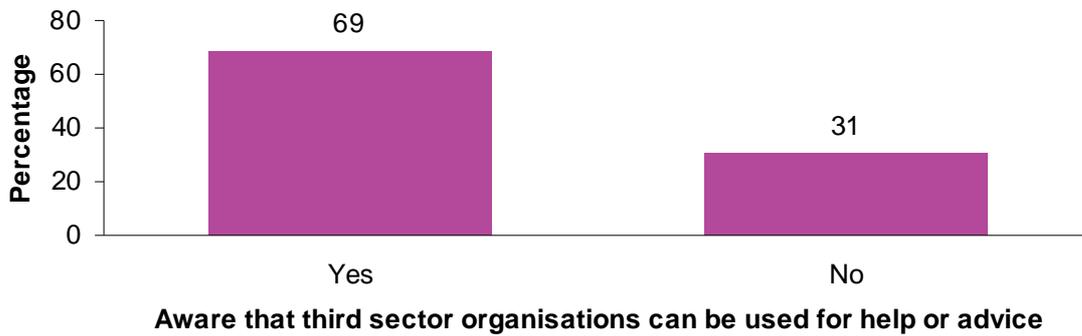
In summary, while the evidence suggests that many tax credits customers will not face major problems during the stopping tax credits process and transition to Universal Credit, a minority may encounter difficulties with either the online system, monthly payments or having to finalise their claim in-year.

Appendix A - Additional figures and tables

Figures

Appendix Figure A.1 Proportion of customers who were aware they could use third sector organisations for help or advice about tax credits

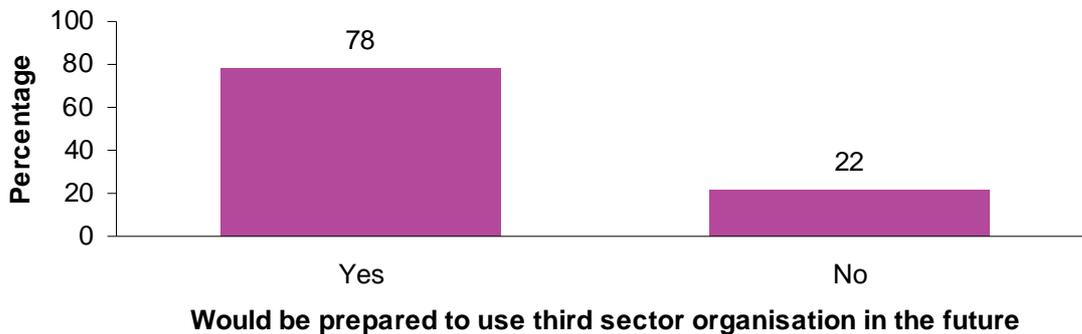
Base: All customers who did not indicate that they currently use third sector organisations for help or advice about tax credits



Unweighted base: 972

Appendix Figure A.2 Proportion of customers who would be prepared to use third sector organisations for help or advice about tax credits

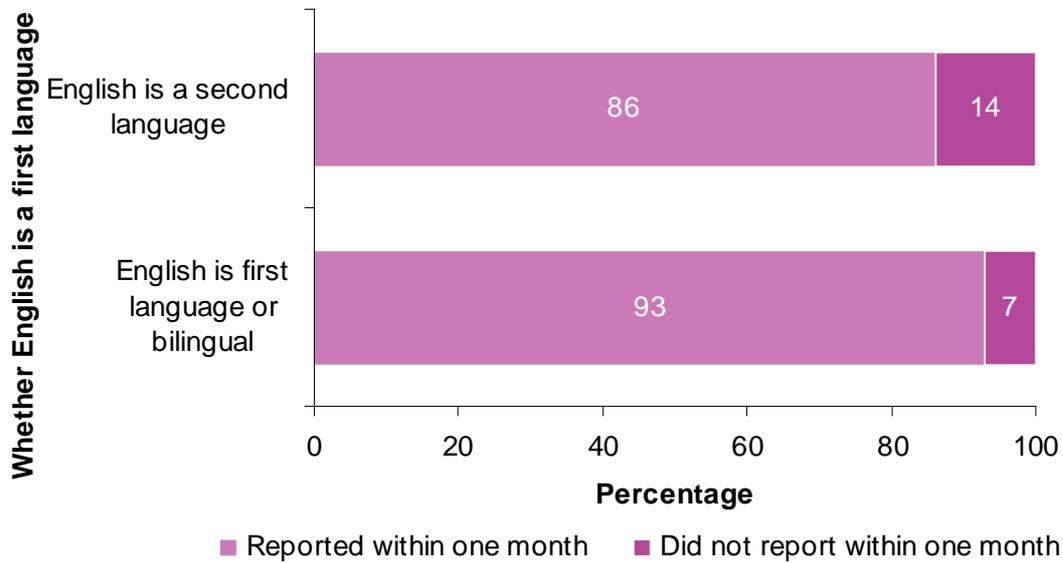
Base: All customers who did not indicate that they currently use third sector organisations for help or advice about tax credits



Unweighted base: 968

Appendix Figure A.3 Proportion of customers who reported changes of circumstances within one month: by whether English is a first language

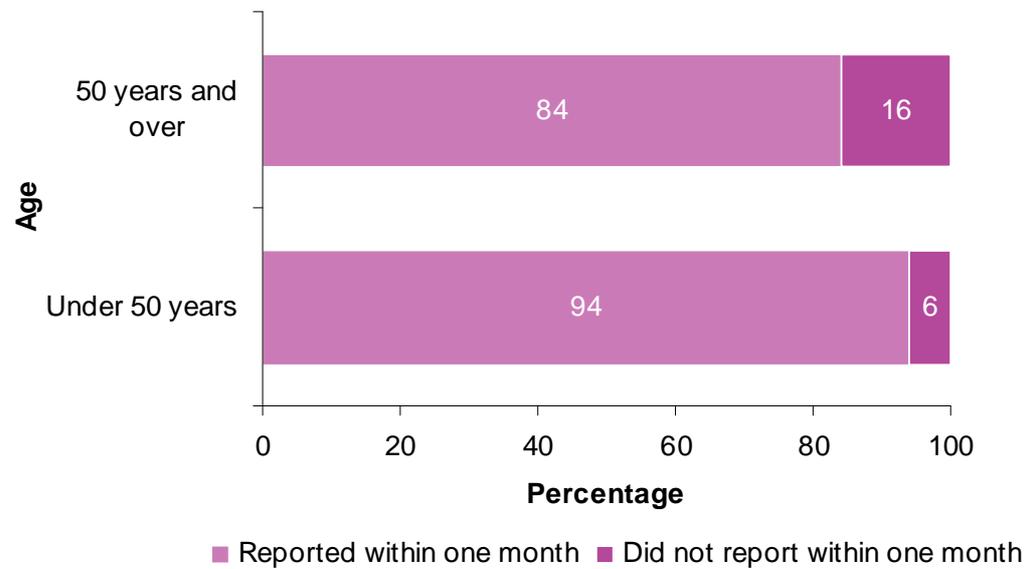
Base: All tax credit customers



Unweighted base: 956

Appendix Figure A.4 Proportion of customers who reported changes of circumstances within one month: by age

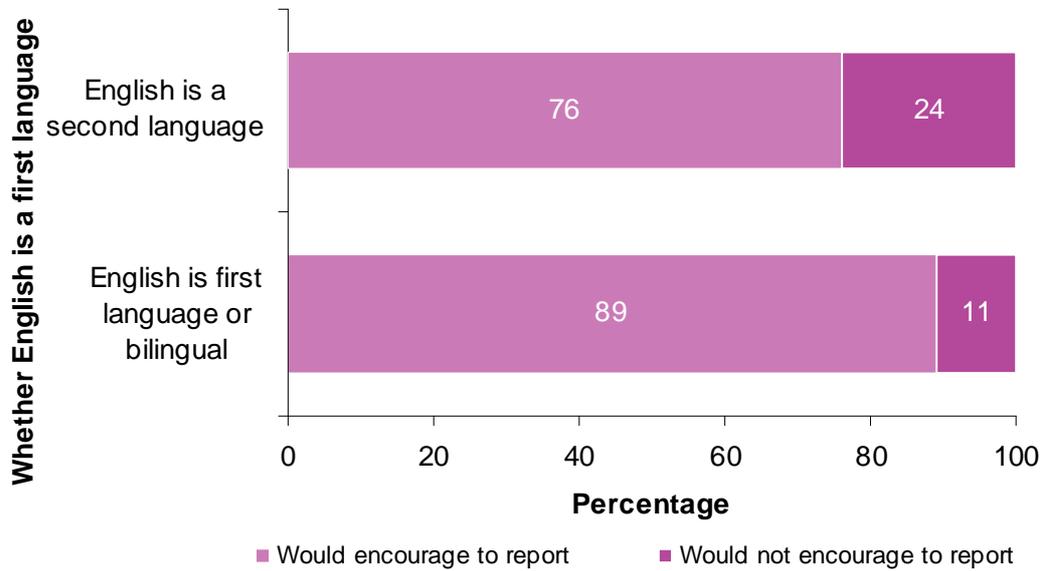
Base: All tax credit customers



Unweighted base: 956

Appendix Figure A.5 Proportion of customers for whom a financial penalty would encourage them to report changes: by whether they have English as a first language

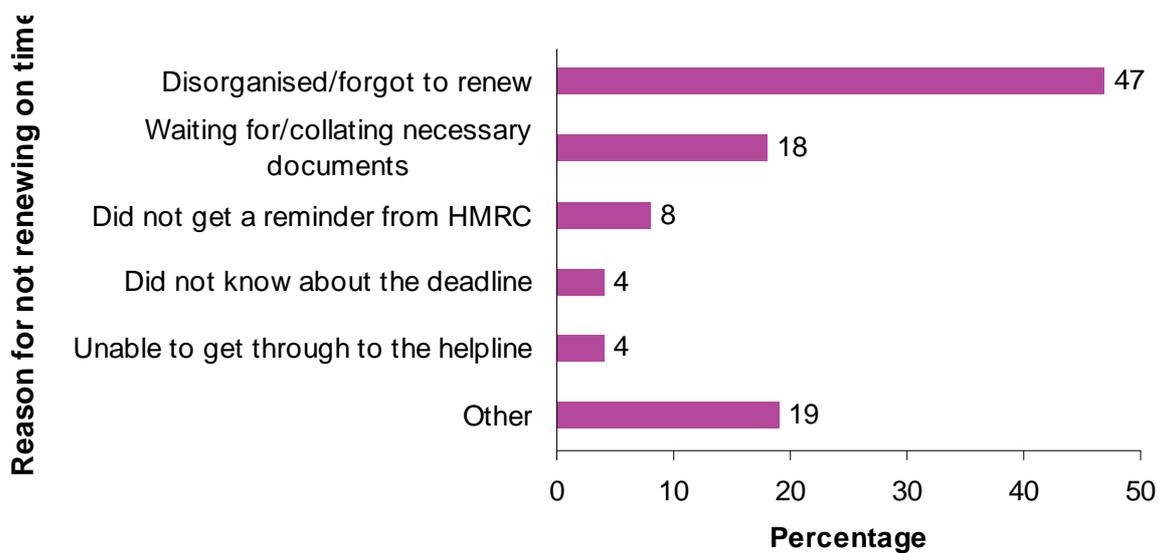
Base: All tax credit customers



Unweighted base: 976

Appendix Figure A.6 Why customers renewed late

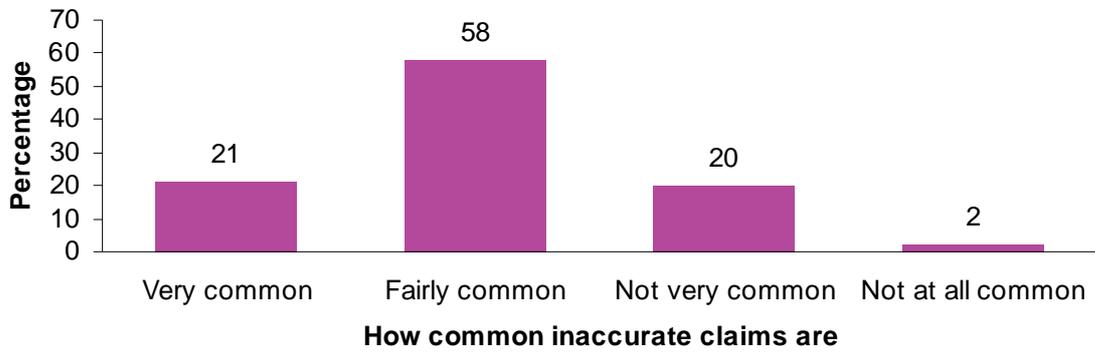
Base: All tax credit customers who had ever renewed their claim late



Unweighted base: 112

Appendix Figure A.7 How common are inaccurate claims

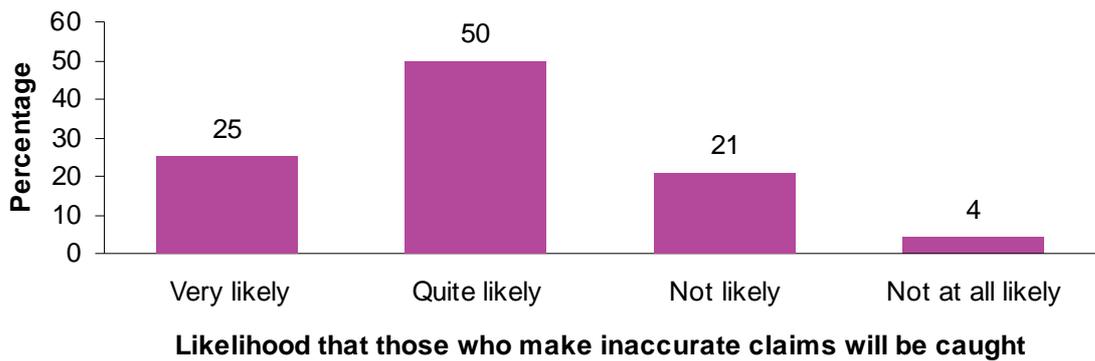
Base: All tax credit customers



Unweighted base: 942

Appendix Figure A.8 Perceptions of likelihood that those who make inaccurate claims will be caught

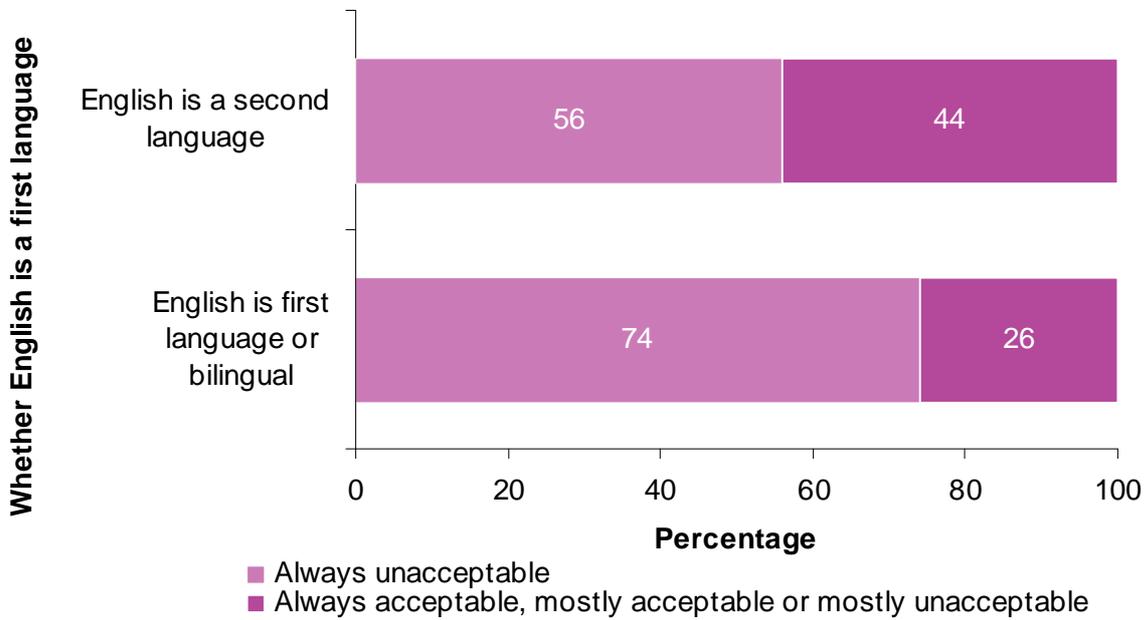
Base: All tax credit customers



Unweighted base: 945

Appendix Figure A.9 Proportion of customers who thought it was always unacceptable to make inaccurate claims: by whether English is a first language

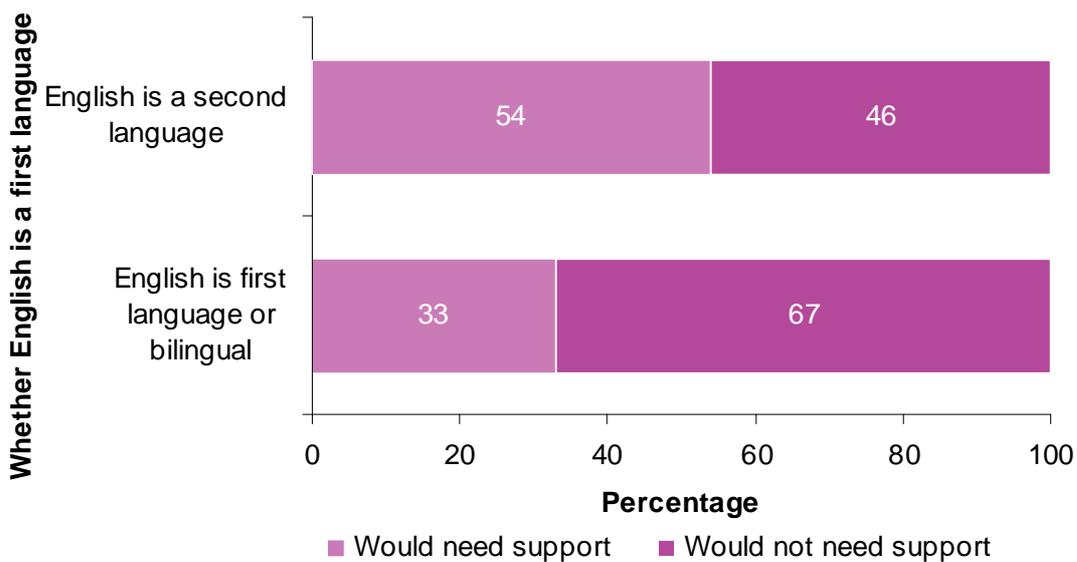
Base: All tax credit customers



Unweighted base: 982

Appendix Figure A.10 Would need support if payments every four weeks: by language

Base: All tax credit customers



Unweighted base: 569

Appendix Figure A.11 Would need support if payments every four weeks: by employment status

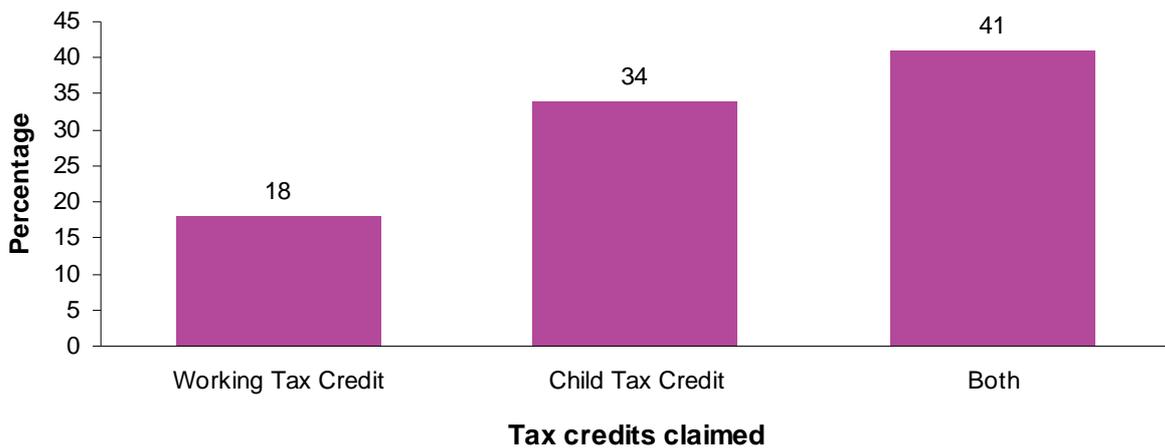
Base: All tax credit customers who currently receive weekly tax credit payments



Unweighted base: 569

Appendix Figure A.12 Would need support if payments every four weeks: by type of tax credits received

Base: All customers who currently receive weekly tax credit payments



Unweighted base: 569

Tables

Appendix Table A.1 Whether most recent unreported change would affect tax credit award

<i>Base: Customers who have ever not reported a change</i>	
	%
Yes	50
No	50
<i>Unweighted base</i>	50

Note: This table is based on a low number of cases, so the results should be interpreted with caution.

Appendix Table A.2 Whether there was anything that reminded customers to report changes

<i>Base: All tax credit customers</i>	
	%
Yes	33
No	67
<i>Unweighted base</i>	995

Appendix Table A.3 What HMRC could do to encourage customers to report changes

<i>Base: All tax credit customers</i>	
	%
Reminder letter(s) from HMRC	41
Television advertisements	30
Emails	15
Text messages	6
More awareness of the consequences of not reporting	5
Courtesy call(s) from HMRC to check nothing has changed	5
Making it easier to contact HMRC /easier to report the change	5
Radio advertisements	4
Posters in the local community	4
Harsher consequences for not reporting	4
The ability to report online	2
Reminders, adverts or notes on the HMRC website	2
Adverts/reminder messages in newspapers or magazines	2
Incentive/reward for reporting on time	2
Reminders or more information with renewal packs	1
It should be automatic/make employer do it	1
Extend reporting deadlines	0
All other responses	6
Nothing	17
<i>Unweighted base</i>	<i>924</i>

Note: Respondents were able to give more than one response to this question and therefore the sum of the percentages may be greater than 100

Appendix Table A.4 Whether customers gave at least one of the documented consequences of not reporting a change

<i>Base: All tax credit customers</i>	
	%
Yes	72
No	28
<i>Unweighted base</i>	<i>969</i>

Appendix Table A.5 Whether a financial penalty would encourage customers to report changes of circumstances

<i>Base: All tax credit customers</i>	
	%
Yes	88
No	12
<i>Unweighted base</i>	976

Appendix Table A.6 Whether customers had ever renewed late

<i>Base: All tax credit customers</i>	
	%
Yes	11
No	89
<i>Unweighted base</i>	997

Appendix Table A.7 Was there anything else HMRC could do to help customers to renew on time

<i>Base: All tax credit customers</i>	
	%
Yes	44
No	56
<i>Unweighted base</i>	111

Appendix Table A.8 In what circumstances would it be acceptable to make an inaccurate claim

<i>Base: All tax credit customers</i>	
	%
Genuine mistake	41
Confusion and difficulty	23
Personal circumstances	14
Survival	11
Unsure of income	4
Small changes of circumstance	2
All other responses	10
<i>Unweighted base</i>	206

Note: Respondents were able to give more than one response to this question and therefore the sum of the percentages may be greater than 100

Appendix Table A.9 Awareness of which government department will administer Universal Credit	
<i>Base: All customers who reported being aware of Universal Credit</i>	
	%
Yes	35
No	65
Total	100
<i>Unweighted base</i>	216

Appendix Table A.10 The effect customers expected the introduction of Universal Credit would have on them	
<i>Base: Customers who were aware of Universal Credit and believed it would affect them</i>	
	%
I will be worse off/ money reduced	27
Unsure	20
Benefits will be grouped together	17
Will make things more complicated	7
Harder to budget/ manage money	6
Will make things easier/ less complicated	6
All other responses	28
<i>Unweighted base</i>	98

Note: Respondents were able to give more than one response to this question and therefore the sum of the percentages may be greater than 100

Appendix Table A.11 Why customers were concerned about the introduction of Universal Credit	
<i>Base: Customers who were aware of Universal Credit and were concerned about it</i>	
	%
Uncertainty about what will/may happen	37
Being worse off/ having less money	35
Losing some benefits	12
All other responses	21
<i>Unweighted base</i>	66

Note: Respondents were able to give more than one response to this question and therefore the sum of the percentages may be greater than 100

Appendix Table A.12 Information about Universal Credit that is most important

<i>Base: All customers who reported being aware of Universal Credit</i>	
	%
When it will affect me	40
How I can claim it	31
Information about my current payments	27
What I need to do	22
What it is and how it will work generally	15
What the rules/ eligibility will be	15
What the general effect will be	13
How my other benefits will be affected	3
Would like to know everything	3
All other responses	3
<i>Unweighted base</i>	<i>210</i>

Note: Respondents were able to give more than one response to this question and therefore the sum of the percentages may be greater than 100.

Appendix Table A.13 Where customers would seek information about Universal Credit from

<i>Base: All tax credit customers</i>	
	%
Searching on the internet	65
HMRC	22
Citizens' Advice Bureau or other voluntary organisation	15
Jobcentre Plus/ Department for Work and Pensions	8
Friends, family or colleagues	3
Gov.uk / Direct.gov	2
My local authority	1
Do not know	9
All other responses	6
<i>Unweighted base</i>	<i>990</i>

Note: Respondents were able to give more than one response to this question and therefore the sum of the percentages may be greater than 100.

Appendix Table A.14 Preferred method of gaining information about Universal Credit

<i>Base: All tax credit customers</i>	
	%
In writing/ in a letter	81
On the internet	17
By email	11
From the media	3
Over the telephone	1
In person	1
All other responses	3
<i>Unweighted base</i>	980

Note: Respondents were able to give more than one response to this question and therefore the sum of the percentages may be greater than 100.

Appendix Table A.15 Access to the internet outside the home

<i>Base: All tax credit customers without home internet</i>	
	%
Yes	75
No	25
Total	100
<i>Unweighted base</i>	117

Appendix Table A.16 Problems experienced with an online service

<i>Base: Customers who use the internet</i>	
	%
Yes	24
No	76
Total	100
<i>Unweighted base</i>	882

Appendix Table A.17 Internet used to find out about tax credits or how to make a claim

<i>Base: Customers who use the internet</i>	
	%
Yes	58
No	42
Total	100
<i>Unweighted base</i>	884

Appendix Table A.18 Anticipation of problems using the internet to make and manage claims for Universal Credit

<i>Base: All tax credit customers</i>	
	%
Yes	21
No	79
Total	100
<i>Unweighted base</i>	955

Appendix Table A.19 Frequency of tax credit payments

<i>Base: All current tax credit customers</i>	
	%
Weekly	57
Monthly	43
Total	100
<i>Unweighted base</i>	963

Appendix Table A.20 Whether customers would be affected by payments every four weeks

<i>Base: All customers who currently receive weekly tax credit payments</i>	
	%
Yes, would affect me	75
No, would not affect me	25
Total	100
<i>Unweighted base</i>	569

Appendix Table A.21 Whether customers would need advice or support if payments were every four weeks

<i>Base: All tax credit customers who received weekly payments</i>	
	%
Would need support	35
Would not need support	65
Total	100
<i>Unweighted base</i>	569

Appendix Table A.22 Difficulties of providing income information at a different point in the tax year

<i>Base: All tax credit customers</i>	
	%
Yes	27
No	73
Total	100
<i>Unweighted base</i>	971

Appendix Table A.23 Difficult times of the year to report income

<i>Base: Customers who anticipate problems providing information at different point in the year</i>	
	%
Yes	55
No	45
Total	100
<i>Unweighted base</i>	255

Appendix Table A.24 Whether certain types of income information would be particularly difficult to provide

<i>Base: Customers who anticipate problems providing information at different point in the year</i>	
	%
Yes	41
No	59
Total	100
<i>Unweighted base</i>	248

Appendix Table A.25 Whether customers foresee problems providing information within a month

<i>Base: Customers who anticipate problems providing information at different point in the year</i>	
	%
Yes	44
No	56
Total	100
<i>Unweighted base</i>	<i>254</i>

Appendix Table A.26 Recovery of tax credit overpayments being deducted from Universal Credit

<i>Base: All customers who reported being aware of Universal Credit</i>	
	%
Yes	29
No	71
Total	100
<i>Unweighted base</i>	<i>216</i>

Appendix B. Logistic regression tables

Whether customers have ever failed to renew on time

Appendix Table B.1 Whether customers had ever renewed late

Variable	Category	B	Std. Error	Hypothesis Test		
				t	df	Sig.
Household income	Up to £10,399 per annum	.038	.510	.074	186.000	.941
	£10,400 to £25,999 per annum	-.229	.345	-.663	186.000	.508
	£26,000 or more per annum*	.000	.	.	.	.
Length of claim	Less than 1 year	-.193	.399	-.484	186.000	.629
	1 to 3 years	-.101	.510	-.199	186.000	.843
	3 to 5 years	-.608	.544	-1.118	186.000	.265
	5 years and over*	.000	.	.	.	.
Whether English is first language or bilingual	English is first language or bilingual	1.165	.446	2.614	186.000	.010
	English is second language*	.000	.	.	.	.
Age of main customer	Under 30 years	.154	.487	.316	186.000	.752
	30 to 39 years	-.288	.433	-.665	186.000	.507
	40 to 49 years	.018	.461	.040	186.000	.968
	50 years and over*	.000	.	.	.	.
Employment status of main customer	Working 30 hours or more	-.125	.372	-.336	186.000	.737
	Working 16-29 hours	.161	.326	.494	186.000	.622
	Working less than 16 hours	.184	.551	.333	186.000	.739
	Not working*	.000	.	.	.	.
How common inaccurate claims are	Very common	.277	.482	.575	186.000	.566
	Fairly common	-.265	.360	-.735	186.000	.463
	Not very or not at all common*	.000	.	.	.	.

Panel study of tax credits customers: Telephone survey 2012

How likely those who make inaccurate claims are to be caught	Very likely	-.910	.375	-2.428	186.000	.016
	Quite likely	-.589	.350	-1.684	186.000	.094
	Not likely and not at all likely*	.000	.	.	.	.
How acceptable inaccurate claims are	Always or mostly acceptable	.054	.656	.082	186.000	.934
	Mostly unacceptable	-.356	.289	-1.230	186.000	.220
	Always unacceptable*	.000	.	.	.	.

- * Reference category

Grey highlighting depicts the significant factors, and bold text signifies the categories within factors that are significantly different to the reference category.

Awareness of Universal Credit

Appendix Table B.2 Customer has not heard about Universal Credit

Variable	Category	B	Std. Error	Hypothesis Test		
				t	df	Sig.
Household income	Up to £10,399 per annum	.826	.374	2.206	186.000	.029
	£10,400 to £25,999 per annum	.327	.260	1.257	186.000	.210
	£26,000 or more per annum*	.000 ^a	.	.	.	.
Length of claim	Less than 1 year	-.346	.241	-1.436	186.000	.153
	1 to 3 years	-.234	.333	-.701	186.000	.484
	3 to 5 years	-.239	.382	-.626	186.000	.532
	5 years and over*	.000 ^a	.	.	.	.
Whether English is first language or bilingual	English is first language or bilingual	-.352	.345	-1.019	186.000	.310
	English is second language*	.000 ^a	.	.	.	.
Age of main customer	Under 30 years	2.371	.456	5.197	186.000	.000
	30 to 39 years	.832	.313	2.657	186.000	.009
	40 to 49 years	.481	.288	1.669	186.000	.097
	50 years and over*	.000 ^a	.	.	.	.
Employment status of main customer	Working 30 hours or more	-.250	.255	-.983	186.000	.327
	Working 16-29 hours	.004	.256	.017	186.000	.986
	Working less than 16 hours	.676	.481	1.405	186.000	.162
	Not working*	.000 ^a	.	.	.	.

- * Reference category

Grey highlighting depicts the significant factors, and bold text signifies the categories within factors that are significantly different to the reference category.

Appendix C. Distribution of key customer characteristics

Appendix Table C.1 Key customer characteristics	
<i>Base: All tax credit customers</i>	%
Gender	
Male	19
Female	81
Age	
Under 30	19
30-39	31
40-49	33
50 and over	18
First language	
English as first language or bilingual	84
English as a second language	10
Unknown	6
Type of tax credits received	
Working Tax Credit	20
Child Tax Credit	38
Both	40
Neither	2
Main respondent employment status	
Working 30 hours or more	33
Working 16-29 hours	29
Working less than 16 hours	7
Not working	31
Main respondent self-employment status	
Self-employed	13
Employed	56
Not working	31
Annual household income	
Up to £10,399	16
£10,400 to £25,999	63
£26,000 or more	19
Unknown	2
<i>Unweighted base</i>	<i>1,000</i>

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