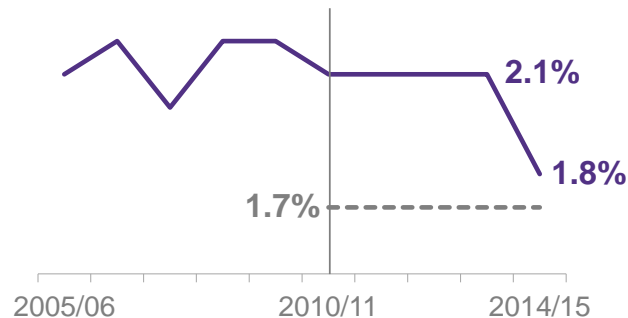


# Fraud and Error in the Benefit System: 2014/15

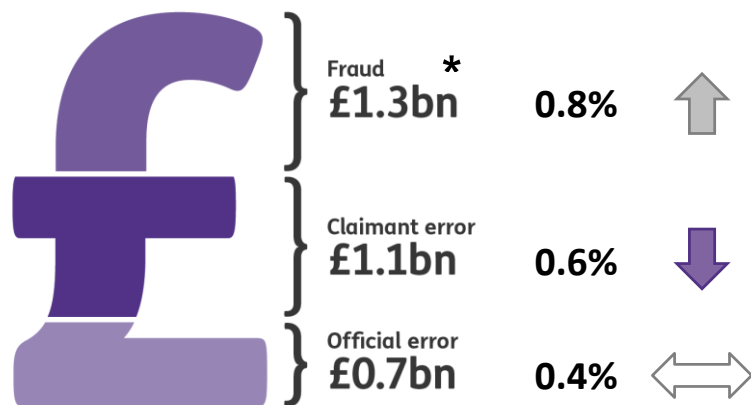
## biannual National Statistics, Great Britain

The Department for Work and Pensions administers welfare benefits to around 20 million people. 'Fraud and Error in the Benefit System' estimates **overpayments** (the total amount of money lost to the department because claimants are paid too much) and **underpayments** (the total amount of money lost to claimants who are not paid enough).

**£3.0bn** of DWP expenditure on benefits was **overpaid** in 2014/15, a reduction of £350m compared with 2013/14.



**1.8%** was **overpaid** in 2014/15, the **lowest recorded rate** for overpayments. This is above the departmental target set in 2010/11: for the overpayment rate to be at most 1.7% of expenditure by the end of 2014/15. If we take into account the change in Housing Benefit methodology (see page 8) the rate would be **1.9%**. This would still be the lowest recorded rate.



**Fraud** is the largest cause of overpayments.

\*Totals may not sum to £3.0bn due to rounding.

Not all of this money is lost because the department can **recover overpayments**.

**£930m** of overpayments were recovered in 2014/15.

This means the **Net Government loss is £2.1bn (1.2%)**.



Department for Work & Pensions



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ISBN: 978-1-78425-615-9

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# Introduction

This report provides estimates of fraud and error in social security benefits funded by the Department for Work and Pensions (DWP). It includes the final 2014/15 financial year estimates, covering the period April 2014 to March 2015. These statistics have been developed in accordance with the National Statistics Code of Practice and supporting Principles.

## In this document

This summary contains estimates of **overpayments** (when a claimant is paid more in benefit than they are entitled to) and **underpayments** (when a claimant is not paid enough). We measure fraud and error all the time for some benefits, randomly sampling people and checking that the information we hold is up-to-date. For benefits we don't measure all the time we use either old estimates or a proxy (based on a similar benefit or an average rate). This allows us to estimate an overall total of overpayments or underpayments for all benefits funded by DWP. More information about which benefits we measure and how we measure them can be found in the Background and Methodology document.

## Future releases

Fraud and Error in the Benefit System is updated twice a year, usually in May and November. The next release, due in May 2016 will provide preliminary estimates for 2015/16.

### Fraud and error – rates and monetary values

For the continuously measured benefits, the **Monetary Value of Fraud and Error** is calculated using the percentage of fraud and error found in our sample:

(Percentage of fraud and error) x (Benefit expenditure)

Even if the rate of fraud and error is increasing, if the benefit expenditure is decreasing, we could see a lower monetary value. For example:

The rate of overpayments on Jobseeker's Allowance rose from 3.9% to 5.1% but expenditure fell from £4.4bn to £3.1bn.

3.9% of £4.4bn is £170m. 5.1% of £3.1bn is £160m.

This is why it is better to compare **rates of overpayment and underpayment** rather than monetary values.

### Statistical significance

These estimates are based on a sample of benefit claims in payment. **Statistical significance** is an expression that says whether an estimated value is likely to have arisen only from variations in the sampling. It is most often used for changes, where a *significant change* is one that is not likely to be only due to the sampling, and therefore likely to be a real change.

**None of the changes in this release are statistically significant unless specifically stated – indicated by an asterisk (\*).**

## Summary of additional available data

All the information underlying the charts and figures featured in this summary are included in accompanying Excel reference tables.

Sources in this document that state a Table number refer to the Reference Tables available on the website:

<https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-financial-year-201415-estimates>

The tables show overpayments for each benefit going back to 2005/06, split by fraud, claimant error and official error. We show the monetary value and the percentage of expenditure this equates to. We also show the same for underpayments.

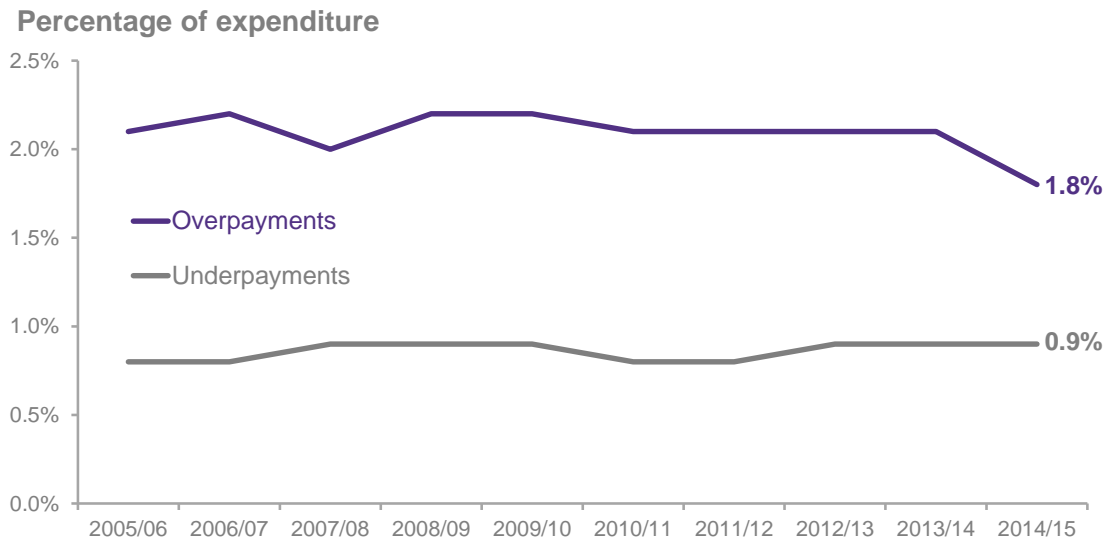
For the benefits we measure all of the time, we can also show more detail about the cause of the error (for example incomes, savings and who lives in the house) and the demographics of the claimants.

We also estimate the percentage of cases that are incorrect, as well as the amount of money that is incorrectly paid.

A full comparison of new and old Housing Benefit methodology is included in the tables.

The new "Net Government loss" measure is in the tables with a time series and a breakdown by benefit.

# Benefit overpayments are at their lowest recorded rate<sup>1</sup>

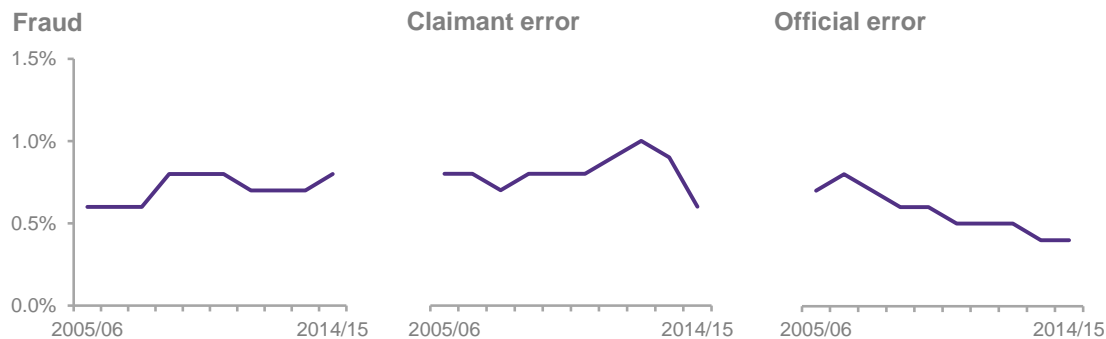


## Main Messages

**The total rate of overpayments decreased from 2.1% in 2013/14 to 1.8% in 2014/15**, the lowest recorded rate. This amounts to a reduction in overpayments of £350m, from £3.4bn to £3.0bn.

There was a decrease\* in the rate of claimant error overpayments, from 0.9% in 2013/14 to 0.6% in 2014/15, the lowest recorded rate. The rate of fraud overpayments increased slightly, from 0.7% in 2013/14 to 0.8% in 2014/15. Official error overpayments remained at their lowest ever rate (0.4%).

**The total rate of underpayments remained stable, at 0.9% of expenditure.** The monetary value of underpayments also stayed the same as last year (£1.5bn).



Source: Fraud and Error in the Benefit System: 2014/15, Table 2

<sup>1</sup>Without the change in Housing Benefit methodology the estimate for the total rate of overpayments would be 1.9%. This would still be the lowest recorded rate.

In 2010/11, a **target** for the rate of fraud and error in the benefit system was set by the department as part of its welfare reform programme: overpayments should be **at most 1.7%** of the total benefit expenditure by the end of the 2014/15 financial year. The 2014/15 estimate for the total rate of overpayments (**1.8%**) is above this target.

### At a glance: overpayment rates and monetary values for continuously measured benefits in 2014/15

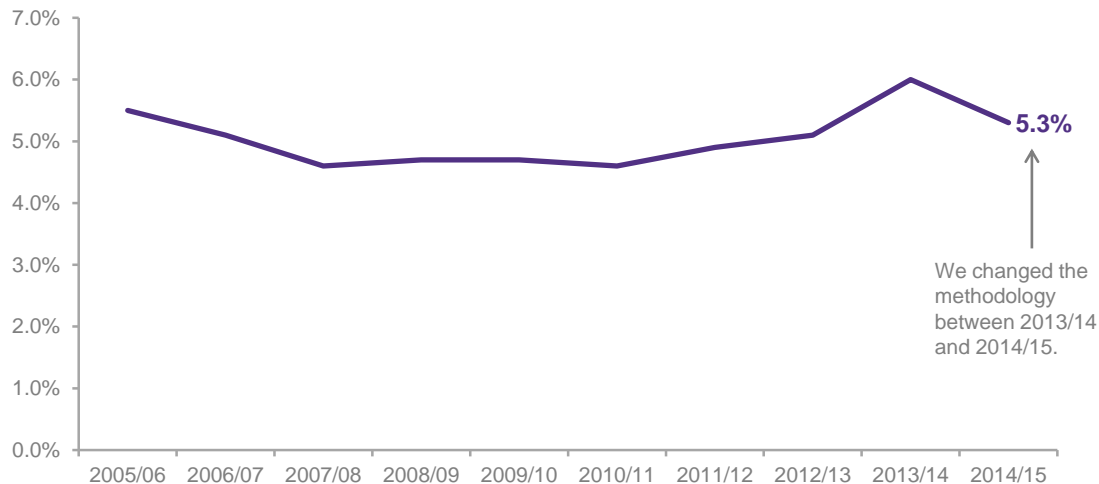
Benefit	Overpayment rate (monetary value)	Change from last year
Housing Benefit <sup>1</sup>	5.3% (£1,280m)	-0.7% (-£170m)
Pension Credit	4.6% (£310m)	-1.3% (-£120m)
Employment and Support Allowance	2.9% (£370m)	-0.1% (+60m)
Jobseeker's Allowance	5.1% (£160m)	+1.2% (-£10m)

1. The 2014/15 rate and monetary value were estimated using the new Housing Benefit methodology (see page 8). The change from last year compares these figures with the 2013/14 rate or value, which was estimated using the old Housing Benefit methodology.

# Housing Benefit overpayments have fallen

People get Housing Benefit to help pay rent if they're on a low income. How much you get depends on your income and circumstances. You can apply for Housing Benefit whether you're unemployed or working.

## Overpayment as a percentage of expenditure



## Main Messages

**The rate of overpayments on Housing Benefit decreased from 6.0% in 2013/14 to 5.3% in 2014/15.** This reduction is not entirely the result of the change in Housing Benefit methodology (see page 8); even if we used the old methodology, the overpayment rate would have decreased (to 5.7%).

The methodology change to the netting and capping process has mainly affected claimant error and fraud overpayments but it is not the main reason for the changes since 2013/14. Claimant error overpayments decreased\* sharply from 3.7% in 2013/14 to 2.3% in 2014/15 whereas fraud overpayments increased from 1.8% in 2013/14 to 2.4% in 2014/15.

Failure to declare earnings and employments continues to be the main cause of fraud and claimant error overpayments, accounting for £562m of overpayments in 2014/15, a reduction of £103m since 2013/14. For claimant error overpayments we have seen a decrease across several of the error reasons.

**The rate of underpayments on Housing Benefit decreased from 1.5% in 2013/14 to 1.4% in 2014/15.** This amounts to £340m of underpayments in 2014/15. With the old methodology the underpayment rate would have increased (to 1.8%).

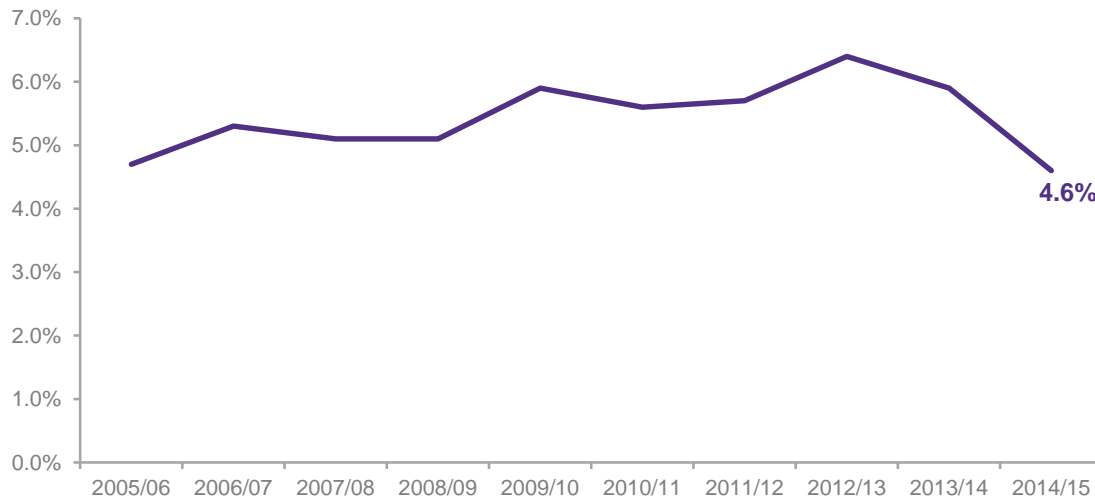


Source: Fraud and Error in the Benefit System: 2014/15, Table 2

# Pension Credit overpayments are at their lowest recorded rate

Pension Credit provides support to people older than the female state pension age. The Guarantee Credit element guarantees an income at a set level and people aged 65 or over (and couples where one member is 65 or over) may also be entitled to Savings Credit if they have modest income from savings, investments or a second pension.

Overpayment as a percentage of expenditure



## Main Messages

**The rate of overpayments on Pension Credit decreased\* from 5.9% in 2013/14 to 4.6% in 2014/15, the lowest recorded rate.**

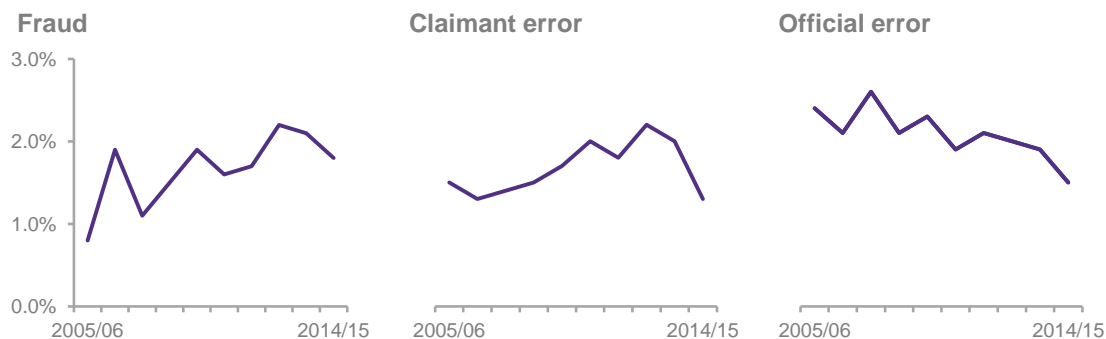
Fraud, official error, and claimant error overpayments all decreased between 2013/14 and 2014/15. Official error overpayments are now at the lowest ever recorded rate (1.5%), with a monetary value of £100m. Overpayments due to claimant error decreased\* from 2.0% to 1.3%, and overpayments due to fraud fell from 2.1% to 1.8%.

The amount of Pension Credit you receive can be dependent on the occupational or personal pension you receive. If these are concealed or incorrectly declared then it can lead to the amount of benefit being incorrectly calculated. In 2014/15 this is the largest cause of overpayments, with a monetary value of £63m. This is a decrease\*, from £105m in 2013/14.

This year, overpayments due to 'Abroad fraud' decreased\* to £15m, from £47m in 2013/14. It is no longer the main cause of fraud. Abroad fraud occurs when claimants that are normally resident in the UK fail to notify the department before leaving the country, and are abroad for a period longer than the allowable absence limit.

**The rate of underpayments on Pension Credit decreased\* from 2.4% in 2013/14 to 1.7% in 2014/15.**

This amounts to a reduction of £60m, from £170m to £110m.

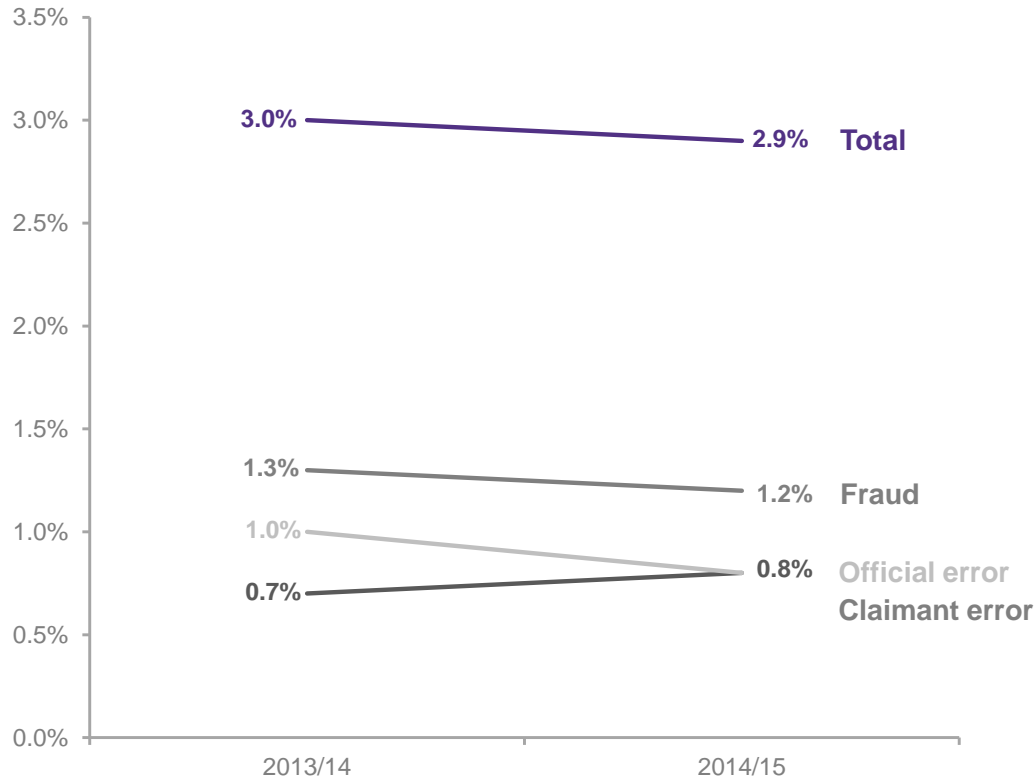


Source: Fraud and Error in the Benefit System: 2014/15, Table 2

# Employment and Support Allowance

If you're ill or disabled, Employment and Support Allowance offers you financial support if you're unable to work or personalised help so that you can work if you're able to.

## Overpayment as a percentage of expenditure



Source: Fraud and Error in the Benefit System: 2014/15, Table 2

## Main Messages

**The rate of overpayments on Employment and Support Allowance decreased slightly between 2013/14 and 2014/15, from 3.0% to 2.9%.**

This is only the second year we have measured fraud and error on Employment and Support Allowance so we do not know the long-term trend.

The amount we spent on Employment and Support Allowance increased from £10.5bn in 2013/14 to £12.8bn in 2014/15. So, although the rate of overpayments decreased, the monetary value of overpayments actually increased, from £310m to £370m.

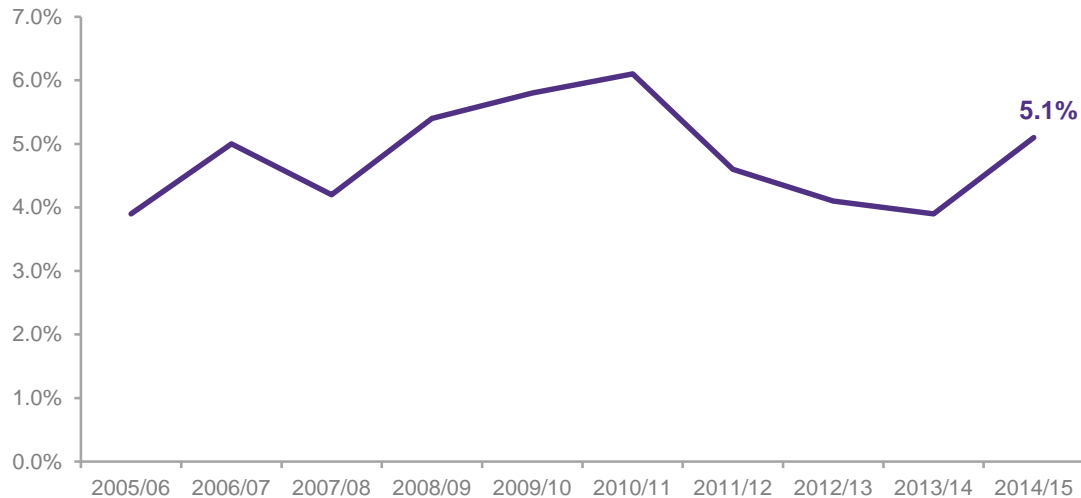
The rate of fraud and official error overpayments both decreased slightly, whereas the claimant error overpayment rate increased slightly. Failure to declare earnings and employment remains the main cause of fraud, accounting for £50m of overpayments in 2014/15. Incorrectly reporting the amount of capital remains the main cause of claimant error, accounting for £28m of overpayments in 2014/15.

**The rate of underpayments on Employment and Support Allowance increased from 1.8% in 2013/14 to 2.0% in 2014/15.** Official error underpayments in a category called Control Activities (see Background and Methodology document for more details) increased\* to £83m, from £37m in 2013/14. This is now the main cause of underpayments.

# Jobseeker's Allowance

Jobseeker's Allowance is paid to people under state pension age who are available for and actively seeking work.

## Overpayment as a percentage of expenditure



## Main messages

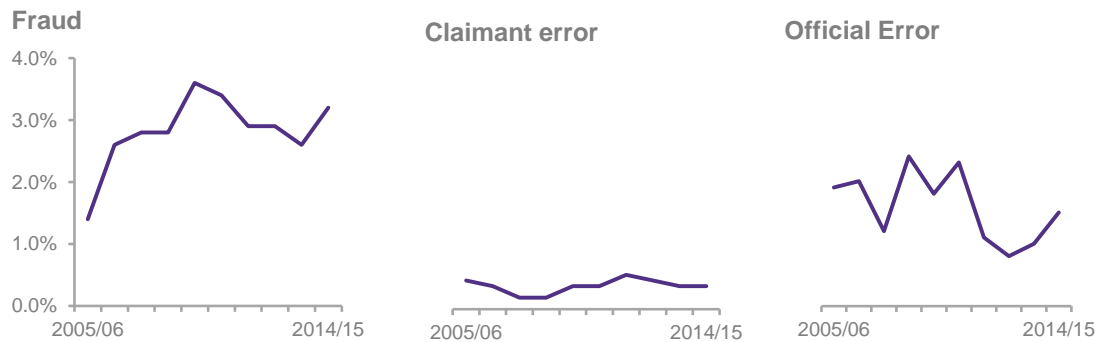
**The rate of overpayments on Jobseeker's Allowance increased from 3.9% in 2013/14 to 5.1% in 2014/15, the highest rate since 2010/11.**

The amount we spent on Jobseeker's Allowance in 2014/15 (£3.1bn) was less than in 2013/14 (£4.4bn), so the monetary value of overpayments was actually lower: £160m compared to £170m.

Overpayments due to fraud increased from 2.6% in 2013/14 to 3.2% in 2014/15. The main causes of fraud in 2014/15 were failures to declare earnings and employment (£52m) and that a claimant is no longer single and now living with a partner (£16m). Together, these two causes account for around two thirds of fraud overpayments.

Official error overpayments increased\* from 1.0% in 2013/14 to 1.5% in 2014/15. Approximately half of these overpayments in 2014/15 are in a category called Labour Market issues, which are often linked to a lack of evidence being available to the teams checking the claims. Official error overpayments of this type increased\* to £23m, from £5m in 2013/14.

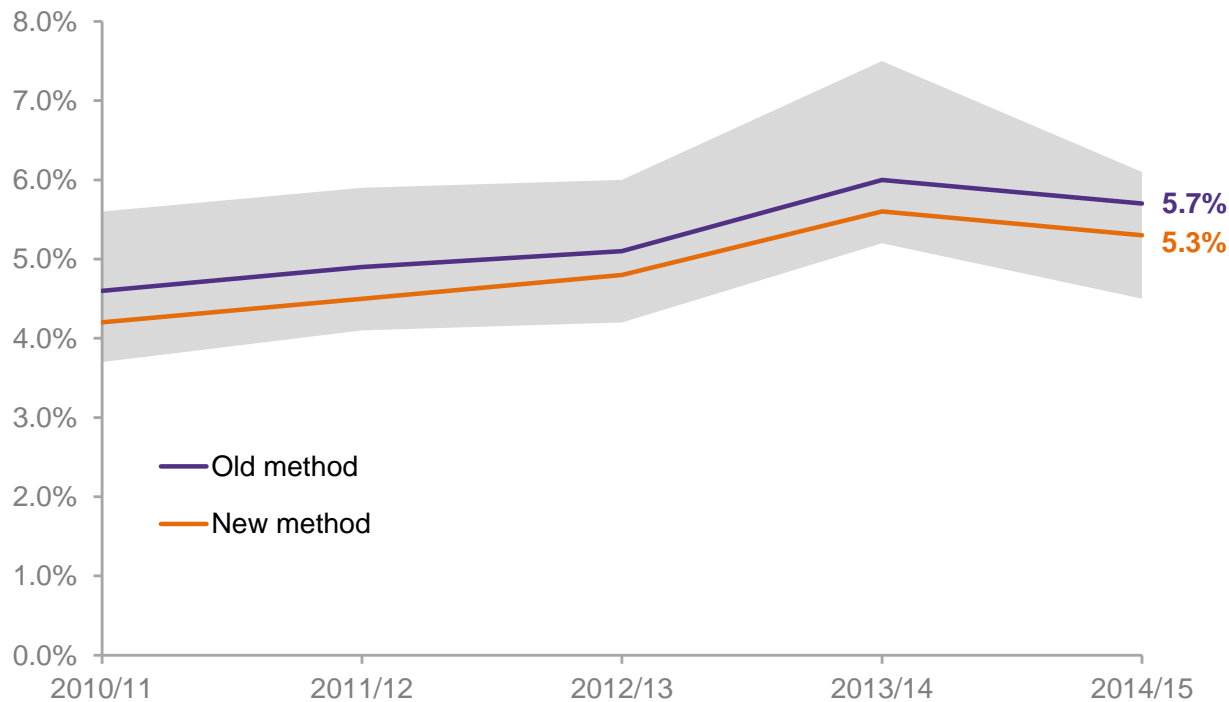
**The rate of underpayments on Jobseeker's Allowance increased from 0.4% in 2013/14 to 1.1% in 2014/15.** This is due to a rise in the rate of official error underpayments, from 0.3% to 0.9%. Incorrectly recording housing costs (e.g. mortgages) is the main cause of underpayments.



Source: Fraud and Error in the Benefit System: 2014/15, Table 2

# We have changed the way we measure Housing Benefit fraud and error

This has reduced the rates of overpayment and underpayment for Housing Benefit.



## Change in methodology

We now use the same method for “netting” underpayments from overpayments as we do for other benefits we measure continuously.

When a claimant has an underpayment and an overpayment on their claim, we used to count both. Now, we cancel them out and only report the remainder:

Old method:	New method:
+ £3 overpayment	- £2 underpayment
- £5 underpayment	

We have also changed the way we count claims we haven't been able to check. More information can be found in our Background and Methodology document.

We have estimated the effect of this change on old data, back to 2010/11. The trend is the same but the rate is around 0.4 percentage points lower.

The new method reduces the overpaid amount by £110m and the underpaid amount by just over £90m this year.

The new method estimates that fraud and error **overpayments** on Housing Benefit are 5.3% of expenditure. This “netted” overpayment rate **sits within the 95% confidence intervals** of the estimate using the old method (5.7%).

Using the new method, the estimated rate of **underpayments** on Housing Benefit is 1.4%. This “netted” underpayment rate does not sit within the 95% confidence intervals of the estimate using the old method (1.8%).



# Appendix 1 – Overpayment rates and values by benefit: 2014/15

	Expenditure	Total		Fraud		Claimant Error		Official Error		Last measured
		Rate	Value	Rate	Value	Rate	Value	Rate	Value	
<b>Continuously reviewed</b>										
Housing Benefit	£24.3bn	5.3%	£1280m	2.4%	£590m	2.3%	£550m	0.6%	£140m	Apr 14 - Mar 15
Pension Credit	£6.7bn	4.6%	£310m	1.8%	£120m	1.3%	£90m	1.5%	£100m	Apr 14 - Mar 15
Employment and Support Allowance	£12.8bn	2.9%	£370m	1.2%	£160m	0.8%	£100m	0.8%	£110m	Apr 14 - Mar 15
Jobseeker's Allowance	£3.1bn	5.1%	£160m	3.2%	£100m	0.4%	£10m	1.5%	£50m	Apr 14 - Mar 15
<b>Occasionally reviewed</b>										
Income Support	£3.0bn	3.9%	£120m	2.4%	£70m	1.0%	£30m	0.4%	£10m	Oct 13 - Sep 14
Incapacity Benefit	£0.3bn	2.4%	£10m	0.3%	£0m	0.9%	£0m	1.2%	£0m	Oct 09 - Sep 10
Disability Living Allowance <sup>1</sup>	£13.8bn	1.9%	£260m	0.5%	£70m	0.6%	£90m	0.8%	£110m	Apr 04 - Mar 05
State Pension <sup>2</sup>	£86.6bn	0.1%	£100m	0.0%	£0m	0.1%	£70m	0.0%	£30m	Apr 05 - Mar 06
Carer's Allowance	£2.3bn	5.5%	£130m	3.9%	£90m	1.0%	£20m	0.6%	£10m	Apr 96 - Mar 97
Interdependencies	-	-	£30m	-	£10m	-	£10m	-	£10m	Apr 14 - Mar 15
<b>Unreviewed</b>										
Unreviewed <sup>3,4</sup>	£15.1bn	1.7%	£250m	0.6%	£90m	0.5%	£80m	0.5%	£80m	
<b>Total<sup>5,6</sup></b>	<b>£168.1bn</b>	<b>1.8%</b>	<b>£3.0bn</b>	<b>0.8%</b>	<b>£1.3bn</b>	<b>0.6%</b>	<b>£1.1bn</b>	<b>0.4%</b>	<b>£0.7bn</b>	
Range <sup>7</sup>		(1.5, 2.1)	(2.5, 3.6)	(0.6, 1.1)	(1.0, 1.8)	(0.5, 0.8)	(0.8, 1.4)	(0.3, 0.6)	(0.5, 1.0)	

## Notes:

1. The 2004/05 Disability Living Allowance (DLA) National Benefit Review identified cases where the change in customers' needs had been so gradual that it would be unreasonable to expect them to know at which point their entitlement to DLA might have changed. These cases do not result in a recoverable overpayment as we cannot identify when the change occurred. Because legislation requires the Secretary of State to prove that entitlement to DLA is incorrect, rather than requiring the customer to inform us that their needs have changed, cases in this sub-category are legally correct. The difference between what customers in these cases are receiving in DLA and related premiums in other benefits and what they would receive if their benefit was reassessed was estimated to be around £0.6 billion (+/-£0.2 billion) in 2005/06. Based on 2014/15 DLA expenditure this figure is now estimated to be around £1.0 billion (+/-£0.3 billion). This component is not included in the total above.
2. Official error estimates for State Pension (SP) are derived from a continuous measurement exercise which covered the period April 2014 to March 2015. SP fraud and customer error estimates have been produced based on a National Benefit Review exercise carried out in 2005/06. The latest 2014/15 forecast expenditure has then been applied to these estimates to provide the most up to date monetary values for SP fraud and error.
3. Social Fund (SF) estimates are no longer included in the 'Unreviewed' category.
4. The 'Unreviewed' category no longer includes ESA estimates as these are now derived from a continuous measurement exercise.
5. The totals do not include any expenditure or estimates of Fraud and Error for Council Tax Benefit as this is no longer administered by the Department.
6. Rows and columns may not sum to totals due to rounding.
7. Approximate 95% confidence intervals are given. These allow for non-sample error in occasionally reviewed benefits and the additional uncertainty that comes from the use of older measurement periods.

## Appendix 2 – Underpayment rates and values by benefit: 2014/15

	Expenditure	Total		Fraud		Claimant Error		Official Error		Last measured
		Rate	Value	Rate	Value	Rate	Value	Rate	Value	
<b>Continuously reviewed</b>										
Housing Benefit	£24.3bn	1.4%	£340m	0.0%	£0m	1.1%	£270m	0.3%	£70m	Apr 14 - Mar 15
Pension Credit	£6.7bn	1.7%	£110m	0.0%	£0m	0.7%	£50m	1.0%	£70m	Apr 14 - Mar 15
Employment and Support Allowance	£12.8bn	2.0%	£260m	0.0%	£0m	0.7%	£100m	1.2%	£160m	Apr 14 - Mar 15
Jobseeker's Allowance	£3.1bn	1.1%	£30m	0.0%	£0m	0.2%	£0m	0.9%	£30m	Apr 14 - Mar 15
<b>Occasionally reviewed</b>										
Income Support	£3.0bn	0.8%	£30m	0.1%	£0m	0.4%	£10m	0.3%	£10m	Oct 13 - Sep 14
Incapacity Benefit	£0.3bn	0.7%	£0m	0.0%	£0m	0.0%	£0m	0.7%	£0m	Oct 09 - Sep 10
Disability Living Allowance	£13.8bn	2.5%	£350m	0.0%	£0m	2.4%	£330m	0.1%	£10m	Apr 04 - Mar 05
State Pension <sup>1</sup>	£86.6bn	0.2%	£170m	0.0%	£0m	0.0%	£0m	0.2%	£170m	Apr 05 - Mar 06
Carer's Allowance	£2.3bn	0.1%	£0m	0.0%	£0m	0.1%	£0m	0.0%	£0m	Apr 96 - Mar 97
<b>Unreviewed</b>										
Unreviewed <sup>2</sup>	£15.1bn	1.7%	£250m	0.0%	£0m	1.4%	£210m	0.3%	£40m	
<b>Total<sup>3</sup></b>	<b>£168.1bn</b>	<b>0.9%</b>	<b>£1.5bn</b>	<b>0.0%</b>	<b>£0.0bn</b>	<b>0.6%</b>	<b>£1.0bn</b>	<b>0.3%</b>	<b>£0.6bn</b>	
Range <sup>4</sup>		(0.7,1.2)	(1.1,2.0)	(0.0,0.0)	(0.0,0.0)	(0.4,0.9)	(0.6,1.4)	(0.3,0.4)	(0.4,0.7)	

### Notes:

1. Official error estimates for State Pension (SP) are derived from a continuous measurement exercise which covered the period April 2014 to March 2015. SP fraud and customer error estimates have been produced based on a National Benefit Review exercise carried out in 2005/06. The latest 2014/15 forecast expenditure has then been applied to these estimates to provide the most up to date monetary values for SP fraud and error.
2. The 'Unreviewed' category no longer includes ESA estimates as these are now derived from a continuous measurement exercise.
3. Rows and columns may not sum to totals due to rounding.
4. Approximate 95% confidence intervals are given. These allow for non-sample error in occasionally reviewed benefits and the additional uncertainty that comes from the use of older measurement periods.

# Notes

The figures presented in this report estimate fraud, claimant error and official error.

**Fraud** – Cases where the following three conditions apply:

- the basic conditions for receipt of benefit, or the rate of benefit in payment, are not being met
- the claimant can reasonably be expected to be aware of the effect on entitlement
- benefit stops or reduces as a result of the review.

**Claimant Error** – The claimant has provided inaccurate or incomplete information, or failed to report a change in their circumstances, but there is no fraudulent intent on the claimant's part.

**Official Error** – Benefit has been paid incorrectly due to inaction, delay or a mistaken assessment by the DWP, a Local Authority or Her Majesty's Revenue and Customs.

## What the fraud and error estimates are used for

Fraud and error estimates are a performance indicator for the Department and help decide how we tackle fraud and error. The results are part of the Resource Accounts and are scrutinised by the National Audit Office. There is a target for overpayments to be at most 1.7% of benefit expenditure by the end of 2014/15.

Our Background and Methodology information note provides further information on the how we calculate 'Fraud and Error in the Benefit System' statistics and gives a glossary of the causes of fraud and error used in this document and the reference tables:

<https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-financial-year-201415-estimates>

Technical appendices give more detail about the data manipulation process:

<https://www.gov.uk/government/publications/fraud-and-error-in-the-benefit-system-supporting-documents-for-statistical-reports>

## Other National and Official Statistics

Details of other National and Official Statistics produced by the Department for Work and Pensions can be found on the DWP website via the following links:

- A list of Tabulation Tools: <https://www.gov.uk/government/organisations/department-for-work-pensions/series/dwp-statistics-tabulation-tool>;
- A schedule of statistical releases over the next 12 months and a list of the most recent releases: <https://www.gov.uk/government/organisations/department-for-work-pensions/about/statistics>;
- In accordance with the Code of Practice for Official Statistics, all DWP National Statistics are also announced via the UK Statistics Authority publication hub at: <https://www.gov.uk/government/statistics/announcements>

In addition, users can find links to additional DWP statistical analyses that have not been included in our standard publications at

<https://www.gov.uk/government/organisations/department-for-work-pensions/series/ad-hoc-statistical-publications-list>

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