



# Fraud and Error in the Benefit System

Final 2016/17 Estimates

Biannual

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Great Britain



The Department for Work and Pensions administers welfare benefits to around 18 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). Further information on how these statistics are compiled can be found in the [background and methodology document](#).

## Main stories

### 2.0% of expenditure overpaid

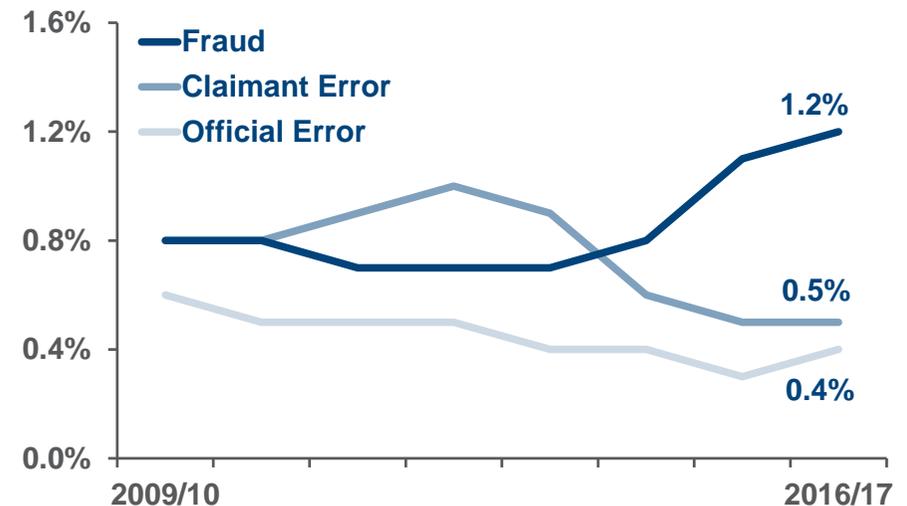
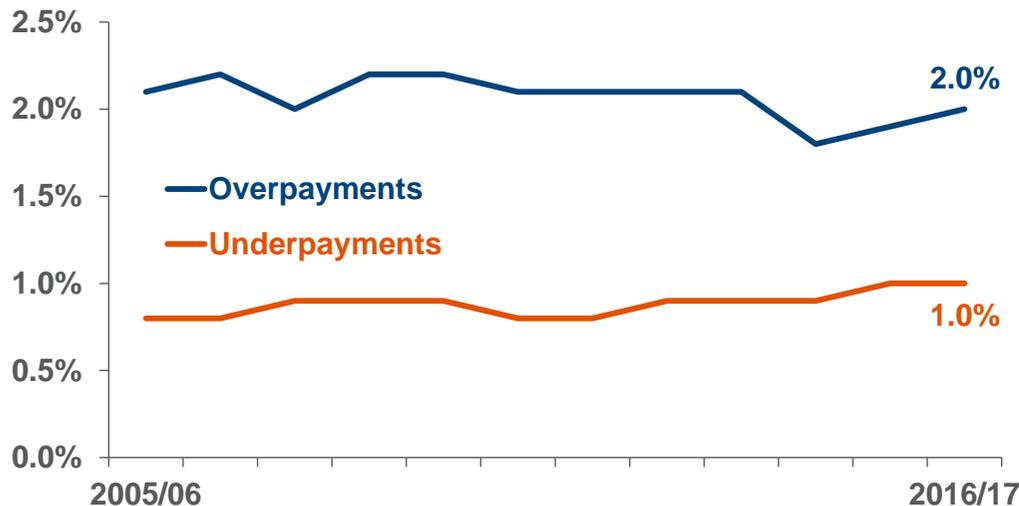
This has increased from **1.9%** in 2015/16. It amounts to **£3.6bn** of overpayments.

### 1.0% of expenditure underpaid

This has remained the same as in 2015/16. It amounts to **£1.7bn** of underpayments.

### We changed the way we categorise overpayments after 2014/15

We have tightened up the evidence gathering process within the measurement system. This is driving recent trends: fraud is now at its **highest recorded rate**; claimant error is at its **lowest recorded rate**.



# What you need to know

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**Lead Statistician:** Eve Smith

[caxtonhouse.femaenquiries@dwp.gsi.gov.uk](mailto:caxtonhouse.femaenquiries@dwp.gsi.gov.uk)

**DWP Press Office:** 0203 267 5129

Comments? Feedback is welcome

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## In this document

This report provides estimates of fraud and error in benefits funded by the Department for Work and Pensions (DWP). It updates the preliminary 2016/17 estimates published in May 2017. This publication provides the final 2016/17 estimates, covering cases reviewed during the period April 2016 to March 2017. These statistics have been developed in accordance with the Code of Practice for Official Statistics and supporting Principles. Monetary values for individual benefits and tables may differ from the overall overpayments and underpayments as the latter are based on more up-to-date expenditure.

It 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 the total rate 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. Throughout the document we have rounded monetary values of totals and error categories (fraud, claimant error and official error) to the nearest £10m; monetary values of error causes are rounded to the nearest £1m.

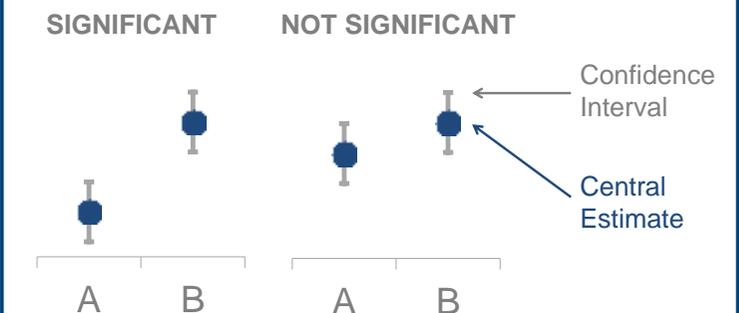
## Confidence Intervals

**Confidence intervals** are a measure of uncertainty in our estimates. Confidence intervals in this publication are set at a 95% level, meaning we are 95% sure that the actual estimate lies within the confidence interval. The confidence interval is shown as a shaded area on graphs involving the main figures:



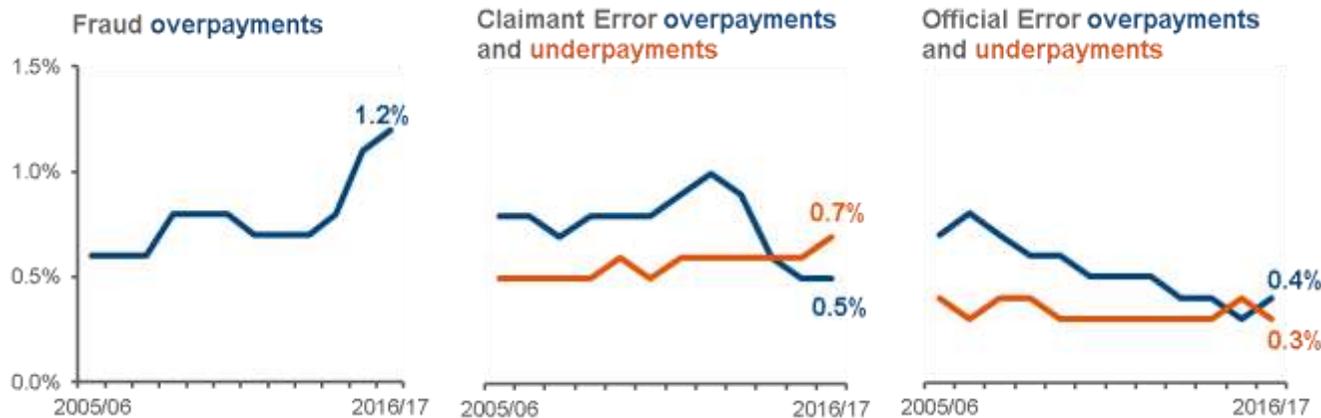
## Statistical Significance

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 when talking about a change or a difference: a *significant change or difference* is one that is not likely to be due only to the sampling, and therefore likely to be a real change/difference. Plotting estimates and their confidence intervals gives an indication of whether or not a difference is significant. In general, if the confidence intervals of two estimates do not overlap, the estimates are significantly different:



# Total overpayments have risen whilst underpayments have remained the same

The total overpayment and underpayment rates are estimates of Fraud and Error across all benefit expenditure.



**The total rate of overpayments has increased from 1.9% in 2015/16 to 2.0% in 2016/17.** The monetary value of overpayments has increased from £3.3bn to £3.6bn. Benefit expenditure has increased from £172.3bn in 2015/16 to £174.0bn in 2016/17.

There was an increase in the rate of fraud overpayments, from 1.1% in 2015/16 to 1.2% in 2016/17, the highest recorded rate. The rate of claimant error overpayments remains at its lowest recorded rate of 0.5%. The rate of official error overpayments increased from 0.3% in 2015/16 to 0.4% in 2016/17. Within the measured benefits we have changed the way that we categorise overpayments. This was a result of tightening up the evidence gathering process and subsequent classification of errors as either claimant error or fraud. This change may have affected the overall level of total overpayments since its introduction in 2014/15; it is especially marked in Housing Benefit. Further information is available in the Background and Methodology document.

## Overpayments and underpayments on continuously reviewed benefits: 2016/17

Arrows denote the direction of change in rate since 2015/16

Benefit	Overpayment rate (monetary value)	Underpayment rate (monetary value)
Housing Benefit	↑ 6.4% (£1,510m)	↓ 1.3% (£300m)
Employment and Support Allowance	↑ 4.0%* (£590m)	↑ 2.9% (£440m)
Pension Credit	↓ 4.8% (£280m)	↓ 2.4% (£140m)
Jobseeker's Allowance	↑ 6.1% (£120m)	↑ 0.8% (£20m)
Universal Credit	↑ 5.5% (£90m)	↓ 1.3% (£20m)
Personal Independence Payment	3.1% (£160m)	3.6% (£190m)

**The total rate of underpayments remained the same as 2015/16 at 1.0%.** The monetary amount also remained the same at £1.7bn.

The rate of claimant error underpayments has increased from 0.6% to 0.7%. The rate of official error underpayments decreased from 0.4% to 0.3%.

## Net loss from overpayments

Not all of these overpayments are lost because the department can recover overpayments. In 2016/17, we recovered £1.1bn of overpayments, an increase of £100m since 2015/16. **The net rate of loss from overpayments is 1.4%, or £2.5bn, an increase from 1.3% or £2.2bn last year.**

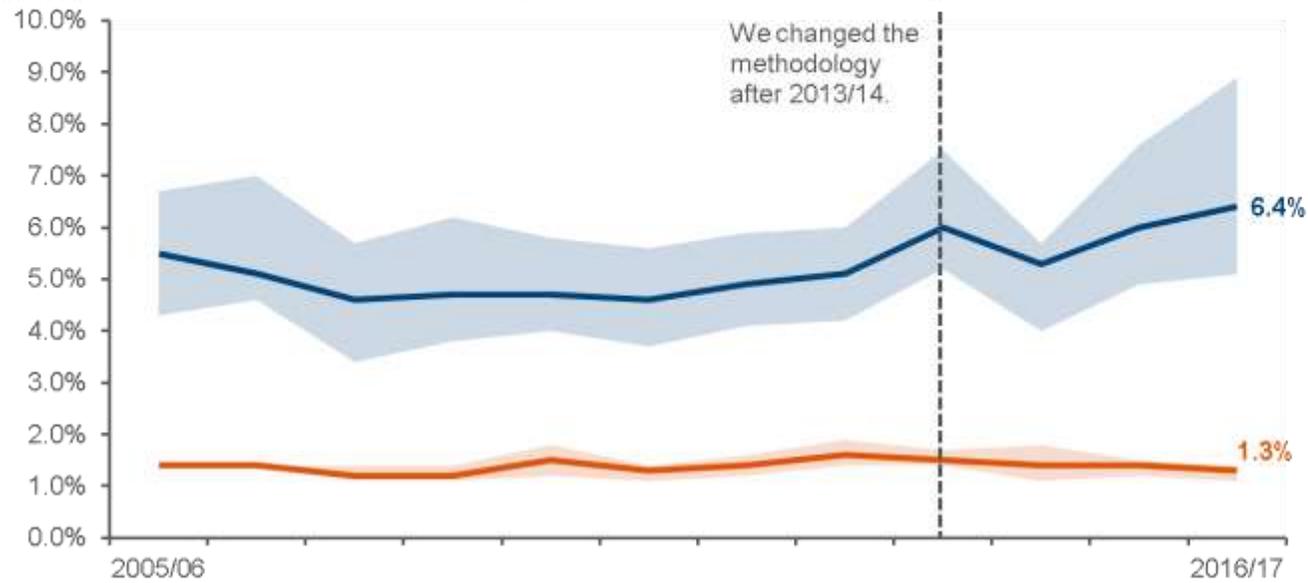
Fraud and Error in the Benefit System: 2016/17, Tables 2 and 8

\*These changes are statistically significant

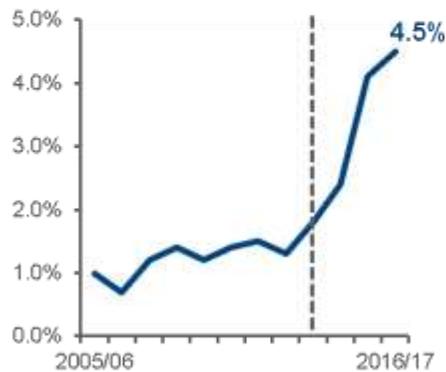
# Housing Benefit (HB) overpayments are the highest recorded whilst underpayments fall

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

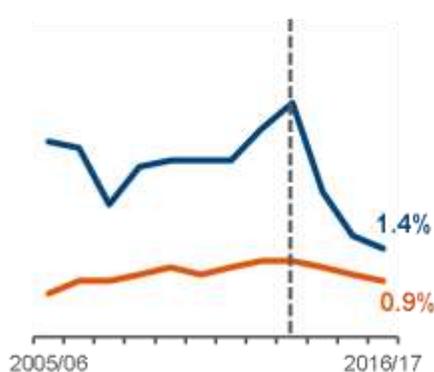
## HB overpayments and underpayments as a percentage of expenditure



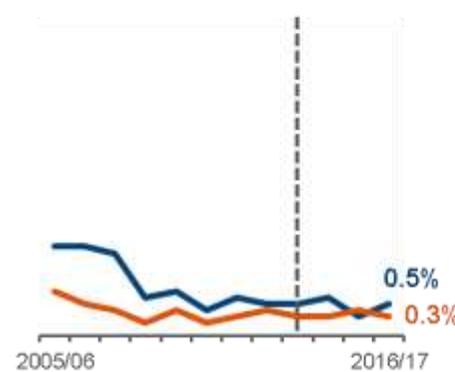
Fraud overpayments



Claimant Error overpayments and underpayments



Official Error overpayments and underpayments



The rate of overpayments on Housing Benefit increased between 2015/16 and 2016/17, from 6.0% to 6.4%, the highest recorded rate. Expenditure decreased from £24.2bn to £23.4bn. The monetary value of overpayments increased from £1,460m to £1,510m.

The rate of fraudulent overpayments increased from 4.1% to 4.5%, the highest recorded rate, whilst the rate of claimant error overpayments decreased from 1.6% to 1.4%, the lowest recorded rate. The rate of official error overpayments increased from 0.3% to 0.5%.

The increase in the overpayment rate is largely due to an increase\* in failure to declare capital, which accounts for £190m of total overpayments, an increase of £103m since last year. This was mainly due to pension age claimants who accounted for £100m of the increase.

Failure to declare changes to earnings and employment continues to be the main cause of overpayments, accounting for £627m of total overpayments, a decrease of £31m since last year. Loss of claimant contact is another large contributor to overpayments, up by £40m to £240m; working age claimants account for £37m of this increase.

Overpayments where it is confirmed that a claimant is no longer resident at their address have fallen to £57m, a decrease\* of £60m.

The rate of underpayments on Housing Benefit in 2016/17 has decreased by 0.1%, to 1.3%. This amounts to a fall in monetary value from £340m to £300m.

The rate of claimant error underpayments fell from 1.0% to 0.9% and the rate of official error underpayments fell from 0.4% to 0.3%.

Failure to declare changes to earnings and employment continues to be the main cause of underpayments – similarly to overpayments – accounting for £133m of total underpayments, though this has decreased\* by £41m since 2015/16.

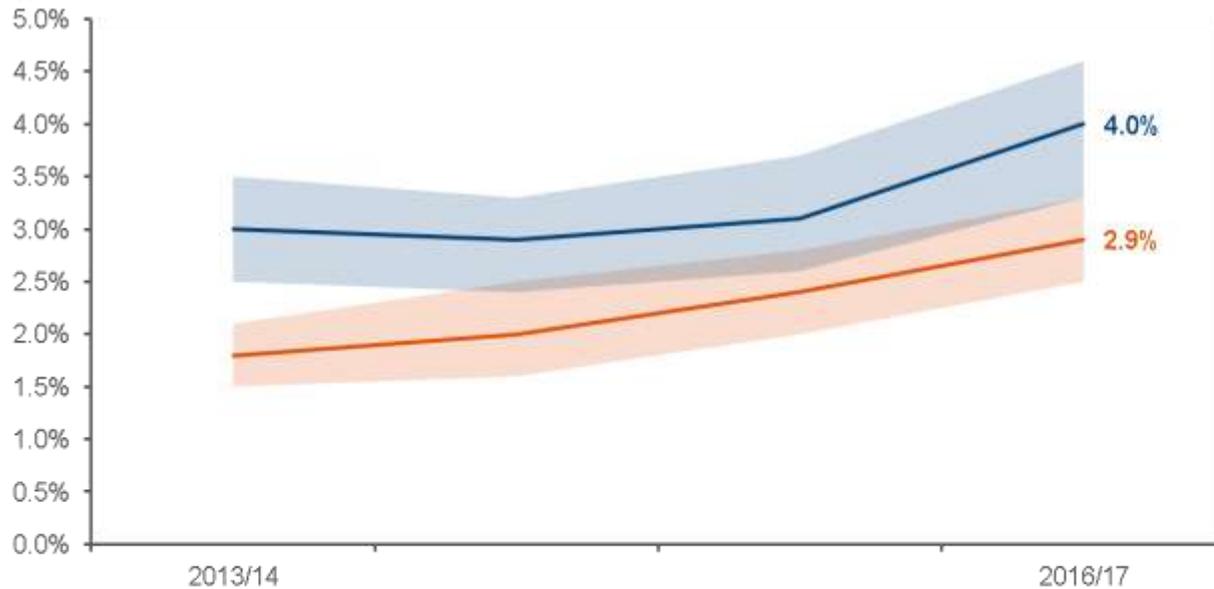
Fraud and Error in the Benefit System: 2016/17, Tables 2 and 8

\*These changes are statistically significant

# Employment and Support Allowance (ESA) **overpayments** and **underpayments** are at the highest recorded rate

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.

ESA **overpayments** and **underpayments** as a percentage of expenditure



The rate of overpayments on Employment and Support Allowance increased\* between 2015/16 and 2016/17, from 3.1% to 4.0%, the highest recorded rate.

Expenditure on Employment and Support Allowance increased from £14.5bn to £15.0bn. The monetary value of overpayments also increased, from £450m to £590m.

The rate of fraud overpayments increased to 2.0%. The rate of claimant error overpayments increased to 0.8%. The rate of official error overpayments increased\* significantly from 0.7% to 1.2%.

The increase in overpayments is mainly due to an increase in not declaring changes to earnings or employment, increasing in monetary value by £45m to a total of £115m, becoming the highest cause of error in ESA overpayments. The second largest rise was an increase\* in not declaring income from occupational or personal pensions, increasing by £35m to a total of £62m. Loss of claimant contact has fallen from the top cause of overpayments to the second highest, with a monetary value of £80m.

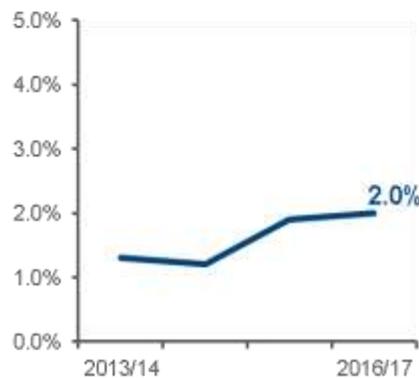
The rate of underpayments on Employment and Support Allowance increased between 2015/16 and 2016/17, from 2.4% to 2.9%, the highest recorded rate.

This amounts to an increase in monetary value from £350m to £440m.

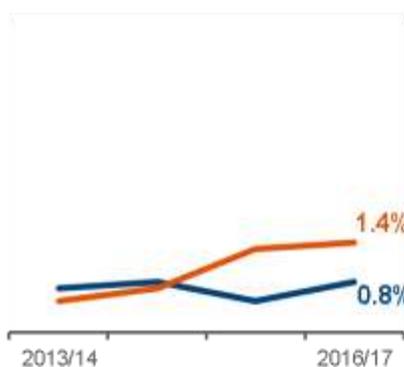
The rate of claimant error underpayments increased to 1.4% and official error underpayments increased to 1.5%.

The highest cause of underpayments due to claimant error is income from other benefits at £147m. Premiums remained the highest cause of official error underpayments increasing by £42m, up to a total of £128m.

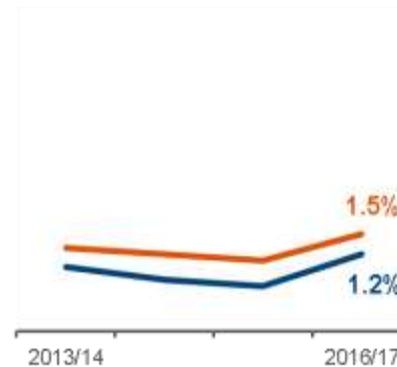
Fraud overpayments



Claimant Error overpayments and underpayments



Official Error overpayments and underpayments



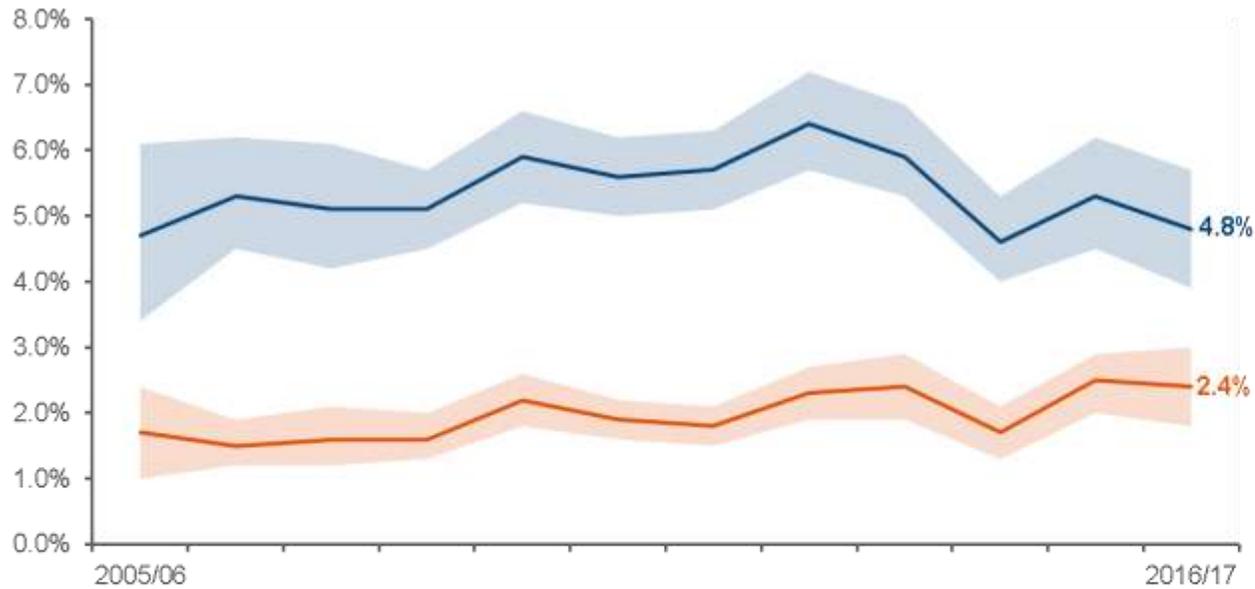
Fraud and Error in the Benefit System: 2016/17, Tables 2 and 8

\*These changes are statistically significant

# Pension Credit (PC) overpayments and underpayments have decreased

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.

**PC overpayments and underpayments as a percentage of expenditure**



**The rate of overpayments on Pension Credit decreased between 2015/16 and 2016/17, from 5.3% to 4.8%.** Expenditure on Pension Credit decreased from £6.2bn to £5.8bn and the monetary value of overpayments decreased from £330m to £280m.

The rate of fraud overpayments decreased, from 2.6% to 2.1%. The rate of claimant error overpayments decreased from 1.4% to 1.3%, the lowest recorded rate. Official error overpayments remained at 1.3%, the lowest recorded rate.

The main reason for a lower rate is that the monetary value of errors due to household composition has decreased\* from £40m down to £13m. The second largest decrease is in errors related to claimants not declaring changes to their earnings or employment, decreasing\* from £30m down to £8m. Fraud due to claimants remaining abroad too long remains the top cause of Pension Credit overpayments but decreased from £70m to £51m.

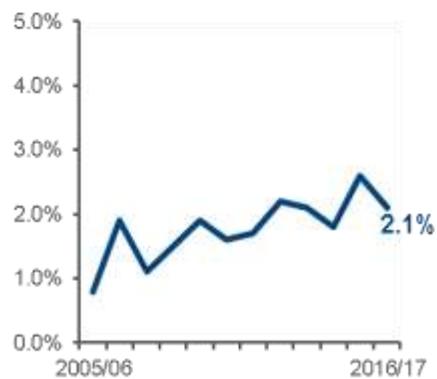
**The rate of underpayments on Pension Credit decreased from 2.5% in 2015/16 to 2.4% in 2016/17.**

This amounts to a decrease in monetary value from £150m to £140m.

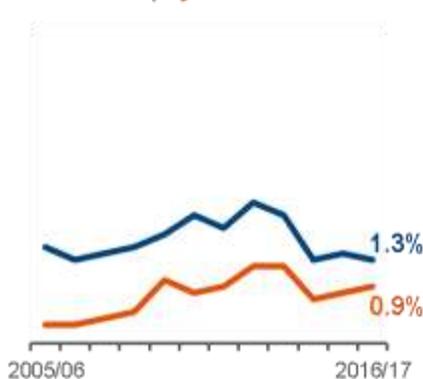
The rate of claimant error underpayments increased from 0.8% to 0.9% whilst official error decreased from 1.7% to 1.5%.

Underpayments associated with premiums continue to be the main cause of official error with a monetary value of £57m. However, they are also the main reason for the decrease in underpayment rate, decreasing from £67m in 2015/16. The second largest decrease is in underpayments related to income from an occupational or personal pension, decreasing from £16m to £10m.

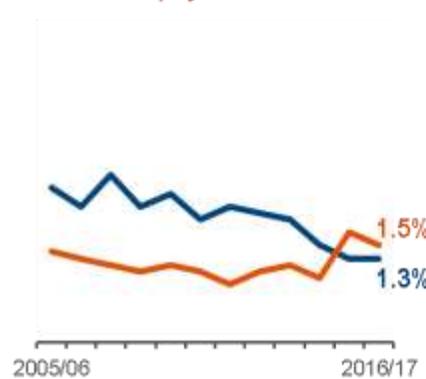
**Fraud overpayments**



**Claimant Error overpayments and underpayments**



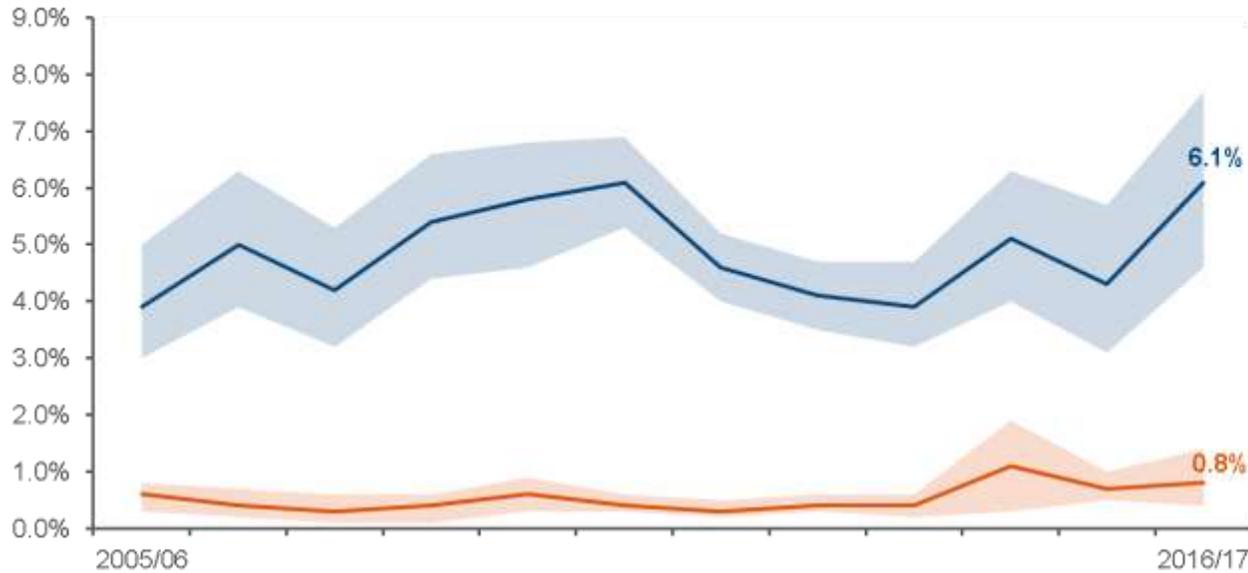
**Official Error overpayments and underpayments**



# Jobseeker's Allowance (JSA) overpayments and underpayments have increased

Jobseeker's Allowance is paid to people under state pension age who are available for and actively seeking work. The composition of the JSA sample has changed within this publication so that we no longer have a separate sample for newer cases. We have changed the grossing for JSA which now grosses on a national level rather than local. Further information can be found within the Background and Methodology document.

**JSA overpayments and underpayments as a percentage of expenditure**



**The rate of overpayments on Jobseeker's Allowance increased between 2015/16 and 2016/17, from 4.3% to 6.1%.** Expenditure has decreased from £2.3bn to £1.9bn, reflected in a small increase in the monetary value of overpayments, from £100m to £120m.

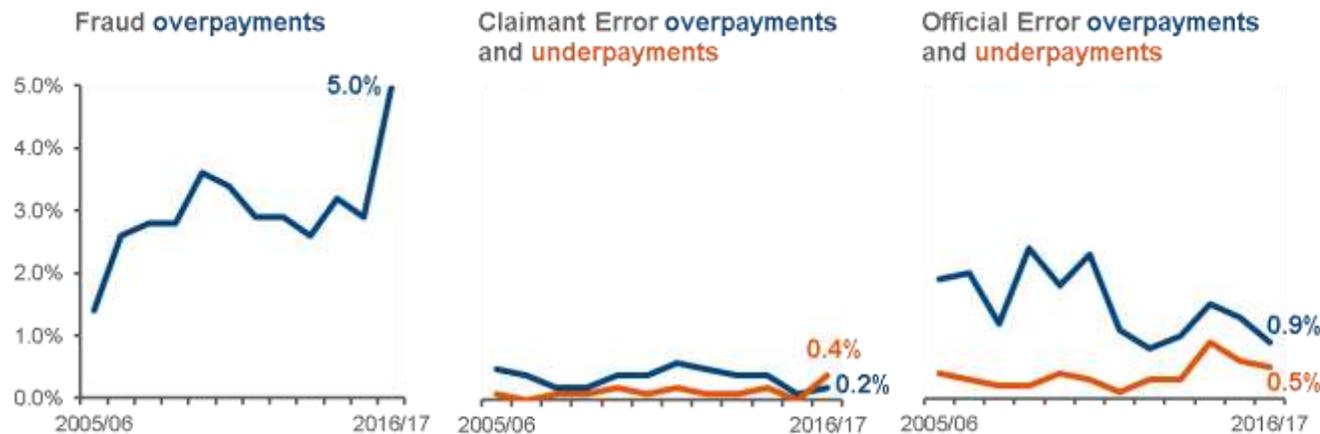
The rate of fraud overpayments has increased\* significantly from 2.9% in 2015/16 to 5.0% in 2016/17, the highest recorded rate. Claimant error overpayments have also increased from 0.1% in 2015/16 to 0.2% in 2016/17. Official error overpayments have decreased from 1.3% in 2015/16 to 0.9% in 2016/17.

The largest increase\* is where claimants fail to declare changes to their earnings or employment, with the monetary value rising from £29m to £56m. This continues to be the top cause of JSA overpayments, with £50m of the total value being attributed to fraud.

**The rate of underpayments on Jobseeker's Allowance increased from 0.7% in 2015/16 to 0.8% in 2016/17.** The monetary value remained at £20m, reflecting the decrease in expenditure.

The rate of claimant error underpayments increased\* significantly from 0.0% to 0.4%. Official error underpayments decreased from 0.6% to 0.5%.

The largest increase in JSA underpaid was due to income from other benefits, which rose to a monetary value of £4m. This is now one of the highest causes of underpayments, on a par with failure to declare changes to earnings or employment, which has decreased from £9m to £4m since 2015/16.



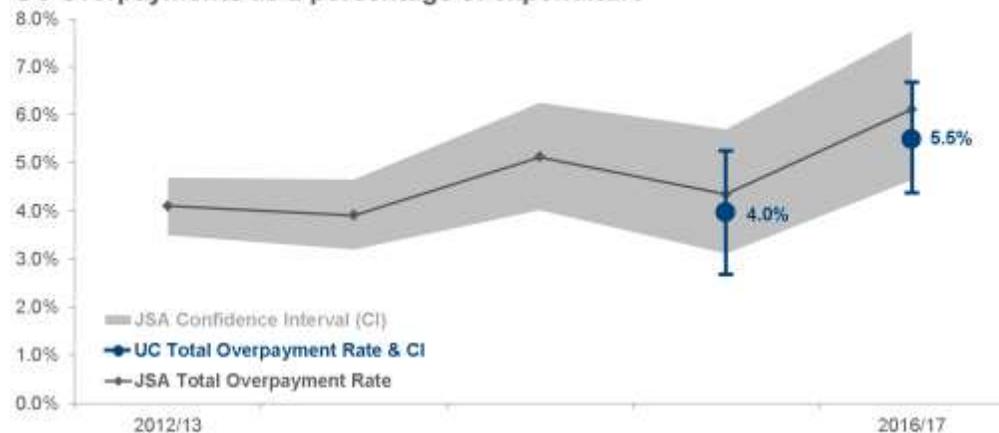
Fraud and Error in the Benefit System: 2016/17, Tables 2 and 8

\*These changes are statistically significant

# Universal Credit (UC) overpayments have increased mainly due to a rise in official error

Universal Credit is a new benefit that reduces poverty by making work pay. It encourages claimants to take personal responsibility to actively seek work, increase earnings and take ownership of their benefit account and the information they supply, while continuing to provide support for those who need it most.

## UC overpayments as a percentage of expenditure



**Overpayments on Universal Credit for 2016/17 are estimated to be 5.5% of expenditure or £90m.** This is higher than the 2015/16 estimate of 4.0%, but is lower than Jobseekers Allowance (6.1%).

The rate of fraud overpayments on UC is 3.2% (£50m), an increase from 2.7% in 2015/16. This is lower than the level of fraud overpayments on JSA which are estimated to be 5.0%.

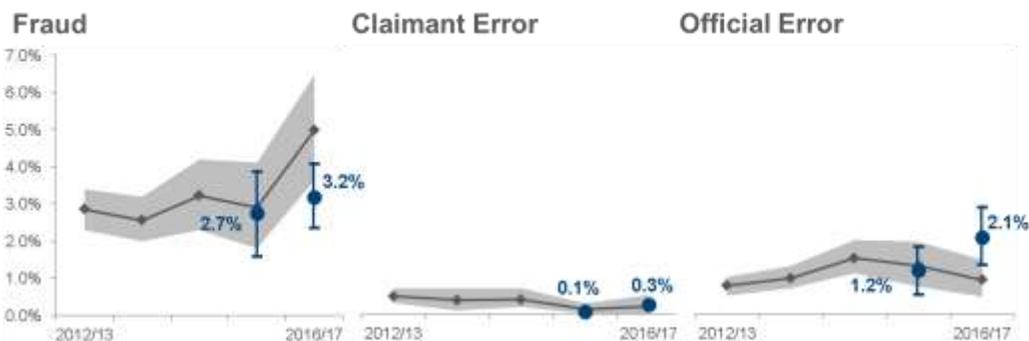
The largest cause of fraud on UC is earnings and employment (1.1%); these errors arise when claimants have failed to declare or verify self-employed or self-reported earnings. This increase in fraud has been partially offset by a decrease in fraud due to unreported living together which has reduced from 1.4% to 0.5% between 2015/16 and 2016/17.

UC official errors are estimated to be 2.1% of expenditure (£30m), an increase of 0.9% from 2015/16. This is higher than JSA official error rate of 0.9%.

The largest causes of official error overpayments are housing costs at 0.6% a significant\* increase from 0.3% and Other at 0.4% (up from 0.1%). The Other category includes official errors arising from the application or omission of sanctions, waiting days or the benefit cap.

It is estimated that 40% of the UC caseload have a housing cost element, making these cases more complex to administer. This may partly help to explain why official error is higher within UC than JSA. For the latter, any housing cost errors made by officials would be included within the estimates for Housing Benefit.

Claimant error is estimated to be 0.3%, which is an increase from the 0.1% level in 2015/16. This is the result of increased claimant errors relating to housing costs, capital and earnings and employment.



Fraud and Error in the Benefit System: 2016/17, Table 2

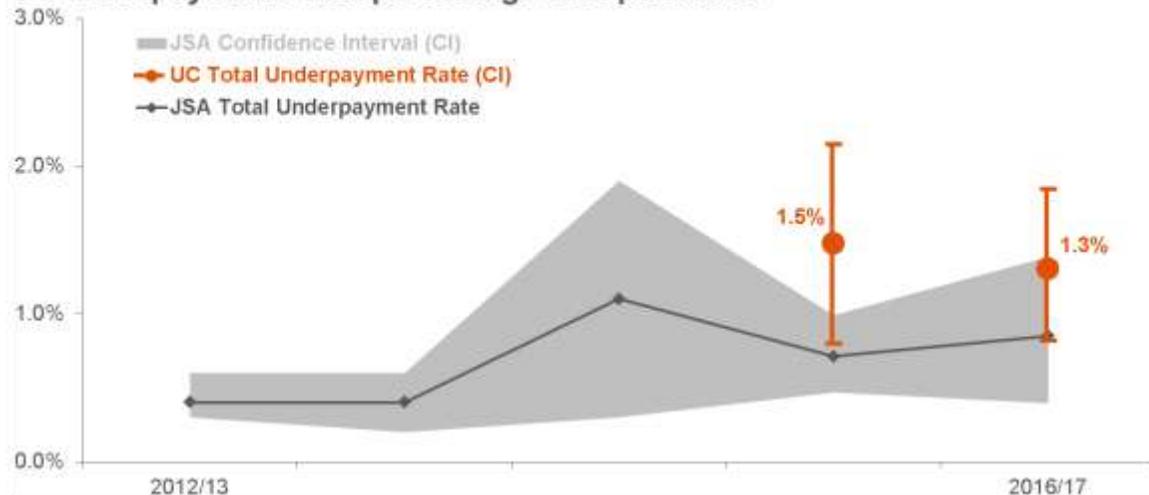
\*These changes are statistically significant

## Notes

1. Expenditure on UC has increased from £490m (in 2015/16) to £1,600m (in 2016/17); consequently the monetary values of fraud and error have not been directly compared year on year within the text.
2. As Universal Credit (UC) continues to rollout, the size and complexity of the caseload is increasing, resulting in the comparison to JSA becoming less meaningful over time. It is intended that UC will not be directly compared to JSA within future publications.
3. Estimates are based on live service cases which is the intermediary system in place to administer UC until the full online service is fully rolled out. Monetary amounts are based on an assumption that full service fraud and error rates will be similar to those being found in live service.

# Universal Credit **underpayments** have decreased due to a reduction in official error

UC underpayments as a percentage of expenditure

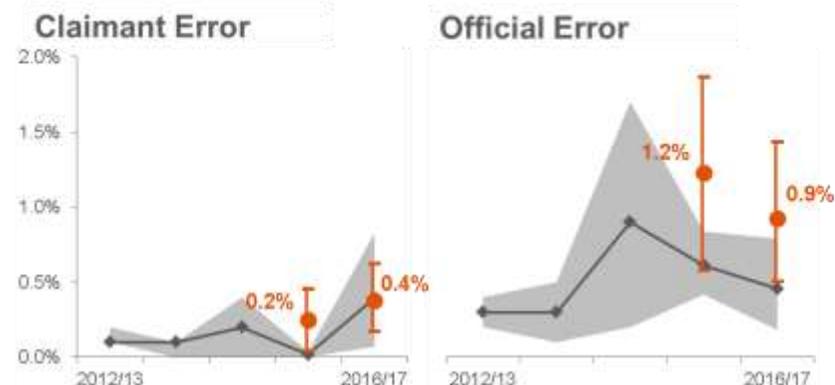


**Underpayments on Universal Credit for 2016/17 are estimated to be 1.3% of expenditure or £20m.** This is lower than the 2015/16 estimate of 1.5%. Jobseekers Allowance (JSA) underpayments are lower at 0.8% in 2016/17.

Two thirds of underpayments on UC are due to official errors, with a monetary value of £10m. The rate of official error underpayments is 0.9%, a decrease from 1.2% in 2015/16. Official error within JSA is lower at 0.5%.

The rate of claimant error underpayments on UC is 0.4%, (£10m). This rate has increased from 0.2% in 2015/16 and is now at a similar level to JSA.

Underpayments on UC are largely caused by errors relating to housing costs at 0.6% with a total monetary value underpaid of £9m. These errors relate to both official error (0.4%) and claimant error (0.2%). This is a reduction since 2015/16 when housing cost errors were 0.9%. This fall is attributed to a reduction in the level of housing cost element being paid within UC. Previously, rent increases have led to more underpayments; conversely, the rent decrease for social housing in 2016/17 may be partly responsible for the increase in the level of housing cost overpayments.



Fraud and Error in the Benefit System: 2016/17, Table 8

## Notes

1. Expenditure on UC has increased from £490m (in 2015/16) to £1,600m (in 2016/17); consequently the monetary values of fraud and error have not been directly compared year on year within the text.
2. As Universal Credit (UC) continues to rollout, the size and complexity of the caseload is increasing, resulting in the comparison to JSA becoming less meaningful over time. It is intended that UC will not be directly compared to JSA within future publications.
3. Estimates are based on live service cases which is the intermediary system in place to administer UC until the full online service is fully rolled out. Monetary amounts are based on an assumption that full service fraud and error rates will be similar to those being found in live service.

# These are the first fraud and error estimates on Personal Independence Payment

Personal Independence Payment (PIP) helps with some of the extra costs caused by long-term disability, ill-health or terminal ill-health. From April 2013 PIP started to replace Disability Living Allowance (DLA) for people of working age. Due to different assumptions used and the length of time since DLA was measured, **the PIP estimates are not directly comparable with DLA. See Appendix 5 for further details.**

PIP overpayments as a percentage of expenditure



**The total rate of overpayments on Personal Independence Payment for 2016/17 is estimated to be 3.1%, which represents £160m overpaid on total expenditure of £5.2bn.**

Within overpayments, fraud is the highest category at 1.4% (£70m). Claimant errors account for 1.2% (£60m) and official errors are 0.6% (£30m).

The main cause of PIP overpayments is changes to the claimant's medical needs, accounting for 2.2% (£113m) overpaid. This type of error is recorded when the claimant's daily living and/or mobility needs have improved but the claimant did not inform the department, either fraudulently (1.0% or £53m); or by mistake, leading to claimant error (1.2% or £60m).

Award determination errors are the second highest cause, estimated at 0.5% (£25m). These are due to errors made by the department in determining the PIP award and include failing to consider the qualifying period. These errors account for 80% of the overall official error overpayments.

PIP underpayments as a percentage of expenditure



**The total rate of underpayments on Personal Independence Payment for 2016/17 is estimated to be 3.6%, which represents £190m underpaid.**

All 3.1% (£161m) of the claimant error underpayments are due to claimants failing to report deterioration in their Medical Needs. Official errors resulting in underpayments are estimated to be 0.5% (£27m), consisting entirely of errors made in the award determination of benefit by the department.

## Notes

1. These PIP statistics are based on cases reviewed during the period from February 2016 to January 2017.
2. A proportion of claimant error arising from a gradual change in medical needs have been excluded from the headline overpayment estimates.
3. Appendix 5 provides more detailed explanations and background information to assist users to interpret the statistics.

# Appendix 1: Overpayment rates and monetary values by benefit

	Expenditure	Total		Fraud		Claimant Error		Official Error		Last measured
		Rate	Value	Rate	Value	Rate	Value	Rate	Value	
<b>Continuously reviewed</b>										
Housing Benefit	£23.4bn	6.4%	£1,510m	4.5%	£1,060m	1.4%	£330m	0.5%	£110m	Apr 16 - Mar 17
Pension Credit	£5.8bn	4.8%	£280m	2.1%	£120m	1.3%	£80m	1.3%	£80m	Apr 16 - Mar 17
Employment and Support Allowance	£15.0bn	4.0%	£590m	2.0%	£300m	0.8%	£120m	1.2%	£170m	Apr 16 - Mar 17
Jobseeker's Allowance	£1.9bn	6.1%	£120m	5.0%	£100m	0.2%	£0m	0.9%	£20m	Apr 16 - Mar 17
Universal Credit <sup>1</sup>	£1.6bn	5.5%	£90m	3.2%	£50m	0.3%	£0m	2.1%	£30m	Apr 16 - Mar 17
Personal Independence Payment <sup>3</sup>	£5.2bn	3.1%	£160m	1.4%	£70m	1.2%	£60m	0.6%	£30m	Feb 16 - Jan 17
<b>Occasionally reviewed</b>										
Income Support	£2.4bn	3.9%	£90m	2.4%	£60m	1.0%	£30m	0.4%	£10m	Oct 13 - Sep 14
Incapacity Benefit <sup>2</sup>	£0.0bn	2.4%	£0m	0.3%	£0m	0.9%	£0m	1.2%	£0m	Oct 09 - Sep 10
Disability Living Allowance <sup>3</sup>	£11.6bn	1.9%	£220m	0.5%	£60m	0.6%	£70m	0.8%	£90m	Apr 04 - Mar 05
State Pension <sup>4</sup>	£91.6bn	0.1%	£90m	0.0%	£0m	0.1%	£80m	0.0%	£10m	Apr 05 - Mar 06
Carer's Allowance	£2.7bn	5.5%	£150m	3.9%	£100m	1.0%	£30m	0.6%	£20m	Apr 96 - Mar 97
Interdependencies			£40m		£10m		£10m		£20m	
<b>Unreviewed</b>	£12.8bn	1.8%	£230m	0.8%	£100m	0.5%	£60m	0.5%	£70m	
<b>Total</b> <sup>5</sup>	<b>£174.0bn</b>	<b>2.0%</b>	<b>£3.6bn</b>	<b>1.2%</b>	<b>£2.0bn</b>	<b>0.5%</b>	<b>£0.9bn</b>	<b>0.4%</b>	<b>£0.7bn</b>	
Range <sup>6</sup>		(1.8,2.5)	(3.1,4.3)	(0.9,1.6)	(1.6,2.8)	(0.4,0.7)	(0.7,1.2)	(0.3,0.5)	(0.5,1.0)	

## Notes:

1. The sample for Universal Credit is split into Reviewed and Cannot Review cases. The latter cases are included in the final statistics but calculated using assumptions as opposed to measured data.
2. Monetary values associated with Incapacity Benefit are displaying zeros due to rounding.
3. The **2004/05 Disability Living Allowance (DLA) National Benefit Review** and **Personal Independence Payment (PIP) Continuous Review** (started in October 2015) both identified cases where the change in claimants' needs had been so gradual that it would be unreasonable to expect them to know if and when their entitlement to benefit may have changed. The legislation between DLA and PIP differs, but both treat such cases as being correct up to the point of reassessment. Accordingly, a proportion of cases have been excluded from the headline overpayment estimates for DLA and PIP. **DLA excluded cases** are defined as those that do not have a recoverable overpayment. In 2005/06, the difference between what the claimant received before and after the review was estimated to be £0.6 billion (+/- £0.2 billion). Based on 2016/17 expenditure this figure is now estimated to be £0.8 billion (+/- £0.2 billion). **PIP excluded cases** are defined as those resulting in a decrease in benefit, due to a change where the claimant could not reasonably have been expected to know they should have reported it. The difference between what the claimant received before and after the review is estimated to be £150 million (+/- £40 million) for 2016/17. These excluded cases do not form part of the headline total overpayments for DLA and PIP above.
4. Official error estimates for State Pension (SP) are derived from a continuous review exercise which covered the period April 2016 to March 2017. SP fraud and customer error estimates have been produced based on a National Benefit Review exercise carried out in 2005/06, applied to the latest 2016/17 expenditure.
5. Rows and columns may not sum to totals due to rounding.
6. Approximate 95% confidence intervals are given for the totals in the row above. 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 monetary values by benefit

	Expenditure	Total		Fraud		Claimant Error		Official Error		Last measured
		Rate	Value	Rate	Value	Rate	Value	Rate	Value	
<b>Continuously reviewed</b>										
Housing Benefit	£23.4bn	1.3%	£300m	0.0%	£0m	0.9%	£220m	0.3%	£80m	Apr 16 - Mar 17
Pension Credit	£5.8bn	2.4%	£140m	0.0%	£0m	0.9%	£50m	1.5%	£80m	Apr 16 - Mar 17
Employment and Support Allowance	£15.0bn	2.9%	£440m	0.0%	£0m	1.4%	£220m	1.5%	£220m	Apr 16 - Mar 17
Jobseeker's Allowance	£1.9bn	0.8%	£20m	0.0%	£0m	0.4%	£10m	0.5%	£10m	Apr 16 - Mar 17
Universal Credit <sup>1</sup>	£1.6bn	1.3%	£20m	0.0%	£0m	0.4%	£10m	0.9%	£10m	Apr 16 - Mar 17
Personal Independence Payment <sup>3</sup>	£5.2bn	3.6%	£190m	0.0%	£0m	3.1%	£160m	0.5%	£30m	Feb 16 - Jan 17
<b>Occasionally reviewed</b>										
Income Support	£2.4bn	0.8%	£20m	0.1%	£0m	0.4%	£10m	0.3%	£10m	Oct 13 - Sep 14
Incapacity Benefit <sup>2</sup>	£0.0bn	0.7%	£0m	0.0%	£0m	0.0%	£0m	0.7%	£0m	Oct 09 - Sep 10
Disability Living Allowance <sup>3</sup>	£11.6bn	2.5%	£290m	0.0%	£0m	2.4%	£280m	0.1%	£10m	Apr 04 - Mar 05
State Pension <sup>4</sup>	£91.6bn	0.0%	£40m	0.0%	£0m	0.0%	£0m	0.0%	£40m	Apr 05 - Mar 06
Carer's Allowance	£2.7bn	0.1%	£0m	0.0%	£0m	0.1%	£0m	0.0%	£0m	Apr 96 - Mar 97
<b>Unreviewed</b>	£12.8bn	1.6%	£210m	0.0%	£0m	1.4%	£180m	0.2%	£30m	
<b>Total<sup>5</sup></b>	<b>£174.0bn</b>	<b>1.0%</b>	<b>£1.7bn</b>	<b>0.0%</b>	<b>£0.0bn</b>	<b>0.7%</b>	<b>£1.1bn</b>	<b>0.3%</b>	<b>£0.5bn</b>	
<b>Range<sup>6</sup></b>		(0.8,1.2)	(1.3,2.1)	(0.0,0.0)	(0.0,0.0)	(0.5,0.9)	(0.8,1.6)	(0.3,0.4)	(0.5,0.6)	

### Notes:

1. The sample for Universal Credit is split into Reviewed and Cannot Review cases. The latter cases are included in the final statistics but calculated using assumptions as opposed to measured data.
2. Monetary values associated with Incapacity Benefit are displaying zeros due to rounding
3. No adjustments to the headline underpayment rate or claimant error for DLA and PIP have been made to account for gradual changes to claimants' needs.
4. Official error estimates for State Pension (SP) are derived from a continuous review exercise which covered the period April 2016 to March 2017. SP fraud and customer error estimates<sup>3</sup> have been produced based on a National Benefit Review exercise carried out in 2005/06, applied to the latest 2016/17 expenditure.
5. Rows and columns may not sum to totals due to rounding.
6. Approximate 95% confidence intervals are given for the totals in the row above. These allow for non-sample error in occasionally reviewed benefits and the additional uncertainty that comes from the use of older measurement periods.

## Appendix 3: Assumptions for Cannot Review cases in Universal Credit

Since measurement of UC started in October 2014 a proportion of the sample **has not had an effective review; 6% in 2016/17**. An example of this is where the claimant receives notification of the review and does not engage in the review process or they contact the service centre and request to withdraw their claim. In many cases this was due to the claimant moving into employment and ceasing to co-operate with the review process. In 2015/16 we introduced 'mitigating circumstances' for this group so that they would not be counted as being wholly fraudulent. However, for a remaining group (around 4% in 2016/17) there was no evidence of moving into work and the claimant refused to engage.

Further investigation resulted in the methodology being revisited and as a result the sample is now split into '**Reviewed**' and '**Cannot Review**' cases. The Reviewed sample results are based on the completed measurement data in the same way as for other benefits. The fraud and error associated with the Cannot Review sample cases is based on a number of assumptions detailed below.

### Assumptions

#### Cannot Review Sample with Mitigating Circumstances - Overpayments

Cases with mitigating circumstances are where information is available on DWP systems to indicate why the person may not have engaged. In most cases, this is where the person has moved into paid work following the Assessment Period under review. Given that a full review was never completed, it is assumed that these cases will have a similar level of fraud and error as Reviewed cases.

#### Cannot Review Sample without Mitigating Circumstances - Overpayments

Further investigations highlighted that 20% of these cases had some evidence to suggest potential fraud but without a thorough fraud investigation this cannot be verified. The remaining 80% were inconclusive as there was no evidence to indicate any fraud or fraudulent intent. However, this doesn't mean there is definitely no fraud; it merely means that there is little or only inconclusive information available to the department to account for the loss of contact. It has therefore been assumed that 20% of these cases are fraud. In addition, it is assumed that these cases will have a similar level of Claimant Error and Official Error as the Reviewed cases.

#### Cannot Review Sample - Underpayments

Given that a full review was never completed, it is assumed that these cases will have a similar level of official and claimant error to Reviewed cases.

Assumption Breakdown for 2016/17	% Sample	Fraud	Claimant Error	Official Error	Total	MVFE
<b>Overpayments</b>	<b>100%</b>	<b>3.2%</b>	<b>0.3%</b>	<b>2.1%</b>	<b>5.5%</b>	<b>£90m</b>
Reviewed	94%	2.6%	0.3%	2.1%	4.9%	£70m
Cannot Review with Mitigating Circs	2%	2.6%	0.3%	2.1%	4.9%	£0m
Cannot Review <u>without</u> Mitigating Circs	4%	20.0%	0.3%	2.1%	22.3%	£10m
<b>Underpayments</b>	<b>100%</b>	-	<b>0.4%</b>	<b>0.9%</b>	<b>1.3%</b>	<b>£20m</b>
Reviewed	94%	-	0.4%	0.9%	1.3%	£20m
Cannot Review with Mitigating Circs	2%	-	0.4%	0.9%	1.3%	£0m
Cannot Review <u>without</u> Mitigating Circs	4%	-	0.4%	0.9%	1.3%	£0m

## Appendix 4: About Universal Credit

**Measurement of fraud and error in Universal Credit (UC) started in October 2014. As rollout of Universal Credit continues, the caseload has increased from 17,000 in October 2014 to 487,000 in March 2017. Expenditure has increased from £490m in 2015/16 to £1.6bn in 2016/17.**

Universal Credit will eventually replace the following benefits with a single monthly UC payment:

- Income-based Jobseeker's Allowance (JSA)
- Income-related Employment and Support Allowance (ESA)
- Income Support, Working Tax Credit (IS, WTC)
- Child Tax Credit (CTC)
- Housing Benefit (HB)

The main differences between Universal Credit and the current welfare system are:

- Universal Credit is available to people who are in work and on a low income, as well as to those who are out-of-work
- Most people will apply online and manage their claim through an online account
- Universal Credit will be responsive – as people on low incomes move in and out of work, they'll get on-going support
- Most claimants on low incomes will still be paid Universal Credit when they first start a new job or increase their part-time hours
- Claimants will receive a single monthly household payment, paid into a bank account in the same way as a monthly salary
- Support with housing costs will usually go directly to the claimant as part of their monthly payment
- Whether an individual can claim UC depends on where they live and their personal circumstances, but once a person starts to claim UC, they normally remain on UC unless they receive no benefit for 6 months or choose to terminate their claim.

### Universal Credit Rollout

- UC was initially introduced between April and July 2013 in four Pathfinder sites in the North West. Progressive roll out of UC began in October 2013 and by spring 2014 ten offices were delivering UC.
- For new claims there was a set of conditions so that only certain types of new claims were eligible for UC in those geographical areas where UC had been introduced.
- In Pathfinder areas, these conditions meant that new claims had to be single, not home-owners, without any children and unemployed (i.e. would otherwise have been making a new claim to Jobseeker's Allowance (JSA)).
- From July 2014 the conditions expanded to include couples, and at the same time the rollout for single claimants was extended.
- From summer 2014 UC started to roll out across the North West of England and eligibility was extended further to include families with children from November 2014.
- National expansion (for single unemployed claims only) began in February 2015 and was completed in April 2016.
- The Full Universal Credit service<sup>1</sup> is delivered nationally for all types of claimants from May 2016, with an expected completion date of December 2018.
- Live service will close to all new claims from December 2017, and existing Live Service claims will be transferred to the Full Service.
- After the transition from Live Service to Full Service has completed in December 2018, migration of all remaining legacy benefit claimants to Universal Credit will commence to complete by March 2022.

<sup>1</sup> UC Live Service is the system that was used to administer the majority of UC claims in 2016/17, which were largely single unemployed jobseekers. A new system is now being rolled out, referred to as Full Service, which will be open to all UC claimant types and will result in the 6 legacy benefits closing to new claims. Current UC fraud and error estimates are presently based on Live Service cases but we aim to include Full Service as roll out continues.

# Appendix 5: About Personal Independence Payment

From April 2013 DWP started to replace Disability Living Allowance (DLA) for working age people with PIP.

## PIP Rollout

- On 8<sup>th</sup> April 2013, PIP was introduced as a controlled start, for new claims from people living in a limited area in the North West and part of the North East of England.
- On 10<sup>th</sup> June 2013, PIP was introduced for new claims for the remaining parts of Great Britain.
- From 28<sup>th</sup> October 2013, using a structured roll out to postcode areas, DWP has been inviting DLA working age recipients to claim PIP if:
  - DWP received information about a change in care or mobility needs which meant their claim had to be renewed;
  - the claimant's fixed term award was due to expire;
  - children turned 16 years old (unless they have been awarded DLA under the special rules for terminally ill people);
  - or the claimant chose to claim PIP instead of DLA.
- From October 2015, the remaining DLA working age recipients have started to be invited to claim PIP.

## PIP Fraud and Error Measurement

Measurement of fraud and error in Personal Independence Payment started in October 2015. Rollout of PIP is still ongoing with the caseload increasing from 0.6m at the start of measurement to 1.3m by the end of 2016/17. Expenditure has increased from £3.0bn in 2015/16 to £5.2bn in 2016/17.

The PIP statistics are **based on cases reviewed during the period from February 2016 to January 2017** and so do not align completely with the 2016/17 financial year. This is because there is an inherent additional time lag in reviewing PIP cases due to a number of cases needing to be passed to an assessment provider for a medical assessment.

Approximately 2% of the PIP caseload are terminally ill and so are excluded from the review process. In addition, newly assessed claimants or recently reviewed awards due to a planned review or a reported change of circumstance have not been subject to a full review. These cases have been examined for official error only.

**The PIP and DLA headline fraud and error estimates are not directly comparable for the following reasons:**

- They have different legislation and regulations;
- Consequently, DLA and PIP fraud and error reviews have taken a different approach to categorising claimant error cases within the headline figures;
- DLA was last measured in 2004/05;
- PIP claimants are predominantly working age so differ from DLA in 2004/05.

### Claimant error cases excluded from the headline overpayment statistics

In most benefits, a non-fraudulent failure to report changes of circumstances which affect benefit entitlement is claimant error. Typically such changes of circumstances involve a change in financial or personal circumstances.

For disability benefits there are some changes which the claimant should report, for example hospitalisation. However many changes are gradual improvements or deteriorations in medical needs and it is difficult for some claimants to know at what point their needs have changed sufficiently to affect their entitlement to benefit.

PIP legislation states that when a case is reassessed and their benefit is reduced the Department will only raise and seek to recover an overpayment when it is reasonable for the claimant to have known they should have reported the change. In other cases the benefit will be treated as correct up to the point of reassessment.

Accordingly, a proportion of cases have been excluded from the headline estimates if the review resulted in a decrease in benefit, due to a change where the claimant could not reasonably have been expected to know they should have reported it. The difference between what the claimant received before and after the review is estimated to be 2.9% of PIP expenditure or £150m in 2016/17.

This exclusion has not been applied to underpayment claimant errors, since these are not subject to the "reasonably expected to know" legislation and follow different rules in the regulations.

## About these statistics

All the information underlying the charts and figures featured in this document is included in accompanying Excel reference tables. Sources in this document that state a Table number refer to the reference Tables spreadsheet available on the gov.uk website:

<https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-financial-year-201617-estimates>

The tables show the rates and monetary values of overpayments and underpayments for each benefit going back to 2005/06, split by fraud, claimant error and official error. The tables also show the net loss of overpayments measure with a time series and a breakdown by benefit.

For the benefits we measure all 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, and the amount of money that is incorrectly paid.

The figures presented in this report are estimates of 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** – the 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 to which no one outside of that department has materially contributed, regardless of whether the business unit has processed the information.

Our Background and Methodology information note provides further information on 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-201617-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>

Interactive information and charts to represent the fraud and error data: <https://femavis.herokuapp.com>

### Fraud and error – rates and monetary values

For 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; and *vice versa*. For example:

The rate of underpayments on Universal Credit fell from 1.5% to 1.3% but expenditure rose from £0.49bn to £1.6bn.

1.5% of £0.49bn is £7m. 1.3% of £1.6bn is £20m.

This is why it is usually better to compare **rates of overpayments and underpayments** rather than monetary values and why statistically significant changes to monetary values are not highlighted.

## 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 DWP statistical summaries: <https://www.gov.uk/government/collections/dwp-statistical-summaries>;
- 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 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>

If you would like to receive occasional e-mails from DWP to directly inform you of documents seeking the views of users, please email [general.statistics@dwp.gsi.gov.uk](mailto:general.statistics@dwp.gsi.gov.uk) giving details of the DWP publications you use.