



HM Revenue
& Customs

Research report 515

Master Customer Journey Research

Qualitative research to understand the customer journey of small, micro and nano businesses that cannot meet their tax liabilities

February 2018

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1. Executive Summary

This study found that:

- Participants had very little experience of interacting with HMRC, particularly to resolve a debt. As such they were unclear on what they needed to do and when and wanted clear guidance on this from HMRC.
- Participants found having a debt to HMRC stressful as they were worried about the implications of not paying their tax. This influenced how they responded to the debt, including whether they dealt with it proactively or tried to avoid it. It also influenced how they responded during interactions with HMRC.
- When customers took action to resolve their liability to HMRC they wanted to be able to deal with the issue quickly and efficiently.
- Throughout the journey participants wanted to feel that HMRC had taken their personal circumstances into account. This included their business and whether it would be put at risk by any of the actions suggested by HMRC; any additional debts and their health. The extent to which participants felt that HMRC had taken their personal circumstances into account influenced how customers felt towards HMRC.

2. Introduction

2.1 Background

HMRC is developing Master Customer Journeys, focusing on customers' journeys with the Department during particular life events.

The aim is to both understand how and where HMRC can make service improvements to meet the needs of customers, and in the longer term to lead to the transformation of the customer journey.

As part of this, insight was required to understand the customer journey of small businesses who were unable to meet their tax liabilities.

2.2 Research Aims

This research explored:

- When and how customers discovered that they wouldn't be able to meet their tax liabilities in time or in full.
- Customers' needs and actions at this time, and what factors were considered when making a decision about whether and how to deal with HMRC.
- Customers experiences of interactions with HMRC.

- The pain points of the journey, what didn't work well and the impact this experience had on customers and the way they dealt with HMRC.

2.3 Method

A qualitative approach was undertaken for this study, which consisted of 15 telephone depth interviews with a purposively selected sample of customers who had been in debt to HMRC. Each interview lasted approximately 45 minutes and was carried out by a member of the Ipsos MORI research team.

Qualitative research looks to explore and understand a range of views, and the factors underpinning these. It does not provide statistical or numeric information.

2.3.1 Sample

All participants were recruited by specialist recruiters using a sample provided by HMRC. A purposive sampling approach was adopted, whereby key quotas were set and participants were recruited according to these using a screening document. The sample was designed to include:

- **Business size:** A mixture of nano (0-1 employees, excluding the participant), micro (2-9 employees) and small (10-49 employees).
- **Business type:** A mixture of incorporated and unincorporated businesses.
- **Sector:** A range including architecture, hospitality, farming and child care.
- **Type of debt and penalty received:** Businesses who had received six and twelve month late payment penalties for Self-Assessment debt only and from additional tax streams.
- **Use of formal support:** A mixture of those who had and had not used formal support, such as agents, during the debt resolution process.
- **Demographics:** A range of locations and business sectors.

2.3.2 Fieldwork

The research was designed and carried out between October and November 2017. Fieldwork was undertaken between the 23rd October and 3rd November 2017.

Before each interview, participants were reassured that their responses would remain confidential and anonymous and that no identifying information would be passed back to HMRC by Ipsos MORI.

3. Findings

3.1 Customer Context

Participants were inexperienced in contacting HMRC and were unclear about what would happen when doing so. Those who had an accountant did not interact with HMRC directly and for those without an accountant, interactions with HMRC were limited to filing their Self-Assessment.

“You call up not knowing which department you are speaking to, not knowing which department you should be speaking to” SA

However, all of the participants managed the debt resolution process themselves. Participants who were not already represented by a tax agent continued without one. In the case of those who were represented, the accountant initially managed the debt, but participants took this over as they felt handling it personally would resolve the issue more quickly.

For all participants, this was the first time they had been in debt and they had little understanding of how to manage it, or what options or support were available to them.

3.2 Customer Journey

All participants believed that paying their tax was important and started from the point of wanting to do so. From then on, the journey of managing and resolving their debt was influenced by the relationship between the complexity of the debt and the participant’s attitude towards handling it.

For the purposes of analysis for this study, participants who were only in debt to HMRC were considered to have a ‘simple’ debt, relative to those who were in debt to HMRC and other organisations and also had extenuating circumstances who were considered to have a ‘complex’ debt.

Attitudes could be proactive, whereby participants actively sought to resolve their debt quickly, or ‘head in the sand’. ‘Head in the sand’ customers tried to avoid their debt. These participants had a fear of interacting with HMRC about their debt, so they tried to avoid doing so. They felt driven to contact HMRC when their fear of the consequences of not contacting HMRC outweighed the fear of doing so. Customers in the most difficult position also felt overwhelmed by other areas of their life, which compromised their ability to resolve their debt to HMRC.

Based on this, four journey types were observed:

- Simple debt and proactive attitude

- Simple debt and 'head in the sand' attitude
- Complex debt and proactive attitude
- Complex debt and 'head in the sand' attitude

Journeys involving a simple debt and a proactive attitude were the quickest to resolve, while those involving complex debt and a 'head in the sand' attitude took the longest.

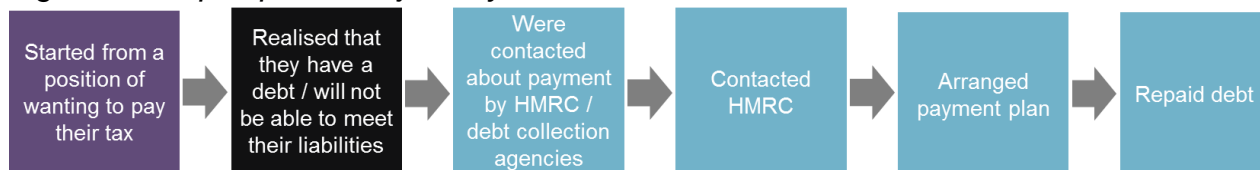
Participants with a complex debt reported a less positive experience than customers with a simple debt as they reported that it was harder to agree a payment plan.

Regardless of the complexity of their debt and their attitude towards resolving it, participants felt that HMRC assumed they were deliberately trying to avoid their taxes, rather than unable to meet them. However participants in this research recognised the importance of paying their taxes but were unable to do so at the time.

Journey Type 1: Simple debt and proactive attitude

Participants with a simple debt who took a proactive approach to resolving it had the most straightforward journey.

Figure 1: Simple, proactive journey overview



The customer journey for participants in this position was as follows:

- **Found out about the debt:** Participants received notification about the debt from HMRC. This was their first prompt to act. Participants who had stopped working or being self-employed and had not paid their SA bill were expecting this notification. However, there were also participants for whom the notification was the first time they became aware of the debt. They were unaware that they had missed filing or payment deadlines and thought that their return had been filed by their accountant.
- **Contacted HMRC:** When these participants realised that they had a debt to HMRC they wanted to resolve their issue as quickly as possible. They recognised that paying their taxes was important and did not want to be in debt to HMRC. As such, they called HMRC on the phone first as they thought this would be the quickest way to get a response. However, they felt that they had to wait a long time for the call to be answered. Customers went directly to HMRC as they did not know who else to contact.

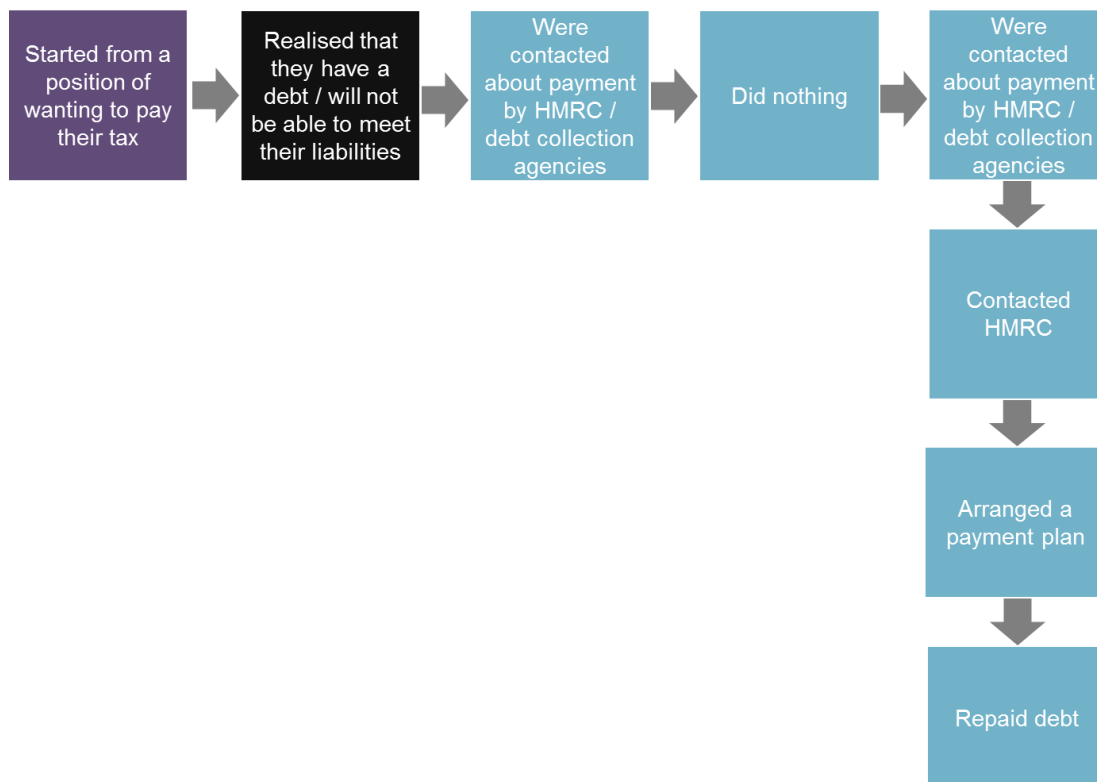
- **Agreed a payment plan and repaid the debt:** Participants in this position found that they were quickly able to agree a payment plan to pay off the debt. The payment plan was set at a level they perceived to be sustainable and they paid the debt off.

This group demonstrated low emotional engagement with the issue: the quick resolution reduced the emotional impact for these participants and meant that the experience felt transactional.

Simple debt and ‘head in the sand’ attitude

Participants took a ‘head in the sand’ approach to resolving their debt to HMRC when they were overwhelmed by the issue or nervous about contacting HMRC. When a debt to HMRC was not addressed quickly, the journey became more complex. This group included a participant who had started contracting but thought their employer would still pay their tax and a new childminder who didn’t realise she had to file an SA form even if her earnings were below the tax threshold.

Figure 2: Simple, ‘head in the sand’ journey overview



The customer journey for this group was as follows:

- **Found out about the debt:** These participants first found out how much they owed when they received a penalty notice from HMRC. Although they were aware that they had not met their tax liabilities they did not know exactly how much they owed. Participants relied on HMRC to outline their liabilities to them but felt that communications were not always clear about the total amount owed, what proportion was the tax liability and what was a penalty and which years penalties related to.

“In 2009 the business went downhill a bit and we couldn’t pay our taxes.” SA debt

- **Avoided the problem:** These participants worried about contacting HMRC as they were unfamiliar with doing so. This acted as a barrier to contacting HMRC or taking action to resolve the debt. They wanted to avoid thinking about the debt, even though they acknowledged this would ultimately make the situation worse.

“I ought to change. It’s just about being a little more organised and putting it at the top of your list...” SA debt

- **Received communication from HMRC:** When participants did not take action their debt and penalties continued to increase and they continued to receive letters from HMRC and debt collection agencies. This caused participants to feel more overwhelmed. They responded to this by avoiding dealing with the debt.

“It’s always my fault, it’s pulling it altogether and getting it to the accountant. It’s a stumbling block all the time, there are always things more pressing with work.” SA + VAT debt + CIS Tax

- **Contacted HMRC:** Participants contacted HMRC when the debt reached a level at which they became more worried about the consequences of not addressing it than of what might happen when they contacted HMRC. When these participants contacted HMRC the experience was more positive than they had expected and they were surprised at how quickly the issue could be resolved.

“I don’t know why I put off dealing with it for so long.” SA + NI debt

- **Agreed payment plan and repaid the debt.** Payment plans were agreed, usually on the first contact with HMRC. The exception to this was a participant with no digital ability who had not filed his return. He was not able to agree a payment plan on his first contact with HMRC as he first needed support to be able to file his return. HMRC recognised this and arranged for him to go to the Jobcentre to meet an advisor face to face. However, ultimately, as with proactive participants with a simple debt, payments for these participants were set at a level which they felt that they could meet. They did not default again and the debt was repaid over the time initially agreed with HMRC.

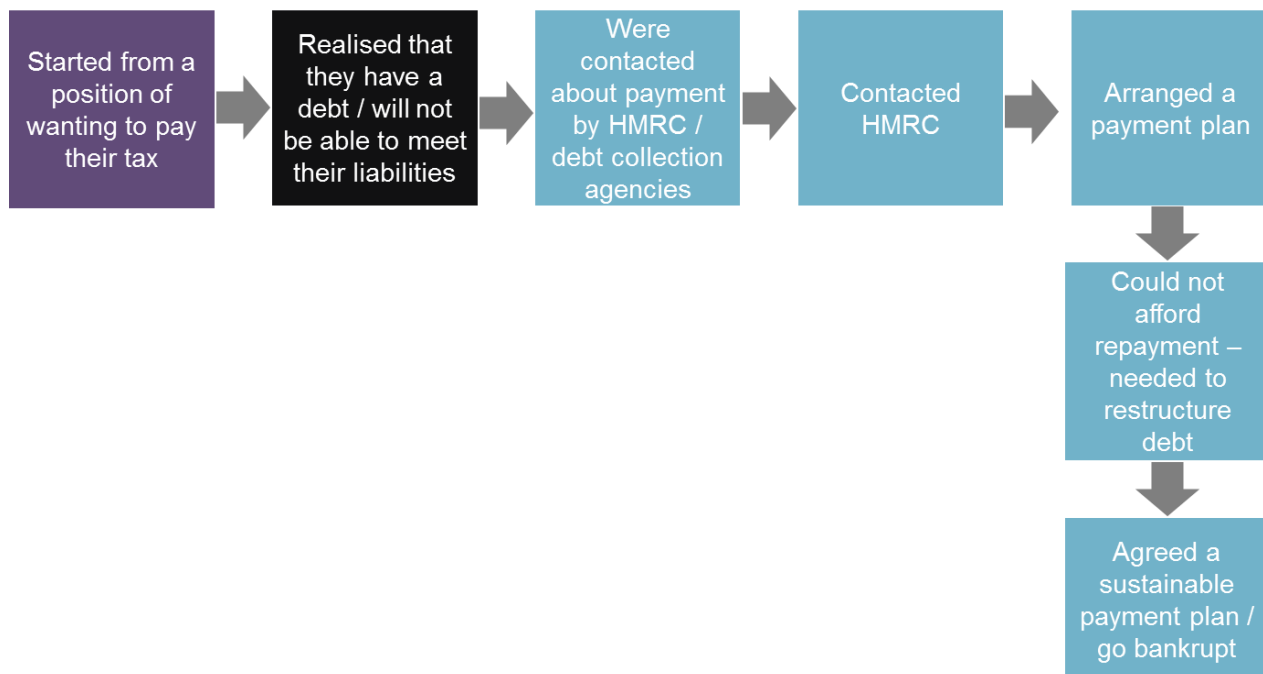
These participants experienced fear and concern about contacting HMRC and about how they would repay the debt. However, once they took action they experienced a sense of relief.

Complex debt, proactive attitude

Participants with a complex debt had debt to commercial organisations and/or across multiple tax streams which added complexity to their journey. Their debt was caused by unexpected external factors such as a downturn in business; a third party which owed them money going bankrupt; a new business being slower to launch than expected; and an accident which meant they could not work.

This group included those who had saved for their tax liability but had to use the money to meet debts which they perceived to be more urgent, and those who did not receive money they were owed by a client or third party which they had intended to use to meet their liability.

Figure 3: Complex debt, proactive attitude journey overview



These participants had the following journey:

- Found out about the debt:** The circumstances which triggered their debt meant that participants in this group knew that they would have a liability to HMRC which they would not be able to meet. They were first prompted to take action after official notification from HMRC: They were dealing with multiple other debts which felt higher priority and did not see any benefit to contacting HMRC proactively.

Contacted HMRC: As with other groups, these participants initially contacted HMRC by telephone. This was seen as being the quickest and most effective way to resolve the issue. These participants felt highly stressed and emotional as their business and livelihood were at risk. They wanted assurance that the issue was being dealt with and were therefore frustrated when it took a long time to speak to an operator.

Participants who contacted HMRC in writing reported that it took a number of months to get a response in the post or around six weeks by email. The time taken added to their stress and worry.

Participants were angry and frustrated when they felt that HMRC was more interested in how much they could pay at that time than in taking in a long-term approach to helping them manage and pay off their debt. Participants reported feeling that HMRC had suggested actions that would leave them unable to run their business.

Having a larger debt, debt across multiple tax streams and/or debt to other creditors meant that these participants were unable to resolve their issue during one telephone call and needed multiple interactions with HMRC. They were frustrated when they needed to explain their circumstances each time and felt that they received conflicting information.

Participants with debt across multiple tax streams, such as VAT and Self-Assessment, felt that each took a different approach to managing customer debt. They found this frustrating and confusing as they were unsure why different parts of HMRC would have different guidelines for managing customer debt.

“VAT were hostile, it was like I was trying to con them...you’ve missed this payment again I can’t do anything you either pay it or I’ll send the bailiffs in”

SA + VAT debt

- **Received communication from HMRC:** Customers reported that they continued to receive notices and demands for payment whilst trying to agree a payment plan with HMRC. They felt that these communications were threatening and assumed they were deliberately avoiding their tax rather than unable to pay which added to their feelings of frustration.

Customers referred to their financial difficulties as reaching a ‘peak’ and felt that at this time letters from HMRC arrived frequently, which exacerbated their feelings of stress, worry, anxiety and anger towards HMRC.

- **Agreed a payment plan:** Participants with a larger debt found it difficult to agree a payment plan with HMRC. It took multiple interactions to agree the payment plan and even then customers felt required to agree to a payment plan which they did not think they could meet. They then defaulted on the payments or wanted to continue negotiating until they were satisfied with the repayment terms. Re-negotiating the payment plan made the experience of debt resolution longer and added to feelings of frustration and anger.

“HMRC proposed a payment but it was too high. We asked for less but they said no, so we started falling behind straight away.” **SA + VAT debt**

Participants with debt to other organisations felt that their other creditors were more flexible, for example, freezing interest payments or agreeing a payment plan which the participant was confident they could meet.

“It’s uncommercial. As a person who’s run a business for 20 years I’d rather get someone to pay me 80% than make them bankrupt and get nothing, or make them bankrupt and get 25% or 50%.” SA debt

When payments were set at a level participants felt they could manage they repaid their debt to HMRC. Participants felt relieved about resolving their debt but had residual anger and frustration about their experiences with HMRC.

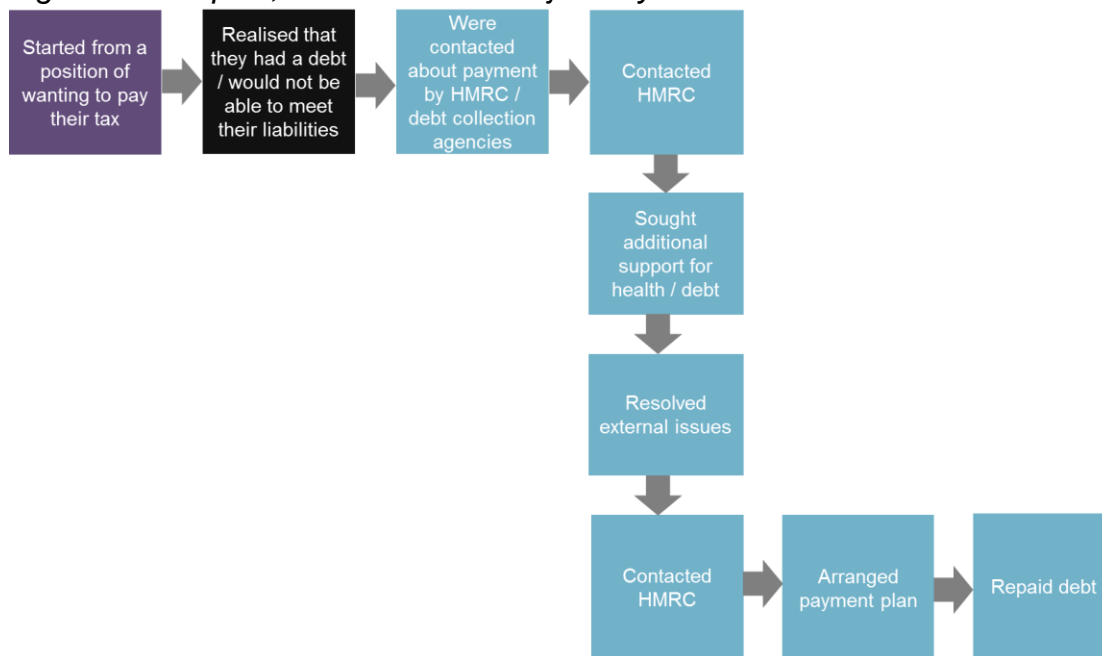
These participants had very high emotional engagement with their debt to HMRC because their cumulative debt put their business and livelihood at risk.

Complex debt, ‘head in the sand’ attitude

Customers with a complex debt who put their ‘head in the sand’ had complicating factors such as ill health which affected their ability to deal with their debt.

The circumstances which led to these customers being unable to meet their tax liabilities included a slowdown in business and reduced earnings. This was complicated by ill health such as depression, anxiety or alcoholism which affected their ability to deal with their debt. This group included participants who had saved for their tax liability but had to use the money to pay other debts which they perceived to be more urgent; those who believed they would have the money by the time it was due; and those for whom HMRC had not logged their tax return properly, meaning they were asked to pay more tax than they owed.

Figure 4: Complex, 'head in the sand' journey overview



These customers had the following journey:

- **Found out about the debt:** These participants had low engagement with their tax affairs as their personal problems felt more important. As such they were not clear about when they initially incurred the debt or first found out about it.
- **Avoided the problem:** These participants did not act when they received letters from HMRC and bailiffs. They preferred to try not to think about their debt as they were struggling with difficulties in other areas of their life. For these participants the tone of the notices and reminders from HMRC acted as a further barrier to them making contact as they were worried about what might happen if they did so.
- **Contacted HMRC:** Participants wanted HMRC to take their personal circumstances into account. When they felt that this had not happened it added to their feelings of stress and anxiety. For example, one participant reported that HMRC had suggested that she use her credit card to pay her SA debt when she felt she was already in considerable credit card debt.
- **Resolved the external factors:** For these participants, the first step in resolving their debt to HMRC was receiving additional support for their health issues. Doing so equipped them to deal with their debt.

- **Received additional help:** These participants were the only ones within the sample who had received independent advice about managing debt. They found out about this independently, for example through a television show and contacted organisations like CAB and Step Change. This information helped them take a more structured approach to managing their debt.

“I was so frustrated, I was suffocating...I watched a financial programme on the TV it was the first time I realised there were organisations out there to help” SA debt

- **Resolved other debts:** Participants prioritised resolving their debts to organisations other than HMRC. These included credit card debts and rent arrears and participants were more worried about the consequences of these debts than debt to HMRC.
- **Addressed the debt with HMRC:** When their health issues and other debts felt under control these participants contacted HMRC and agreed a payment plan. Participants with mental health conditions continued to be worried that if issues with HMRC arose again it could lead to relapse or a recurrence of their condition.

These participants had the highest emotional engagement of all the groups with their debt to HMRC due to their wider circumstances.

“That’s the sort of stuff I’m not very good at, and to be honest with you I sort of just buried my head in the sand.” SA debt