



HM Revenue
& Customs

HM Revenue and Customs Research Report 606

Research to improve understanding of customer perceptions of HMRC communications

A qualitative research project exploring Self
Assessment customers' perceptions of test
messaging to promote compliance

April 2020

Disclaimer:

The views in this report are the authors' own and do not necessarily reflect those of HM Revenue & Customs.

© Crown Copyright 2021

Copyright in the typographical arrangement and design rests with the Crown. This publication may be reported free of charge in any format or medium provided that it is reproduced accurately and not used in misleading context. The material must be acknowledged as Crown copyright with the title and source of the publication specified.

Published by HM Revenue and Customs, February 2021
www.hmrc.gov.uk

Contents

1. Executive Summary	4
1.1 Let property income customer findings.....	4
1.2 Debt customer findings.....	6
2. Introduction and methodology	9
2.1 Background	9
2.2 Research Aims	9
2.3 Method	9
3. Let property income customer findings	12
3.1 The characteristics of the let property income customers.....	12
3.2 Recall and reactions to the original letter from HMRC.....	13
3.3 The test letters.....	14
3.4 Customer feedback on the new letters	14
3.5 Developing the letters and improving communications.....	18
3.6 Conclusions.....	19
4. Findings from Self Assessment customers in debt	20
4.1 Customer context	20
4.2 Recall and reactions to the original letter from HMRC.....	21
4.3 Feedback on test letters	22
4.4 Feedback on key messages and impact on individual letters.....	24
4.5 Feedback on the consequences of non-response.....	27
4.6 Encouraging customers to respond	29
4.7 Developing the letters.....	31
4.8 Conclusions.....	31
5. Appendix	33
5.1 Sample breakdown.....	33
5.2 Eye-tracking findings	33
5.3 Letters shown to let property income customers	34
5.4 Letters shown to customers in debt to HMRC	38

1. Executive Summary

HM Revenue and Customs (HMRC) wanted to understand more about how customers perceive the communications they receive about their tax obligations, with particular reference to the overall tone, clarity, key messages to prompt action and how the consequences of not responding are explained. This will enable HMRC to understand the best way to communicate with customers and improve the overall customer experience. HMRC commissioned Ipsos MORI to understand responses to a set of hypothetical letters with two key customer groups who had previously received letters from HMRC about non-compliant behaviour or missed payments:

- **Income from let property customers** – these customers had received a letter from HMRC about income they had earned from letting a property, which hadn't yet been declared to HMRC. (We refer to them as 'let property income' customers throughout this report.)
- **Customers in debt to HMRC** – these customers had received a letter from HMRC because they had not paid their tax liability for income earned in the previous tax year by the deadline. (We refer to them as 'debt customers' throughout this report.)

A qualitative approach was used to explore how customers reported they would respond to these letters. Findings reported are the stated responses provided by customers to these test letters, rather than actual responses to 'real' customer letters. The test was also hypothetical as all the customers had since resolved the let property or debt situations that had arisen. Fieldwork consisted of 21 face-to-face interviews with let property income customers and 20 with customers in debt to HMRC across England and Scotland. A total of ten new hypothetical letters were tested – four for let property income customers and six for customers in debt to HMRC – which included a range of different layouts and messages. The order in which the letters were viewed was rotated to manage the 'order effect'¹. Fifteen of the interviews were carried out using eye-tracking technology² to better understand how customers read the letters and which elements they focused on in particular.

1.1 Let property income customer findings

1.1.1 Customer context and reactions to original letter from HMRC

Let property income customers who took part in the research had previously only paid tax through PAYE and had little to no experience of engaging with HMRC prior to receiving the initial letter regarding their undeclared property income. There were no instances of landlords

¹ Please see the footnote on p.10 within Chapter 2, - Introduction and Methodology - for an explanation of the order effect.

² In the eye-tracking interviews, participants read the letters on a laptop, and a small bar sitting across the front of the laptop captured where their eyes were focusing. This was monitored by the Ipsos MORI researcher and later analysed.

who let more than one property or who let properties as their main occupation. This meant customers had a low awareness and/or understanding of the declaration process.

Two main reasons for customers not declaring their let property income emerged from the interviews. One group reported being **'taken by surprise'** because they had no awareness of the need to declare their property. Other customers had heard of the need to declare income from let properties but **'needed prompting'** to act. They had not prioritised declaring their let property income prior to receiving the letter from HMRC, or had assumed they were exempt because they were not making a profit from their let property.

Prior to asking customers about the test letters, customers were asked for their views on the original letter in current use (which they had received from HMRC, alerting them to the need to make a declaration when this situation arose). Recall of this letter was strong. All customers remembered the letter informing them of the need to declare their let property income and could recall details of the letter's content without being prompted. This was partly due to the shock customers remembered feeling when they received it. Their lack of experience with, and low understanding of, the tax process led them to worry about the implications of the letter and to fear the worst possible outcome, such as owing tens of thousands of pounds or being taken to court.

1.1.2 Feedback on the test letters

Four test letters were shown to let property income customers. As with the original letter, the purpose of the letters was to inform customers of the need to declare and the action to take to start the declaration process. Different layouts and messages were tested to explore which were effective in communicating with customers about their tax obligations and encouraging them to contact HMRC, in order to generate learnings on the best way for HMRC to communicate with customers:

- **Layout:** Two letters used a boxed layout, designed to emphasise the key information, while the other two used bullet points to show different pieces of information.
- **Message:** Two different messages were tested to see what customers understood and how they perceived the tone and consequences.

Overall the key message was clear in all of the letters. Customers reported that they would have understood that they needed to act in the next 30 days. However, some of the specific language and processes were unfamiliar to them and were interpreted as assuming familiarity with Self Assessment.

The research found that the **layout** affected how customers engaged with the letter. Boxes and bold writing immediately drew customers to the highlighted information; however, this meant they often missed key information outside of the boxes. The eye-tracking showed how customers read the letters methodically, but some appeared distracted by the boxed text.

Customers felt that across all of the letters, the tone was assertive and matter of fact, which they thought was appropriate in the circumstances. Customers found the messages in some letters about HMRC ‘monitoring your response’, not declaring being ‘a deliberate choice’ and not declaring ‘potentially resulting in criminal investigation’ to be very strong. This took customers by surprise and they reported that they would be particularly worried about the consequences they may face. The customers who said they would be the most concerned said they would delay contacting HMRC in order to seek reassurance and advice from other sources first to better understand the scale of the issue.

In contrast, messages in other letters which referred to HMRC ‘offering to help you’ and which asked customers to ‘please contact us’ were seen as solutions-focused and supportive. This made HMRC seem more approachable. Customers liked that the letter implicitly acknowledged that the failure to declare could have been a mistake (in contrast to the ‘deliberate choice’ message).

Having considered all of the letters, customers suggested that changing the order of the different sections would improve their comprehension of what they needed to do and help motivate them to take action. They suggested that the letter should start with the steps they needed to take to make the declaration to HMRC, followed by the consequences of not doing so.

1.2 Debt customer findings

Four customer groups were identified based on the reasons they had been in debt to HMRC:

- **‘Blip’ customers:** Made a mistake on their tax return which caused them to fall into debt with HMRC. They had a strong record of paying on time and viewed this instance of debt to HMRC as a ‘one-off’ mistake.
- **‘Uncertain or disorganised’ customers:** Had forgotten to file or made a mistake on their tax return because they lacked experience, knowledge and/or confidence when dealing with taxes which caused them to fall into debt with HMRC.
- **‘Affordability’ customers:** were aware of the payment but lacked the funds to pay when it was due.
- **‘Tactical choice’ customers:** included those who had a history of debt to HMRC and intentionally chose not to pay until it suited them.

As with the let property customers, debt customers were initially shown the original letter which HMRC currently sends to customers who have not met their obligations on time. All customers remembered the letter informing them of the money they owed and prompting them to engage with HMRC to resolve the debt.

Overall customers felt that the letter was clear, though there was some confusion over the term ‘agent’. Customers suggested replacing it with ‘accountant’ to improve clarity. This was also raised in the feedback on the test letters.

1.2.1 Feedback on the test letters

Six test letters were tested with debt management customers (see Appendix 5.4 for full copies of the letters). As with the actual letter the customer had received, the purpose of the test letters was to make customers aware of the debt and to prompt them to respond quickly. The various test letters included different messages and approaches to explaining the consequences of not responding, in order to understand which versions were more effective in prompting customers to engage with HMRC, and to generate findings allowing HMRC to identify the best way to communicate with customers.

Overall, customers felt the test letters clearly communicated why they were being contacted and what they needed to do in response. However, their emotional response to the letter varied depending on the test message used.

All customer groups said they would prefer messages that emphasised HMRC as a source of support, through wording such as 'we are here to help'. Customers reported that this would make HMRC seem approachable. Those who had fallen into debt by mistake or who lacked the funds to pay said this type of message would help them feel more confident speaking to HMRC about their circumstances. 'Blip' customers felt this reflected the fact that they had made a one-off mistake. 'Tactical choice' customers reported that this would reflect positively on HMRC as an understanding and supportive organisation. Though they previously reported that they would usually wait for a 'final notice' letter, they explained that this message, alongside one clearly outlining the consequences of inaction, might motivate them to respond, without negatively impacting their frame of mind.

Customers reported that the test message setting out that 'nine out of ten people pay their tax on time' would not be positively received. Those who had made a mistake or could not afford to pay said this would make them feel embarrassed. Those who deliberately delayed paying said they would not find this message credible and that it would not motivate them to take action.

Using phrases such as 'monitoring your response' and treating non-response as a 'deliberate choice' were seen as being more severe. Some customers reported that this would deter them from contacting HMRC. However, the strength of the message suggested to customers that this would be a final notice to reply which would motivate a response from the 'tactical choice' customers. This group reported that they expected this type of language to be used as a final warning.

Two versions of letters Two and Three were tested³ - one with a low level of detail on the consequences of not responding, and the other with a greater level of detail (see Appendix

³ Letter two contained the key message 'We are here to help. If you're unable to make to make this payment, please contact us straight away to speak to one of our dedicated advisors on <contact number>. Letter three contained the key message 'We are monitoring your response and if you don't pay or contact us within seven days of the date of this letter we will treat this as a deliberate choice and take action to collect what you owe us'.

5.4). How customers said they would respond to the consequences depended on the messages included earlier in the letter. Letter Three, which was perceived to have a more severe initial message, led customers to have a defensive mindset and they subsequently said they would want to be given more information on the consequences of inaction. Letter Two was perceived to have a more supportive initial message, which meant the consequences of inaction came across as more of a reminder, which would prompt customers without making them feel pressurised.

Combining a supportive initial message with more detailed consequences of inaction was seen as undermining the supportive message. Combining a more severe initial message and the more detailed consequences of inaction was seen as particularly strong. Customers who had fallen into debt unintentionally or due to a lack of funds reported that this would cause them to have feelings of worry. Overall, more detailed consequences were seen as suitable for those who had consistently not responded or paid.

Customers felt that it was important for HMRC to take a 'firm but fair' approach to letters aimed at people who had not met their tax obligations. This meant increasing the strength of the tone and seriousness of the consequences the longer it took the customer to respond. They felt it was important that any initial contact should be supportive and acknowledged that people may have fallen into debt unintentionally or because they were unable to pay. If any further letters were to be sent, these could be stronger in tone but should also signpost sources of support to mitigate against any negative impact this might have on a customer's frame of mind. Some examples of support customers wanted to see included direct links to the Self Assessment page on GOV.UK and debt charities.

In addition, customers wanted the letter to include a salutation that referenced them by name. They explained that this would make the letter feel less generic, which they reported as something that might lead them to ignore it. A more personalised letter was also seen as helping to mitigate perceptions that any online information referred to would be too generic to give them the answers they needed for their specific situation. Personalising the letters might therefore encourage participants to look for support online, rather than phoning HMRC.

2. Introduction and methodology

2.1 Background

HMRC sends letters to their customers regarding their tax obligations, helping them to avoid becoming non-compliant or building up debt. HMRC commissioned Ipsos MORI, an independent research agency, to conduct research with two key customer groups who currently receive letters from HMRC:

- **Income from let property customers** – these customers had received a letter from HMRC about income they had earned from letting a property, which hadn't yet been declared to HMRC.
- **Customers in debt to HMRC** – these customers had received a letter from HMRC because they had not paid their tax liability for income earned in the previous tax year by the deadline.

The existing letters aim to encourage customers to engage with HMRC in order to either declare their income from let property, or to pay off the debt they owe to HMRC.

2.2 Research Aims

The aim of this research was to gather evidence and insight to help HMRC to improve the quality and impact of the letters they send to these customers – specifically to ensure that the letters are as clear and as well understood as possible, and that they encourage customers to engage promptly with HMRC. In particular, the research focused on:

- the overall tone of the letters;
- the key messages to prompt action;
- the clarity of the letters' overall messages; and
- views on how the consequences of not responding to the letters were explained.

This will enable HMRC to understand the best way for them to communicate with customers and improve the overall customer experience.

2.3 Method

Fieldwork consisted of 41 face-to-face depth interviews across England and Scotland. For the purposes of the research, HMRC drafted two sets of hypothetical letters to test – four for let property income customers and six for customers in debt to HMRC – which were shown to customers during the interviews, as well as the original 'real' letters. The test letters included a range of different layouts and messages which were designed to generate distinct responses, and the order in which they were viewed was rotated in order to manage the

'order effect'⁴. The purpose of testing the different letters was to understand how they would be perceived by customers, with particular reference to the overall tone, clarity, key messages to prompt action and how the consequences of not responding were explained. It is important to note that the findings reported here were the stated responses provided by customers to these test letters, rather than actual responses to 'real' customer letters⁵. The exception to this are the findings that relate specifically to customer feedback on the original letters. All the customers had since resolved the let property or debt situations that had arisen. The test letters are described in more detail in Chapters Three and Four and full copies are included in Appendix 5.3 and 5.4.

2.3.1 Sample

HMRC drew a sample for the research from administrative data on let property income customers and customers in debt to HMRC. The former had been contacted because HMRC believed they had earned income from letting a property which they had not declared to HMRC. The latter group had been contacted because they had not paid their tax liability to HMRC by the required deadline. Customers were selected for interview based on achieving a good mix of participants across a range of criteria including:

- whether they used an accountant;
- length of time as a landlord or in Self Assessment (SA);
- confidence with managing tax affairs;
- self-reported digital capability;
- previous debt to HMRC (customers in debt only); and
- number of letters sent regarding the debt to HMRC (customers in debt only).

Age, gender and ethnicity were also monitored to ensure a good mix across the research.

2.3.2 Fieldwork

The research was undertaken by the Employment, Welfare and Skills (EWS) team at Ipsos MORI. Fieldwork took place from 31 October to 6 December 2019. Fifteen of the interviews

⁴ Generally, the more information participants see, the better their understanding becomes, and they become more 'used' to the stimulus. With each new letter, our ability to understand their true, spontaneous response (as if they received the letter in real life) lessens. Participants' understanding and views of the tone of a letter can also be affected by the first one they read – if they find this supportive and engaging, they are usually in a more positive mindset when reading subsequent versions. Conversely, if they find the first communication confusing or unresponsive, then their confusion and/or more negative mindset is more likely to remain throughout.

⁵ Qualitative research aims to provide rich insight into the thoughts and feelings of participants and how this underpins and influences their actions. However, it does not seek to act as a proxy for detecting the actions which would be taken in response if participants were to receive the letters in real life and how they might respond in that moment. This could only be understood by conducting trials and sending out different variants of letters to understand which led to the desired response.

were carried out using eye-tracking technology (see Appendix 5.2 for further details), to better understand how customers read the letters and which elements they focused on in particular.

2.3.3 Reporting notes

Qualitative research is used to explore the nuances and diversity of views, the factors which shape or underlie them, and the contexts and situations in which views can change. The results are intended to be illustrative, not statistically representative.

Verbatim comments have been included in this report to illustrate key points and common themes. Where verbatim quotes are used, they have been anonymised and attributed with customer type, and levels of confidence in managing their tax affairs.

The report is divided into two main sections – the first half covers the findings from the interviews with let property customers and the second half covers the findings from the interviews with customers who were in debt to HMRC.

3. Let property income customer findings

This section covers findings from 21 interviews with let property income customers.

3.1 The characteristics of the let property income customers

The customers who were selected to take part in the research had all received a letter from HMRC in the tax year 2018-2019 regarding undeclared let property income. They had experienced very low levels of interaction with HMRC prior to receiving this original letter. Before this point, all 21 customers interviewed had been paying tax through PAYE only and therefore had little to no experience of engaging with HMRC. None of the customers who took part in the research let out more than one property and there were therefore no instances of landlords who let out properties as their sole or main occupation.

Customers stressed that not declaring their let property income had been a genuine mistake and attributed this to their low awareness of the rules relating to declaring let property income and the wider Self Assessment (SA) process. For example, those who believed that they were not making any profit thought that they did not need to let HMRC know that they were renting the property out, as they assumed it would not make any difference to their overall tax liability.

“It was very stupid to be honest. [We thought we could] just rent the house and that’s it basically. And at some point, we became aware that you needed to [declare] and I guess because I wasn’t doing Self Assessment and I was always PAYE, it never presented itself as an issue to me that I’d need to record any additional income. At the time, we weren’t paying ourselves from it anyway, so it wasn’t part of our income, it was just maintaining the property and that sort of stuff.”

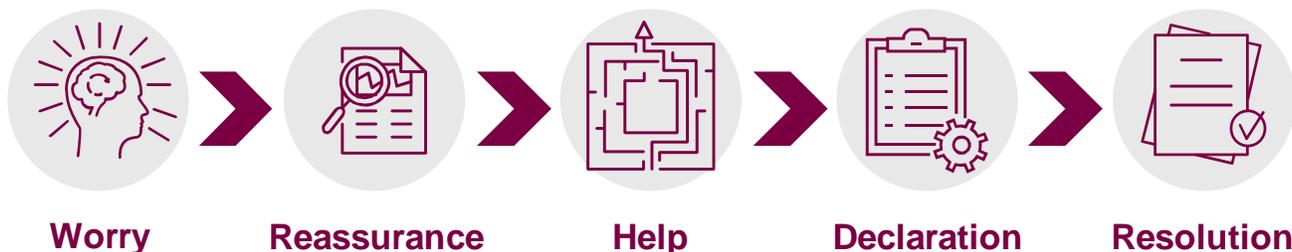
Let property income customer, confident managing tax affairs

Two main reactions to the original letter from HMRC emerged from the interviews:

- **‘Taken by surprise’**: These customers had no awareness of the need to declare income from let property before receiving the initial letter from HMRC.
- **‘Needed prompting’**: These customers had heard about the need to declare let property income but had not prioritised doing it before they received the letter from HMRC. None of these customers said that they had deliberately hidden their property income from HMRC, and their awareness of the need to declare varied. For example, some customers had heard of the ‘Landlords’ Amnesty’ campaign, run by HMRC to encourage those who had undeclared let property income to come forward without fear of reprisal. As above, others knew that let property income needed to be declared but did not think it applied to their situation as they believed they were not making any profit.

3.2 Recall and reactions to the original letter from HMRC

The original 'real' letter sent to customers aimed to explain that HMRC believed they were receiving income from let property which they needed to declare. All of the let property income customers interviewed had strong recall of the letter they received and could remember precise details of the letter's content, without being prompted. Customers went through five key stages between receiving the letter and resolving the issue with HMRC:



Customers described an emotional reaction to the letter, of worry or shock. Both groups worried about the implications of the letter, but those who were taken by surprise felt this more acutely, due to their lower awareness of the need to declare let property income. Customers' inexperience with HMRC and letting property caused them to fear the worst when they read the letter. Those who had been letting property for longer feared a tax bill running into the tens of thousands of pounds, and those who had been completely taken by surprise were concerned about the possibility of criminal investigations due to tax evasion (it is mandatory for HMRC to include information about the possible consequences of non-response in these letters).

Customers who were surprised or concerned by the letter delayed contacting HMRC as they wanted reassurance to understand the scale of the consequences as they applied to their own circumstances. These customers wanted to feel prepared before officially engaging in the declaration process and approached friends or family for emotional support, as well as letting agents, accountants, friends who let property, or conducted their own online research to understand the consequences. Customers called HMRC for support where these avenues were not available to them.

Customers approached agents or accountants or HMRC to help them understand the steps they needed to take. None of the customers who took part in the research had accountants prior to receiving the letter from HMRC. Those who needed prompting reached this stage more quickly than those who were taken by surprise as their slightly higher awareness of the need to make a declaration lessened the shock they felt at receiving the letter.

Once customers had contacted HMRC, they were then able to commence the process to make the required declaration. Some customers, particularly those with agents/accountants - and/or had organised records relating to their let property - found the process more straightforward than others. Customers' declarations took several months to resolve, and they often needed to provide additional calculations or expenses to fully satisfy their obligations.

3.3 The test letters

During the in-depth interviews, four test letters were shown to let property income customers (see Appendix 5.3). The letters were designed to enable HMRC to understand more about how customers perceive the communications they receive about their tax obligations, with particular reference to the overall tone, clarity, key messages to prompt action and how the consequences of not responding are explained. By testing letters in this way, the findings will enable HMRC to understand the best way for them to communicate with customers and improve the overall customer experience.

The letters told customers that HMRC believed that they were, or had been, a landlord who let property in the UK or abroad, and that they may need to pay tax on this income. The letters explained how customers could make the declaration and each letter had a different tone and layout:

- **Letter A:** was designed to have a slightly stronger tone and used boxes with the aim of making contacting HMRC the focal point of the letter (see Appendix 5.3.2).
- **Letter B:** was designed to simplify the original letter and highlight action points (see Appendix 5.3.3).
- **Letter C:** was designed to have the strongest tone in order to prompt action and used boxes to emphasise the key message being tested (see Appendix 5.3.4).
- **Letter D:** was designed to have the softest tone, and the key messages aimed to emphasise HMRC's role in supporting customers (see Appendix 5.3.5).

The letters were designed to generate distinct responses in order to facilitate the test, and findings reported are the stated responses provided by customers to these hypothetical letters, rather than actual responses to 'real' customer letters.

3.4 Customer feedback on the new letters

3.4.1 Clarity and understanding (across all four of the test letters)

Customers felt that the test letters clearly communicated the need to act within 30 days. Beyond this, they noted certain terms or processes that lacked clarity, which are explained below. However, they felt that these were minor queries that did not affect their overall understanding of the letters' content.

Customers found it difficult to identify whether they needed to make a declaration on first reading, particularly in the case of Letters A and C. Customers found the 'If AND either...' structure of the criteria (highlighted in purple) confusing and some had to read this several times to work out how it applied to their own circumstances. They also found the reference to expenses (highlighted) very technical and beyond their own level of experience.

Within the next 30 days you must:

**Make a disclosure on www.gov.uk/let-property-campaign
(letter reference number: IFP2)**

If:

- You have been a landlord
- the expenses you're allowed are not greater than your rental income and therefore you have profit to pay tax on
- you've been making profits that need to be included on your tax return
- you don't already include the income on your tax return

AND either:

- you haven't previously told us about your rental income, or
- the right amount hasn't been declared

This disclosure will be treated as "prompted". If you do not respond by the deadline or do not declare or pay the right amount, you may face a higher penalty or criminal investigation.

Customers reported that the letters seemed to assume they were Self Assessment customers rather than PAYE. They noted that the letters referred to their 'tax return', which again caused some to consider that the letter was not relevant to their own situation. None of the let property income research participants were familiar with the Self Assessment process before declaring their let property income (and registering for Self Assessment going forwards).

Certain terms in the letter lacked clarity, namely:

- 'This disclosure will be treated as "prompted". Customers found the clarification in Letters B and D more helpful (that this 'may affect the penalty you will have to pay').
- Customers were also more familiar with the term 'accountant' than 'agent', with some questioning whether the latter referred to an estate or letting agent.

The eye-tracking findings showed that customers read the letters methodically, but their attention was drawn to the boxed text in Letters A and C. This meant that some customers started reading these letters line-by-line, but their eyes flicked to the boxed text, and then back to the section they were reading. When customers spoke about the tone of Letters A and C, their eyes were drawn to the boxed text as the focal point of the letter. On Letter C specifically, customers focused on the bold text when answering questions about the tone of the letter, but the same effect was not observed with the softer message of Letter D (both shown below).

Letter C: We will be monitoring your response to this letter. If we find you haven't declared the right amount of income or paid the right amount of tax, we will treat this as a deliberate choice and you may have to pay a higher penalty or face criminal investigation.

Letter D: We are offering to help you bring your tax affairs up to date, so please contact us within 30 days.

When prompted, customers explained that the boxed letters (A and C) drew their attention to the key points and some expressed a preference for this. However, the eye-tracking revealed

that when reading the letters with the box (A and C), customers were more likely to skip over the paragraph below the boxed text on showing the letter to their agent, whereas they read this in full on the letters without boxes (B and D).

“The boxes serve a purpose of saying ‘these things are important’, but this letter [no boxes] is much clearer, immediately. It’s not trying to frame me into reading this very important bit. It’s less shouty.”

Let property income customer, confident managing tax affairs

Those who preferred the no-box layout of Letters B and D explained that it felt less forceful and clearer that there were two equal options in terms of actions to take.

3.4.2 Tone and consequences (across all four of the new letters)

Some customers appeared to project their own fears about the severity of the situation onto the tone of the letters. They described imagining a ‘worst-case scenario’ as soon as they read that HMRC believed they were a landlord, and before they read any detail around the potential consequences. Customers’ inexperience with both HMRC and declaring let property income therefore made the tone of the letters seem stronger overall than when customers were prompted to describe specific sections of the text. When they did this, they referred to them being assertive, matter of fact, and a style that they expected to receive from HMRC, given the situation.

“I think the tone is very formal and it feels right for HMRC because of the topic area, and the fact that there are probably people out there who are purposefully not declaring their property. The consequences are clear and emphasise how serious this is, but I do prefer [Letters B and D] because they don’t make me feel like I’m being accused of something.”

Let property income customer, lacks confidence managing tax affairs

3.4.3 Feedback on key messages in Letter D and overall impact

Letter D contained the following message: ‘we are offering to help you bring your tax affairs up to date, so please contact us within 30 days. To update your affairs you must...’ This message was designed to be the softest in tone and to encourage customers to engage with HMRC by showing that HMRC was there to help. Customers universally saw this letter as the most supportive and softest in tone. They noted the following:

- **Structure:** Customers found Letter D’s structure of ‘you’ve done something wrong, but we are here to help, and this is how you resolve the issue’ more solutions-focused and supportive than the ‘consequences-first’ structure of Letter C, which felt uncompromising.
- **Tone:** Customers felt that Letter D would make HMRC seem more approachable, and the ‘here to help’ message made customers feel supported, rather than being left to

their own devices to resolve the issue. Customers preferred that Letter D did not imply they had made a deliberate choice not to disclose their let property.

“The word ‘offering’ to help is like an olive branch rather than a stick. I think it’s the same purpose, but this one sounds as if they want to help you sort it out, whereas this one [Letter C] is telling you to sort it out.”

Let property income customer, confident managing tax affairs

Customers who **needed prompting** to declare reported that all four of the new letters would have the required tone to get them to act promptly. A minority of these customers said that they would prefer a stronger tone to Letter D to help them prioritise declaring their let property income over their other commitments. However, even customers who said this, had taken action immediately in response to the original letter and none of the let property income customers interviewed said they would *not* take action in relation to any of the new letters.

“There is an implicit understanding in the statement that we know you’ve been doing what you shouldn’t be doing, but we would like to help you ... Some people need a more direct nudge. Either because they are wilfully ignoring something, or in my case I had so many things on. Unless it’s immediately at the top of my list ... it often doesn’t get done.”

Let property income customer, confident managing tax affairs

Customers who were **taken by surprise** explained that this letter would encourage them to engage with HMRC promptly and, in some cases, said that the softer tone meant that they would not feel the need to seek reassurance elsewhere before contacting HMRC.

3.4.4 Feedback on key messages in Letter C and overall impact

A key message of letter C was “we will be monitoring your response to this letter. If we find you haven’t declared the right amount of income or paid the right amount of tax, we will treat this as a deliberate choice and you may have to pay a higher penalty or face criminal investigation.” Customers universally felt Letter C was the most severe, due to its:

- **Structure:** Customers explained that by starting with the consequences, rather than how to resolve the issue, the letter appeared to assert more pressure.
- **Tone:** The severe tone led some customers to state that they would be more likely to seek reassurance before contacting HMRC (even those who **needed prompting**). The ‘monitoring’ and ‘deliberate choice’ messages heightened the sense that customers were being accused of something, rather than being asked to make a declaration promptly.
- **Effect on customers’ emotional reactions:** Customers who were **taken by surprise** explained that the ‘deliberate choice’ message would cause them to become more

anxious. The fact that the mandatory reference to potential criminal investigations came reasonably early in the letter clouded some customers' ability to fully comprehend what the letter was telling them. These customers said they would need additional time to process what the letter meant for them and, as mentioned, would seek reassurance before contacting HMRC.

"A letter from HMRC is always serious business anyway. That would add more stress rather than reinforcing the seriousness of it ... If you took a snapshot of what the first two paragraphs are it's, 'you've done something wrong, and we're going to come at you with everything we've got'. Every time I speak to HMRC, that's kind of the opposite of how they want to position themselves. They just want you to pay what you should be paying and help you to do that."

Let property income customer, confident managing tax affairs

Overall, all customers said they would take action in response to this letter. However, the strong tone would cause some to seek reassurance and advice elsewhere first, before contacting HMRC regarding their undeclared property income.

3.5 Developing the letters and improving communications

Customers were asked for their views on developing the letters and improving HMRC communications. As highlighted above, in terms of the structure of the letters, customers set out that they should start with the action required, rather than the consequences of non-compliant behaviour, as follows:

- 1. We know you're a landlord:** Having a matter of fact, informative opening paragraph.
- 2. This is what you need to do and how to do it:** Explaining the steps clearly, focusing on educating customers and resolving the situation, and signposting HMRC support.
- 3. This is what will happen if you do not act:** Outlining the consequences of not taking action and wording them in such a way that clearly differentiates those who have made an innocent mistake and those who have deliberately not declared their property. For example, by stating 'if you do not act, the consequences will be as follows', as shown in the quote below.

"It could be worrying. What could be added in here is 'we do not wish this to go further, with more penalties and prosecution, but if you fail to act, that will be the consequence'. So you give an incentive, and explain the penalty."

Let property income customer, confident managing tax affairs

Customers highlighted several other ways that the letters could encourage prompt engagement with HMRC. Firstly, they suggested raising awareness of the need to declare let property income to HMRC, through encouraging estate agents and mortgage providers to

inform their clients of the requirement to do this up front. Customers felt that this would reduce the need for HMRC to investigate undisclosed let property⁶.

“Estate agents should warn landlords of the need to inform HMRC. In most cases, it would prompt people to declare property straight away, rather than wait several years for HMRC to actively make contact.”

Let property income customer, confident managing tax affairs

Secondly, customers felt that a letter with a supportive tone (assuming a genuine mistake) and which provided clearer information on the process of declaring their let property income could encourage customers to go online to declare without needing to seek reassurance. They also suggested that the letter signpost sources of support for customers without agents or accountants, including HMRC, or recommended agents.

3.6 Conclusions

Overall, the let property income customers in the research had very low awareness of the need to declare property income to HMRC and lacked familiarity with HMRC and Self Assessment processes. Customers felt that any new letter should acknowledge this and should not assume any prior knowledge of the declaration process.

The let property income customers who took part in the research reported that the test letters were generally clear and easy to understand. They found that the information in the boxes drew their attention and helped them to identify key points. But the boxes also led them to miss key information included underneath the boxes and they often had to read the ‘If AND either’ wording several times before they understood what action was required.

In terms of the tone of the letters, customers often appeared to project their own fears – stemming from their lack of experience of engaging with HMRC – about the severity of the situation onto the tone of the letters. They described individual components of the letter as ‘matter of fact’ but found the overall tone to be much stronger. They also reported that the structure of the letter, and particularly the placement of the consequences wording, would impact their perception of the tone of the letter. They stated that they would want any new letters to make them feel supported, and that this would be more likely to lead them to contact HMRC straightaway, rather than seek information first.

⁶ HMRC have explored options to raise awareness of the need to declare let property income through estate agents. There are challenges to taking action, given the large number of estate agents to engage with. However, this may be something that HMRC revisits in future.

4. Findings from Self Assessment customers in debt

This section of the report covers the findings from 20 interviews with HMRC customers who fell into debt due to missed Self Assessment payments.

4.1 Customer context

During the interviews, customers were asked about the circumstances in which their debt had arisen and their answers enabled them to be categorised into four different groups:

‘Tactical choice’ customers: This group of customers purposefully chose to ignore the letters they received about paying their tax liability and chose to pay at a time that was more convenient for them. They had a history of debt with HMRC and felt they had a good understanding of HMRC’s processes. Though they viewed paying their tax liability as important, they did not view it as urgent and therefore waited until the last possible moment to pay.

“I could make it easier for myself, but in all fairness I do wait for the letter, and then I will receive a letter and then I’ll pay it... I just don’t pay anybody until I get pestered for it. I’d rather the money be in my bank than their bank.”

Customer in debt to HMRC, (‘Tactical choice’), confident managing tax affairs

‘Blip’ customers: These customers had a history of paying their tax liability on time and their debt had arisen due to a one-off mistake. They reported feeling shocked and embarrassed when they received the letter notifying them of the debt. The initial shock of the letter and their motivation to protect their tax record made these customers want to resolve the issue promptly.

“When letters of this type come up, it’s really your own failure, because, yes you have accountants that don’t always do what they’re supposed to do, but you have a lot of letters from HMRC telling you what you need to do. It’s very much about self-discipline.”

Customer in debt to HMRC, (‘Blip’), confident managing tax affairs

‘Uncertain or disorganised’ customers: Although these customers had the means to pay their tax liability, they lacked experience, knowledge and/or confidence when dealing with HMRC and managing their tax affairs - and therefore often used these words to describe their approach to tax and how the debt had arisen. This meant they had a history of debt with HMRC because of a series of unintentional mistakes. Customers who relied heavily on their agent/accountant lacked the confidence and ability to review their agent’s work or question their advice which could lead to mistakes.

"I tend to be a bit bad with it, I see the brown envelope and I tend to throw it in the pile, then my wife will come along, open it, and tell me that I need to look at it."

Customer in debt to HMRC ('Uncertain or disorganised'), not confident managing tax affairs

'Affordability' customers: These customers were aware of the money they owed but did not have the money to pay their tax bill. This was because their fluctuating income made it difficult for them to save throughout the year and they had to prioritise other spending over their taxes. For example, one customer fell into debt because she had used the money she had saved for her tax liability to pay for her maternity leave.

"I can have a very good year, and then the following year could easily be a 40% reduction in salary, but I'm paying HMRC for the previous year's successful year. That's normally where I come unstuck with payments. You're in your rubbish year when you need to pay that huge tax bill."

Customer in debt to HMRC, ('Affordability'), confident managing tax affairs

4.2 Recall and reactions to the original letter from HMRC

The customers who took part in the research had all previously been sent two or more letters by HMRC in 2018 in reference to a missed payment and debt to HMRC in the tax year 2016-2017. The letters aimed to prompt these customers to engage with HMRC in order to resolve their outstanding debt. Overall, customers remembered receiving the letters they were shown, or something similar.

They recalled the letters being direct and assertive. The strong tone put off those in the 'affordability' group from contacting HMRC to explain their circumstances, as they felt they would be asked to pay the debt off in full. Language such as 'pay what you owe now' acted as a barrier to responding amongst this group, as they could not, which caused them to worry about what would happen once they did. They felt the letter could do more to highlight the support available to customers to make them feel more confident about responding to HMRC.

Those within the tactical choice group reported that the strength of the tone and language such as 'pay now' made them assume it was their final notice and prompted them to respond.

Customers wanted more clarity around the amount the owed. They felt that it was important for the letters to also include an explanation of how the amount was reached. They also wanted the letters to explain how much interest could be added if they took no action to resolve the issue. Customers explained that this would add credibility and prevent them from needing to call HMRC to query the amount.

“It should be really clear what you owe, what the timeframe is, and when interest is being accrued. There might be disputes and it’s difficult to know what that number equates to otherwise.”

Customer in debt to HMRC, (‘Blip’), confident managing tax affairs

4.3 Feedback on test letters

Six test versions of the letter were shown to customers who had been in debt to HMRC. Each customer saw four letters, with different customers being shown different combinations. The letters were designed to enable HMRC to understand more about how customers perceive the communications they receive about their tax obligations, with particular reference to the overall tone, clarity, key messages to prompt action and how the consequences of not responding are explained. By testing letters in this way, the findings will enable HMRC to understand the best way for them to communicate with customers and improve the overall customer experience.

The purpose was the same across all letters: to make customers aware of their debt and to prompt them to contact HMRC. They included different messages, which were designed to test customers’ responses, enabling HMRC to understand which versions were the clearest and easiest to understand and also which were more effective in prompting customers to engage with HMRC. Findings reported are the stated responses provided by customers to these hypothetical letters, rather than actual responses to ‘real’ customer letters. Copies of the letters are included in Appendix 5.4.

Letters Two and Three were tested with different levels of detail regarding the consequences of non-response. This aimed to see which version of the consequences was more effective in motivating customers to respond. One of the versions went into more detail on what the consequences were and the actions that HMRC could take. The other letter simply stated that further action would be taken but did not give detail on what the action would be.

4.3.1 Clarity and understanding (overall findings)

Overall, customers found the letters to be concise and said that they clearly communicated why they were being contacted and what they needed to do in response. However, a few areas were identified which customers felt could be clearer. For instance, as with the let property income customers, not all were familiar with the term ‘agent’ and suggested that ‘accountant’ was more widely recognised.

The feedback also suggested that some customers did not view their outstanding tax liability as a debt. This was evident from the way they spoke about the letters, generally referring to them as a ‘reminder’ rather than a debt notice and viewing the debt as a ‘missed payment’.

Some customers would also have preferred the letter to include more detail about the amount outstanding, how this was reached, and a breakdown of any interest applied⁷. They explained that this would add credibility to the letter and prevent them from having to call HMRC to query the amount.

“If it's correct, I'll pay it there and then. But I need some extra detail to give me the reassurance that it's right. They just say 'you owe us this' and there's no explanation.”

Customer in debt to HMRC ('Blip'), confident managing tax affairs

4.3.2 Tone and consequences (overall findings)

The way customers perceived the tone of the letters was shaped by the key messages and the severity of the consequences given in the letter. Softer messages created a supportive and empathic tone. Stronger messages and those that included more detail on the consequences were perceived to carry a more direct and assertive tone.

Customers acknowledged that it was important for them to meet their obligations on time and expected HMRC to take a 'firm but fair' approach to those who were late. This meant they expected the tone and consequences to become stronger the longer it took the customer to respond, but also to demonstrate empathy and understanding to those who may be struggling with difficult circumstances.

“We're here to help' - I like that, it makes them more personal. This is much nicer, and I can pick up the phone quite happily and say, 'yes, please help me with this.”

Customer in debt to HMRC ('Affordability'), confident managing tax affairs

4.3.3 Eye tracking findings (overall findings)

Customers read the letters methodically and in full, though paid little attention to the information included in the header of the letter. This meant that they risked missing the phone number when it was not placed in the main body of the letter, and many needed to be prompted to find it.

⁷ When customers are sent a letter from HMRC about an outstanding liability, they are also provided with a Statement of Liability alongside it, which provides details of the amount owed and charges applied. This letter was not provided with the test letters as part of the research, as views on it were not being sought. However, it would mean that the need for this information identified in the research findings may, in reality, be met by the Statement of Liability.

Customers paid most attention to writing in bold and referred mainly to those parts of the letter when asked about their views on the tone. When customers read the letters that included the more detailed consequences, they read over the text more slowly and often re-read the text.

“I think [the consequence] was probably softened by the bold, and it's obviously highlighted for a reason. And therefore, if you do ignore it, I guess they have to say 'we'll do something else'. That bit made me go 'thank God, I can ring a number and get it sorted', and that bit is probably for the people who might just chuck this letter under the bed and need a bit more force to act.”

Customer in debt to HMRC ('Affordability'), confident managing tax affairs

4.4 Feedback on key messages and impact on individual letters

This section of the report presents specific feedback on the key messages and their overall impact on each of the individual letters tested. The findings are presented in order of the softest tone to the strongest tone, according to the customer feedback.

4.2.1 Letter One B

Letter 'One B' included the message: 'we know it's easy to forget, but please pay now to avoid any further interest charges on this amount'. Customers liked the soft tone of the message and explained that they would expect to see this message in an initial letter because it felt more like a reminder than a request for payment.

The 'tactical choice' group said they appreciated the soft tone in the letter but admitted it would not encourage them to respond. They described it as 'too soft' which they explained would not increase their sense of urgency in making their payment.

'Blip' customers said they would object to this statement because it did not feel applicable to them as customers who viewed their tax liability as important – they did not think HMRC believed it was easy to forget either. Instead these customers said they would want reassurance that HMRC was aware of their track record of paying on time and acknowledgment that this had been a mistake.

The statement resonated well with 'uncertain or disorganised' customers who admitted to pushing their taxes to the back of their minds. These customers explained that the message would come across as being understanding of their circumstances, which would make them view HMRC as more approachable. In particular, customers compared this to Letter One – discussed below – and explained that, in comparison, Letter One B would make them feel more comfortable about calling HMRC to resolve the issue because it would not create feelings of shame.

“Well, because they know you haven’t forgotten, but they’re giving you an out. That’s all that’s doing, it’s giving you an out, because you know you’ve not forgotten, because everyone knows they’ve got to pay it, but they’re just saying to you, ‘Look, go on.’”

Customer in debt to HMRC (‘Tactical choice’), confident managing tax affairs

Those within the ‘affordability’ group reported they would feel alienated by this statement because it assumed those who had not paid had forgotten to do so as opposed to being unable to do so. They explained that it is important for HMRC to acknowledge that they may be communicating with people in financial difficulty and to show empathy towards their situation.

4.4.1 Letter Two A and Two B

The same message was tested in Letters Two A and Two B: ‘We are here to help. If you are unable to make this payment, please contact us straight away to speak to one of our dedicated advisors on 0300200[NUMBER]. Customers saw this message as the most helpful and supportive. They explained that language such as ‘here to help’ and ‘dedicated advisors’ would demonstrate that HMRC aimed to be supportive and approachable. This was seen as important by all groups, who explained that it would provide them with reassurance that they were not being punished for late payment. This messaging would also help those who had fallen into debt unintentionally, due to a genuine mistake or lack of funds – as in the case of ‘blip’, ‘disorganised’ or ‘affordability’ customers – feel more at ease and more confident about contacting HMRC.

Customers welcomed the telephone number being placed in the body of letter because they assumed this meant they would be able to reach someone from the right team. They explained that this would motivate them to respond more quickly because a direct number would reduce the time they had to wait to speak with an advisor.

“‘Dedicated advisor’, I like that. Sounds like I can get directly through to someone who can help me.”

Customer in debt to HMRC (‘Uncertain or disorganised’), confident managing tax affairs

4.4.2 Letter One

Letter One contained the following message: ‘Nine out of ten people pay their tax on time. You are in the very small minority of people who have not paid us yet.’ The views on this letter varied by customer group and were driven by the circumstances surrounding their debt.

The ‘tactical choice’ customers said they felt this letter lacked credibility as they expected most people were like them and would delay paying. They therefore did not believe that nine out of ten people paid on time and they did not think they letter would encourage them to contact HMRC to resolve the issue.

The 'affordability' and 'uncertain or disorganised' groups said this message would make them feel 'singled out' and more ashamed about their circumstances. 'Affordability' customers, who lacked funds to pay felt that the message highlighted the fact that the majority of people could afford to pay their tax bill whilst they could not. 'Uncertain or disorganised' customers who had made a mistake felt this message would emphasise that. Both groups found that this message lacked empathy for their situation, which would make them less comfortable about approaching HMRC to explain their circumstances.

"Whether or not other people have done their taxes is irrelevant, you know, what do you need mine for? All you're doing is highlighting my inefficiencies."

Customer in debt to HMRC ('Uncertain or disorganised'), confident managing tax affairs

The 'blip' customers reported that they would object to or worry about being grouped with the 'minority' who did not pay on time and saw this message as belittling and unfair given their track record of timely tax payments. This triggered a defensive reaction which they reported would negatively affect their frame of mind when they responded.

4.4.3 Letter Three A and Three B

Letters Three A and Three B contained the message: 'We are monitoring your response and if you don't pay or contact us within seven days of the date of this letter we will treat this as a deliberate choice and take action to collect what you owe us'. Customers saw this letter as the least supportive because it was perceived as carrying the strongest and most assertive tone. The strong tone of the message led customers to think that it would be more suitable for those who had ignored initial contact from HMRC.

The stronger tone in this message led 'tactical choice' customers to assume that this would be their last chance to resolve the issue before the situation was escalated. They reported that this would motivate them to respond. However, it would have a negative impact on their emotional state when doing so and they reported they would be more likely to be angry or upset when contacting HMRC.

The statement 'we will be monitoring you' was viewed negatively as 'big brother' watching. However, some customers, particularly those in the 'tactical choice' group, said they would question the credibility of this statement. This was generally due to past experiences with HMRC where the system had made a mistake regarding their tax bill or where they had received letters by mistake, which led them to believe that their accounts were not being individually monitored.

Customers who had fallen into debt unintentionally or due to lack of funds reported that the strength of the tone would make them feel more worried about contacting HMRC. Even though they said they would want to contact HMRC as soon as possible to explain their circumstances, the focus on consequences and lack of support or empathy in the statement would make them feel less confident about doing so. These customers stressed the need to

signpost sources of support or advice such as debt charity websites or helplines to help prevent them from burying their heads in the ground.

These customers also objected to the statement 'deliberate choice'. They explained that they would be offended by the assumption that they had intentionally decided not to pay because it was not true to their circumstances. These groups stressed the need for HMRC to ensure their messaging was applicable to all customers' situations to avoid some groups feeling overlooked or misjudged.

"We will treat this as a deliberate choice - how can they think anyone would be making a deliberate choice?"

Customer in debt to HMRC ('Blip'), confident managing tax affairs

4.5 Feedback on the consequences of non-response

This part of the report covers the views on the sections of the letters setting out what the consequences of not responding would be. Customers expected the letters to outline the consequences of inaction – however different customer groups had varying views on how this would be best included in the letters.

4.5.1 Consequences in Letter Two

Letter Two ('We are here to help. If you are unable to make this payment, please contact us straight away to speak to one of our dedicated advisors on 0300200[NUMBER]) was tested with both short and more detailed wording setting out the consequences of not responding:

- **Shorter consequences (Letter Two A):** 'If you don't pay or contact us soon, we can take further action to collect what you owe.'
- **Detailed consequences (Letter Two B):** 'If you do not pay or contact us, we can take action to collect what you owe. This may include taking money directly from your bank or building society accounts, or take things you own and sell them at a public auction. We then charge you fees for doing this so if you don't act now, it could cost you even more money.'

Generally customers did not reflect too deeply on what the 'further action' mentioned in the shorter consequences wording could be. They felt this was enough to indicate that they would face a consequence for inaction and found this helpful to motivate them to respond.

"They are being quite strong in the first paragraph, they're being quite strong but then they're showing a little bit of empathy a bit further down the line, which is good, really. That's how it should be. All you remember when you read that letter is the empathy they're showing here, not that bit up there".

Customer in debt to HMRC ('Tactical choice'), confident managing tax affairs

Customers felt that specifying the consequences of not responding in more detail would be more suitable for customers who had not responded to any previous communications from HMRC. Customers also felt that the severity of the consequences would overpower the supportive tone of 'we are here to help' that came before it within the letter.

"If I was an innocent person receiving this letter, [if] I was abroad, then I would feel very much aggrieved. But at the same time, if someone is negligent, then it's only right that there should be a severe letter."

Customer in debt to HMRC ('Affordability'), lacks confidence managing tax affairs

More strongly-worded consequences appeared to counterbalance the effects of the supportive tone conveyed earlier in the message. This meant that customers generally reported feeling more supported after reading Letter Two A than Two B.

4.5.2 Consequences in Letter Three

Letter Three ('We are monitoring your response and if you don't pay or contact us within 7 days of the date of this letter we will treat this as a deliberate choice and take action to collect what you owe us') was again tested with different ways of setting out the consequences of not responding:

- **Shorter consequences (Letter Three A):** 'Pay now or contact us at 0300200[NUMBER] to stop us from taking further action'.
- **More detailed consequences (Letter Three B):** 'This may include taking money directly from your bank account and/or seizing your assets. Pay now or contact us at 0300200[NUMBER] to stop us from taking further action'.

Generally customers perceived the letter with the shorter consequences (Three A) to have a strong and assertive tone. However, they reported that including a telephone number would make customers feel supported and gave them confidence that they could resolve the issue to avoid facing further consequences.

"That's fair and probably honest... It's strong but it's just life."

Customer in debt to HMRC ('Uncertain or disorganised'), confident managing tax affairs

The more detailed wording (Letter Three B), in combination with the stronger tone used in the letter meant that customers viewed this letter as the most severe. They explained that the strength of the consequences and demanding tone of the message would make them feel

worried or assume that this was their final notice to pay. Whilst this would motivate all groups – including the ‘tactical choice’ customers - to respond promptly, it would also create negative feelings towards HMRC and/or increased feelings of anxiety for some customers particularly the ‘affordability’ customers.

“If I received this, I think I would ring up and immediately be on the back foot, and not be in a good place to start a negotiation.”

Customer in debt to HMRC (‘Tactical choice’), confident managing tax affairs

4.6 Encouraging customers to respond

How and when customers reported they would respond to the letters was strongly connected to the circumstances in which their debt arose.

Tactical choice customers: This group of customers reported they were only motivated to respond once they thought they had been given a final notice. This meant that letters with a stronger tone (for example Letter Three A and Three B) and more detailed consequences would prompt them to take action because they assumed it was their last chance to pay.

Customers acknowledged that the letters would need to communicate the consequences to them to motivate them to pay but also felt it was important to carry a supportive tone to avoid creating negative feelings towards HMRC. This meant they objected to Letter Three B, where a stronger tone message was combined with more detailed consequences, because they viewed this as too severe.

These customers felt that consequences would be more effective when framed as an incentive (for example to avoid further interest charges). They explained that this would motivate them to respond more quickly without negatively impacting their state of mind or feelings towards HMRC.

“I think that’s harsh, because if you’ve not got the money, you’re not deliberately not paying it... I would put something like, ‘We are here to get in touch to discuss any issues you may have.’”

Customer in debt to HMRC (‘Tactical choice’), confident managing tax affairs

‘Blip’ customers: These customers viewed their taxes as important and took pride in meeting their obligations as a taxpayer. They had no history of debt and spoke proudly about the processes they had established to ensure they paid on time. They would therefore be motivated to respond regardless of the content of the letters.

The message, tone and consequences had a clear effect on customers’ emotional state. They reported that letters with a stronger tone, or that assumed they had been intentionally

negligent, would negatively impact their frame of mind. These letters triggered a defensive reaction because 'blip' customers deemed this approach unfair, given their strong record of paying on time.

'Uncertain or disorganised customers': As with the 'blip' customers, these customers would be motivated to respond regardless of the content of the letter. They acknowledged that they had made a mistake and wanted to correct it as soon as they received the letter.

Letters that were perceived to use a stronger tone would make these customers feel more worried about the consequences of the mistake they had made. This would mean they were less confident about their ability to resolve the issue, which would have a negative impact on their state of mind when contacting HMRC. As such, they reported that too strong a tone in initial communications could deter them from responding quickly.

"When letters of this type come up, it's really your own failure, because, yes you have accountants that don't always do what they're supposed to do, but you have a lot of letters from HMRC telling you what you need to do. It's very much about self-discipline. So when these letters arrive, I see them first of all as my failure, rather than blaming the rest of the world for that."

Customer in debt to HMRC ('Uncertain/ disorganised'), lacks confidence with tax affairs

Affordability customers: This group of customers were most sensitive to the tone of the letter. Their financial situation would make them worry about the response they might receive once they contacted HMRC. This meant that they would be more motivated to respond to letters with a softer tone, particularly to Letter Two, because it made HMRC come across as supportive and approachable.

Letters with a stronger tone or with more detailed consequences created feelings of worry amongst this group. They reported this would make them feel less confident about responding to the letter and explaining their circumstances to HMRC.

Furthermore, letters that overlooked the fact that they may be facing financial difficulties or did not signpost sources of support made these customers feel alienated. This created feelings of embarrassment and again would make them feel less confident about speaking to HMRC.

"This one [Three B] is very daunting, it might be effective yeah, but if you didn't have the funds, this could really [negatively] affect you, whereas if you received [Two B], which is still abrupt, but from my experience, once you phone up HMRC they can be really helpful, so it's getting people to phone up which is important"

Customer in debt to HMRC ('Affordability'), confident managing tax affairs

“At times when I’ve been anxious about this, if I had received a supportive letter, then I would have called them and hoped they would’ve worked with me to find workable solutions.”

Customer in debt to HMRC (‘Affordability’ and ‘Tactical choice’), lacks confidence with tax affairs

4.7 Developing the letters

Whilst customers had differing needs from communications depending on their circumstances, there were some common themes in how they felt the letters could be developed:

- 1. Personalise the letters:** Customers felt that that if the letter was more personalised and contained more detail regarding their debt to HMRC, they might be encouraged to look for support online, rather than phoning HMRC.
- 2. Emphasise the support and information available to customers:** This would help customers – particularly ‘affordability’ customers – feel more confident about responding to the letter and therefore encourage them to contact HMRC sooner. Suggestions for how to offer this support included sign-posting to debt charities and adding direct links to information that can be found at GOV.UK.
- 3. Frame consequences as an incentive:** To use consequences as a way to motivate customers without negatively impacting their emotional state or feelings towards HMRC. Customers gave examples including using the possibility of incurring interest as an incentive by making paying sooner seem like a saving.

“Don't put the 'please pay' bit straightaway. I would like something like 'if you haven't paid, please just call this number...I want to know what my options were.’” **Customer in debt to HMRC (‘Uncertain/ disorganised’), lacks confidence with tax affairs**

4.8 Conclusions

The research found that the circumstances relating to how the debt arose strongly affected how and when customers responded to HMRC communications. Customers who fell into debt by mistake or who lacked the funds to pay reported being motivated to respond regardless of the content of the letter – but there was a group of customers who preferred to pay at their own convenience.

Overall, customers found the test letters to be concise and said that they clearly communicated why they were being contacted and what they needed to do in response. The key messages used in the test letters generated different emotional responses, which customers reported would affect their frame of mind when contacting HMRC. Where the letters had a supportive and empathic tone, customers reported that this would make HMRC seem approachable, which increased their confidence about making contact. Even those

within the 'tactical choice' group reported that more supportive messaging, balanced with clearly detailed consequences, might encourage them to respond, rather than wait until they received what they considered to be a final notice letter.

Letters with a stronger tone – such as Three A and Three B – and which customers felt implied that they had made a deliberate choice, would negatively impact on their frame of mind. This was the case even for those in the 'tactical choice' group who admitted to waiting until the last moment to pay. These letters triggered a defensive reaction amongst some customers who felt that they were being singled out or belittled. For customers who could not afford to pay, these letters would create feelings of worry – particularly where the more detailed consequences were included – which would make them less confident about calling HMRC to explain their circumstances.

Customers stressed the importance of a 'firm but fair' approach. This meant increasing the strength of the tone and consequences the longer it took the customer to respond, while also balancing this by ensuring that any letters signposted further support. This approach could help to ensure that any letters cater to the needs of the tactical choice customers - who reported they are only motivated to respond when they receive a 'final warning notice' – as well as to the needs of other customer groups who preferred a more supportive approach.

5. Appendix

5.1 Sample breakdown

The sample consisted of individuals with varying characteristics. A full breakdown of these is listed below, including the final numbers achieved.

Characteristic	Description	Let property	Debt management
Agent use	Yes (formal or informal)	8	13
	No	13	7
Length of time as a landlord or in Self Assessment	Less than two years	-	3
	More than two years	21	17
Confidence with managing tax affairs	Very/fairly confident	12	13
	Lack confidence/no confidence	9	7
Digital capability	Very/fairly confident	15	18
	Lack confidence/no confidence	6	2
Previous debt to HMRC	Yes	N/A	9
	No	N/A	11
Number of letters received about most recent HMRC debt	Two	N/A	11
	Three	N/A	9
Gender	Female	10	5
	Male	11	15
Age	25-39	-	4
	40-49	6	9
	50-59	7	6
	60 or over	8	1
Ethnicity	Asian or Asian British	3	4
	Black or black British	2	-
	White	16	16
Eye-tracking	Eye-tracking interviews	8	7 ⁸
Total		21	20

5.2 Eye-tracking findings

Fifteen interviews were conducted using eye-tracking technology. In these interviews, participants read the letters on a laptop, and a small bar sitting across the front of the laptop captured where their eyes were focusing. This was monitored by the Ipsos MORI researcher

⁸ Of which four participants had received two letters and three participants had received three letters regarding their most recent debt to HMRC.

conducting the interview (on a second laptop) and was also recorded for analytical purposes. Additional consent was sought from participants who took part in eye-tracking interviews.

5.3 Letters shown to let property income customers

5.3.1 Test letters shown to let property income customers: Letter A



HM Revenue
& Customs

[Contact name]
[Add 1]
[Add 2]
[Add 3]
[Town]
[Postcode]

PT Operations North East England
Self-Assessment
BX9 1AS
United Kingdom

Date 16 September 2019
Our Ref 1000001

Phone
Web

Dear [insert name],

We are writing to you as we have information that you are or have been a landlord who lets property in the UK or abroad and you may have to pay tax on this income. We are offering you a chance to bring your tax affairs up to date. To update your records you must **respond to this letter within 30 days**.

Within the next 30 days you must:

**Make a disclosure on www.gov.uk/let-property-campaign
(letter reference number: IFP2)**

If:

- You have been a landlord
- the expenses you're allowed are not greater than your rental income and therefore you have profit to pay tax on
- you've been making profits that need to be included on your tax return
- you don't already include the income on your tax return

AND either:

- you haven't previously told us about your rental income, or
- the right amount hasn't been declared

This disclosure will be treated as "prompted". If you do not respond by the deadline or do not declare or pay the right amount, you may face a higher penalty or criminal investigation.

If none of the above apply, you MUST still phone us on XXXXXX within the next 30 days to update your records.

If you have an agent acting for you, you may want to show them this letter. For more information on income when you let property, including allowable expenses go to www.gov.uk/let-property-campaign and select the option in 'Help and Advice'.

Yours sincerely

HM Revenue & Customs

5.3.2 Test letters shown to let property income customers: Letter B



[Contact name]
[Add 1]
[Add 2]
[Add 3]
[Town]
[Postcode]

PT Operations North East England
Self-Assessment
BX9 1AS
United Kingdom

Date 16 September 2019
Our Ref 1000001

Phone
Web

Dear [insert name],

We are writing to you as we have information that you are or have been a landlord who lets property in the UK or abroad and you may have to pay tax on this income. We are offering you a chance to bring your tax affairs up to date. To update your records you must **respond to this letter within 30 days**.

Within the next 30 days you must:

1: Phone us on XXXXXX

Do this if:

- You have never been a landlord
- the expenses you're allowed are greater than your rental income and therefore you have no profit to pay tax on
- you've only recently started to make profits that need to be included on your tax return
- you already include the income on your tax return

OR

2: Make a disclosure on www.gov.uk/let-property-campaign (letter reference number: IFP2)

Do this if none of the above applies and either:

- you haven't previously told us about your rental income
- the right amount hasn't been declared

This disclosure will be treated as "prompted" and may affect the penalty you will have to pay.

If you do not respond by the deadline or we find that you haven't declared or paid the right amount, you may have to pay a higher penalty or face criminal investigation.

If you have an agent acting for you, you may want to show them this letter.

For more information on income when you let property, including allowable expenses go to www.gov.uk/let-property-campaign and select the option in 'Help and Advice'

Yours sincerely

HM Revenue & Customs

5.3.3 Test letters shown to let property income customers: Letter C



HM Revenue
& Customs

[Contact name]
[Add 1]
[Add 2]
[Add 3]
[Town]
[Postcode]

PT Operations North East England
Self-Assessment
BX9 1AS
United Kingdom

Date 16 September 2019
Our Ref 1000001

Phone
Web

Dear [insert name],

We are writing to you as we have information that you are or have been a landlord who lets property in the UK or abroad and you may have to pay tax on this income. We are offering you a chance to bring your tax affairs up to date. To update your records you must **respond to this letter within 30 days**.

We will be monitoring your response to this letter. If we find you haven't declared the right amount of income or paid the right amount of tax, we will treat this as a deliberate choice, and you may have to pay a higher penalty or face criminal investigation.

Within the next 30 days you must:

**Make a disclosure on www.gov.uk/let-property-campaign
(letter reference number: IFP2)**

If:

- You have been a landlord
- the expenses you're allowed are not greater than your rental income and therefore you have profit to pay tax on
- you've been making profits that need to be included on your tax return
- you don't already include the income on your tax return

AND either:

- you haven't previously told us about your rental income, or
- the right amount hasn't been declared

This disclosure will be treated as "prompted".

If none of the above apply, you MUST phone us on XXXXXX within the next 30 days to update your records.

If you have an agent acting for you, you may want to show them this letter. For more information on income when you let property, including allowable expenses go to www.gov.uk/let-property-campaign and select the option in 'Help and Advice'

Yours sincerely

HM Revenue & Customs

5.3.4 Test letters shown to let property income customers: Letter D



HM Revenue
& Customs

[Contact name]
[Add 1]
[Add 2]
[Add 3]
[Town]
[Postcode]

PT Operations North East England
Self-Assessment
BX9 1AS
United Kingdom

Date 16 September 2019
Our Ref 1000001

Phone
Web

Dear [insert name],

We are writing to you as we have information that you are, or have been a landlord who lets property in the UK or abroad, and you may have to pay tax on this income.

We are offering to help you bring your tax affairs up to date so please contact us within 30 days. To update your affairs you must:

1: Phone us on XXXXXX within the next 30 days

Do this if:

- You have never been a landlord
- the expenses you're allowed are greater than your rental income and therefore you have no profit to pay tax on
- you've only recently started to make profits that need to be included on your tax return
- you already include the income on your tax return

OR

2: Make a disclosure on www.gov.uk/let-property-campaign (letter reference number: IFP2) within the next 30 days

Do this if none of the above applies and either:

- you haven't previously told us about your rental income
- the right amount hasn't been declared

This disclosure will be treated as "prompted" and may affect the penalty you will have to pay.

If you do not respond by the deadline or we find that you haven't declared or paid the right amount, you may have to pay a higher penalty or face criminal investigation. If you have an agent acting for you, you may want to show them this letter.

For more information on income when you let property, including allowable expenses go to www.gov.uk/let-property-campaign and select the option in 'Help and Advice'

Yours sincerely
HM Revenue & Customs

5.4 Letters shown to customers in debt to HMRC

5.4.1 Test letters shown to customers in debt to HMRC: Letter One



HM Revenue
& Customs

[CONTACT NAME]

[ADD 1]

[ADD 2]

[ADD 3]

[ADD 4]

[TOWN]

[POSTCODE]

Debt Management

Payment due

Please pay on receipt

Phone xxxx xxx xxxx

www.gov.uk

Date of issue 13 October 2017

Reference REFERENCE NUMBER

Dear Sir/Madam

Please pay £xxxxxx.xx

Our records show that you owe the above amount of Self Assessment. We will charge you interest daily until you pay in full. Please pay what you owe now.

For details of how to pay, go to www.hmrc.gov.uk/payinghmrc/selfassessment.htm

Nine out of ten people pay their tax on time. You are in the very small minority of people who have not paid us yet.

We'll be checking how long it takes you to respond to this letter. You must pay what you owe now to stop us taking further action.

If you have recently paid what you owe, thank you, you can ignore this letter. If you have an agent or representative, you may wish to show them this letter.

Yours faithfully

Officer of Revenue and Customs

5.4.2 Test letters shown to customers in debt to HMRC: Letter One B



HM Revenue
& Customs

[CONTACT NAME]
[ADD 1]
[ADD 2]
[ADD 3]
[ADD 4]
[TOWN]
[POSTCODE]

Debt Management

Payment due
Please pay on receipt

Phone xxxx xxx xxxx
www.gov.uk
Date of issue 13 October 2017
Reference REFERENCE NUMBER

Dear Sir/Madam

Please pay £xxxxx.xx

Our records show that you owe the above amount of Self Assessment.

For details of how to pay, go to www.hmrc.gov.uk/payinghmrc/selfassessment.htm

We know it's easy to forget, but please pay now to avoid any further interest charges on this amount.

If you have recently paid what you owe, thank you, you can ignore this letter. If you have an agent or representative, you may wish to show them this letter.

Yours faithfully

Officer of Revenue and Customs

5.4.3 Test letters shown to customers in debt to HMRC: Letter Two A



[CONTACT NAME]
[ADD 1]
[ADD 2]
[ADD 3]
[ADD 4]
[TOWN]
[POSTCODE]

Debt Management

Payment due
Please pay on receipt

Dear Sir/Madam

www.gov.uk
Date of issue 13 October 2017
Reference REFERENCE NUMBER

Please pay £xxxxxx.xx

Our records show that you haven't paid us the above amount, even though we've reminded you. As a result this amount includes the interest we've had to charge you to date for non payment. Please pay what you owe now.

For details of how to pay, go to www.hmrc.gov.uk/payinghmrc/selfassessment.htm

We are here to help. If you are unable to make this payment, please contact us straight away to speak to one of our dedicated advisors on <number>.

If you don't pay or contact us soon, we can take further action to collect what you owe.

If you have recently paid what you owe, thank you, you can ignore this letter. If you have an agent or representative, you may wish to show them this letter.

Yours faithfully

Officer of Revenue and Customs

5.4.4 Test letters shown to customers in debt to HMRC: Letter Two B



[CONTACT NAME]
[ADD 1]
[ADD 2]
[ADD 3]
[ADD 4]
[TOWN]
[POSTCODE]

Debt Management

Payment due
Please pay on receipt

Dear Sir/Madam

www.gov.uk
Date of issue 13 October 2017
Reference REFERENCE NUMBER

Please pay £xxxxxx.xx

Our records show that you haven't paid us the above amount, even though we've reminded you. As a result this amount includes the interest we've had to charge you to date for non payment. Please pay what you owe now.

For details of how to pay, go to www.hmrc.gov.uk/payinghmrc/selfassessment.htm

We are here to help. If you are unable to make this payment, please contact us straight away to speak to one of our dedicated advisors on <number>.

If you do not pay or contact us, we can take action to collect what you owe. This may include taking money directly from your bank or building society accounts, or take things you own and sell them at a public auction. We then charge you fees for doing this so if you don't act now, it could cost you even more money.

If you have recently paid what you owe, thank you, you can ignore this letter. If you have an agent or representative, you may wish to show them this letter.

Yours faithfully

Officer of Revenue and Customs

5.4.5 Test letters shown to customers in debt to HMRC: Letter Three A



[CONTACT NAME]
[ADD 1]
[ADD 2]
[ADD 3]
[ADD 4]
[TOWN]
[POSTCODE]

Debt Management

Payment due
Please pay on receipt

Dear Sir/Madam

www.gov.uk
Date of issue 13 October 2017
Reference REFERENCE NUMBER

Immediate payment required £xxxxxx.xx

We wrote to you recently about your overdue Self Assessment payment. This amount includes the interest we've had to charge you to date. Please pay what you owe now.

For details of how to pay, go to www.hmrc.gov.uk/payinghmrc/selfassessment.htm

We are monitoring your response and if you don't pay or contact us within 7 days of the date of this letter we will treat this as a deliberate choice and take action to collect what you owe us.

Pay now or contact us at <number> to stop us from taking further action.

If you have recently paid what you owe, thank you, you can ignore this letter. If you have an agent or representative, you may wish to show them this letter.

Yours faithfully

Officer of Revenue and Customs

5.4.6 Test letters shown to customers in debt to HMRC: Letter Three B



HM Revenue
& Customs

[CONTACT NAME]
[ADD 1]
[ADD 2]
[ADD 3]
[ADD 4]
[TOWN]
[POSTCODE]

Debt Management

Payment due
Please pay on receipt

www.gov.uk

Date of issue 13 October 2017
Reference REFERENCE NUMBER

Dear Sir/Madam

Immediate payment required £xxxxxx.xx

We wrote to you recently about your overdue Self Assessment payment. This amount includes the interest we've had to charge you to date. Please pay what you owe now.

For details of how to pay, go to www.hmrc.gov.uk/payinghmrc/selfassessment.htm

We are monitoring your response and if you don't pay or contact us within 7 days of the date of this letter we will treat this as a deliberate choice and take action to collect what you owe us. This may include taking money directly from your bank account and/or seizing your assets.

Pay now or contact us at <number> to stop us from taking further action.

If you have recently paid what you owe, thank you, you can ignore this letter. If you have an agent or representative, you may wish to show them this letter.

Yours faithfully

Officer of Revenue and Customs