



HM Revenue  
& Customs

***Research report***

# Exploring Digital Customer Services

Digital Self Assessment Customer Research

**Prepared by TNS-BMRB for Her Majesty's Revenue and  
Customs**

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Behavioural Evidence & Insight Team

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**Exploring Digital Customer Services*****About PT Change***

PT Change is a “Directorate” within HMRC’s Personal Tax (PT) line of business and is principally concerned with overseeing and bringing together for PT a Portfolio of Programmes which will help transform HMRC business, led by customer understanding.

The PT Change Portfolio will deliver all the changes to processes, structure and systems needed to deliver better services to our customers and enable savings from within PT.

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## Exploring Digital Customer Services

### *Research requirement*

In 2010, following a report from the UK Digital Champion, the Government announced its 'Digital by Default' strategy whereby as many services as possible are moved online and designed to be so straightforward that those who can access them will choose to do so, while those who cannot are offered alternatives so that they are not excluded. This multi-stranded research programme explored how HMRC's customers are likely to respond to digital services and why, and to understand their needs so that services can be designed to be as effective as possible.

This report focuses on 'Digital Self Assessment', whereby Self Assessment (SA) customers will be able to opt in to receiving communications digitally rather than on paper. Qualitative and quantitative research examined SA customers' reactions to the concept, how many are likely to opt in, and what HMRC can do to maximise these numbers.

### *When the research took place*

Qualitative fieldwork took place in October and November 2013, with analysis and reporting in November and December 2013. Quantitative fieldwork ran from 3 - 13 February 2014, with analysis and reporting in February and March.

### *Who did the work*

The research was conducted by TNS BMRB.

### *Method, Data and Tools used, Sample*

The **qualitative research** comprised 28 depth interviews and 2 group discussions with HMRC SA customers, and 10 depth interviews with tax agents completing online returns on behalf of SA customers. Fieldwork took place in Belfast, Birmingham, Cardiff, Glasgow, London, Newcastle, and Manchester.

SA customers for qualitative depth interviews and groups were recruited to quotas for age, head of duty (i.e. SA only, SA and PAYE), working experience, SA experience, online confidence and level of contact with HMRC. Tax agents were recruited by age, size and turnover of organisation, number of clients, and number of years in business.

The **survey** was conducted using computer assisted web interviewing (CAWI) among members of an existing online panel. Members of the panel were contacted via email and invited to participate in the 10 minute online survey.

The target audience for the survey comprised SA customers who filed their SA return themselves, so to aid recruitment, when compared to the population a higher proportion of older people (45+), self employed and those in higher socio-economic groups (ABC1) were

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invited to participate. These were the groups known to have a higher incidence of SA customers.

A quota was placed on paper filers, so the final achieved sample of 752 customers included 701 who submitted their SA return online and 51 who completed their return on paper.

Weighting was applied to the dataset at the overall level, which is to say for weighting purposes included SA customers who were ineligible to take part in the survey as someone else filed their return on their behalf, or the paper filer quota had been filled. This meant that the final dataset used for analysis was representative of the targeted subset of the SA customer population.

### *Main Findings*

#### **Current behaviour**

##### Individuals' filing and use of agents

More than half (56%) of those who file an SA return complete and submit it themselves, and a further 14% submit their own return but receive help to complete it. Self-sufficient SA filers were more likely to be male (58%), while those requiring some help tend to be female (19%) and aged between 16 and 44 years old (22%). The remaining SA filers (30%) ask someone else to complete and submit their return on their behalf, and this group were more likely to be aged 55 and over (37%).

Support to complete an SA return is sought equally from a friend or relative (50% of those requiring help to complete) and an accountant or tax agent (45%). A quarter of those who receive no help with their return help someone else with theirs. Help is most often given in the form of answers to queries or further explanation of what is required (60%) and entering data into the tax return itself (53%).

Most individuals who file their own tax returns do so towards the end of the permitted period – in December or January. Reasons for not doing it earlier include inertia and a lack of urgency; an expectation of burden (even in simple cases); and waiting for financial statements and other documents needed to complete a return. The main trigger for filing at this relatively late stage is awareness of the approaching 31<sup>st</sup> January deadline, which is often prompted by HMRC advertising but also by habit or experience, and by other people talking about it. Those who file before December tend to do so because they receive something that brings tax to the top of their mind – either a financial document or a related communication from HMRC such as a Statement or request for payment. Few, therefore, are prompted to file by a direct communication from HMRC that reminds them to do so.

Individuals use agents for a variety of reasons, but generally because their situation and/or self-confidence means that they face high levels of burden and/or concern at some point in the SA filing process.

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Such individuals include:

- Those with complex tax situations, who feel they were bad at or don't like administrative tasks, and/or who feel they have limited time to spend on preparing and filing their returns – they anticipate that completing a return would take some time, and want to avoid this
- Those with lower levels of knowledge and understanding about Self Assessment and tax, and/or a fear of tax/accounts/HMRC – they expect that it would take them a long time to fill in the form, are concerned at HMRC's response to mistakes, and/or do not want to risk not maximising opportunities; they want reassurance that their return will be correct and/or that all allowances have been claimed
- Those with lower levels of confidence online – they are worried about the perceived 'finality' of online forms once these have been filled in or a button has been pressed, and want someone else to file for them
- Those who assume that using an agent is the norm – they use one without thinking that they could do a return themselves, or as a 'bolt on' to other services offered

In addition to burden/concern at specific stages of the journey, most of those who prefer to use an agent also want to minimise communications from, and interactions with, HMRC. Individuals who use an agent were generally encouraged to provide the information needed to file their return before December, as agents sought to avoid a crush of submissions at the end of the permitted period.

#### Agents' roles

Formal agents see a dual role for themselves: 'representing' HMRC; and providing a fast, accurate, client-focussed service. All were clear that clients would always go to them first with any query about SA – rather than to HMRC – and saw this as part of the service they provided. Clients would generally contact them if they received anything from HMRC, or if they needed reassurance that something had been done.

Agents feel they needed to maintain a professional reputation for accuracy and speed of response, and a long-term relationship with their clients as the 'gatekeeper' to HMRC. This means they feel they need to know about everything that requires action as soon as it arises, so they can be pro-active. Agents were well aware of the SA submission deadlines, and worked out their clients' liabilities – they did not feel they needed notifications, reminders or statements from HMRC. But on receiving an error notification or query from HMRC, they want to act swiftly to resolve the problem or question quickly – ideally before the client contacts them to ask about it. As such, they have particular needs from HMRC – ad hoc, urgent communications that require action, rather than routine communications.

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#### Use of communications from HMRC

Most non-represented individuals ignore routine communications on SA from HMRC. Most recalled receiving the April notice and December reminder; they scan/read these then throw them away without acting on them because they see no need to do anything immediately, they anticipate burden, and/or they know something else will trigger them in time. A few (especially older) leave them out in plain sight to remind them to file.

Similarly, many individuals recalled receiving SA statements, but most of these respondents filed them away without paying much attention to them – largely because they already knew what their situation was from filing online. Some pay by post using the enclosed payslip, and therefore pay more attention to them; for a few others, receiving the statement is a prompt to file next year's return.

Few individuals in the qualitative research had received communications outside this routine cycle (e.g. penalty notices, queries), but those who had recognised that HMRC has authority and acted on them immediately. There was a general sense that filing late and being penalised for it once would encourage prompter filing next time. In the quantitative research, around one in five individuals (18%) had in the last five years either filed their return late at least once (8%) or had received a query from HMRC upon submission (12%). Non-compliance was higher among men (22% had experienced either situation).

In sum, letters from HMRC are almost always opened and scanned/read – the 'brown HMRC envelope' is highly recognisable to all – but in terms of actions taken, and thus the impact of reading them, there is a big difference between letters which are generic and routine, and those which are personalised and urgent.

Individuals who use agents also tend to ignore routine communications on the (generally safe) assumption that the agent already knew about them, and would do what was necessary. Some recalled the April notice (most were prompted by agent to file before December) but few acted on it, instead assuming that the agent would take the lead. All other communications are referred to the agent for advice or action. Informal agents only receive what their 'clients' send to them or show them. They tend to be familiar with routine communications – most present or mentioned in the qualitative research were accountants or individuals who filed themselves – and they would act or advise on those communications they saw.

Formal agents reported some inconsistency in what they received: some receive copies of routine communications, but in many cases these go to the client only; likewise most receive copies of error/penalty notices but in some cases these go to the client only and the agent does not receive copy. Missing routine communications was not really a problem for agents as none were prompted to act by them. But all agents wanted copies of all communications that required action, particularly error notifications, so they could provide a proactive service to their clients, so missing copies of these did matter to them.

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For their part, represented individuals tended to want to pass responsibility for dealing with non-routine communications to their agents; but since agents were not always receiving copies themselves, they retained some responsibility to act, even if they did not want this.

### Experiences of the current online filing process

Views of the current process varied considerably: overall most individuals in the qualitative research were content, but some found it difficult. Those who were negative about it tended to have an agent or to have recently moved from paper: they felt the overall SA process is complex and the online form too generic; they found irrelevant elements confusing and the HMRC website hard to navigate; and they felt responses to queries had been slow. Communications from HMRC were thought jargonistic and/or unsympathetic: some called for more personalised/tailored communications; others preferred not to have routine reminders.

However, a greater number of individuals found the online filing process relatively easy, liked the fact that they could find out what they owed immediately and that there was no paper involved, and felt it was relatively easy to obtain help/guidance. Many expected a lack of personalisation in communications unless there was a real need for it, and had grown familiar with the language and tone. These individuals tended to be more experienced and confident online filers who had had a chance to 'learn' the system and get used to communications, and/or those with simple situations that were easy to understand and deal with; but they were the majority in this sample.

Individuals and agents suggested various improvements to the current online SA process. Those relating to communications included: shorter, clearer communications using 'plain language' and 'layman's terms'; stopping routine reminders altogether or moving them to digital; and shifting wholesale to email communications – both from and to HMRC. These and other suggestions (which were made before the idea of Digital SA was raised) indicated that individuals and agents have a desire for digital communications, and for other benefits around flexibility, personalisation and support that could be realised through digital processes. Many also expressed a desire for features that would offer these same benefits once Digital SA was introduced.

## **Response to the Digital SA concept**

### Unrepresented individuals

Most individuals in the qualitative research were familiar and comfortable with online communications in a variety of contexts. Almost all had opted to receive digital communications from other sources; the most common were banks, mobile providers and utility providers. Factors behind a decision to move online included:

- simply being asked by the service provider;
- the environmental benefits of going paperless;
- trust in the organisation in question;
- confidence in the security and reliability of online systems;
- convenience and the benefits of having everything in one place;

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- whether communications required a response or were for information only;
- the feeling that ‘this is the way things are going nowadays’;
- the fact that financial incentives were offered.

Those using other online communications were generally happy with them. But it is important to note that most of these services were essentially ‘information only’ – e.g. bills were covered by Direct Debit, which meant that they did not require an active response.

The qualitative research showed that the same factors will apply to decisions to opt in to digital communications from HMRC, but that responses to these factors are likely to be less straightforward. Overall, responses to the first three factors outlined above were universally positive, but the other factors were divisive, with some individuals seeing positives in them while others saw negatives. The fact that there is no overt financial incentive for moving to digital was also noted by many.

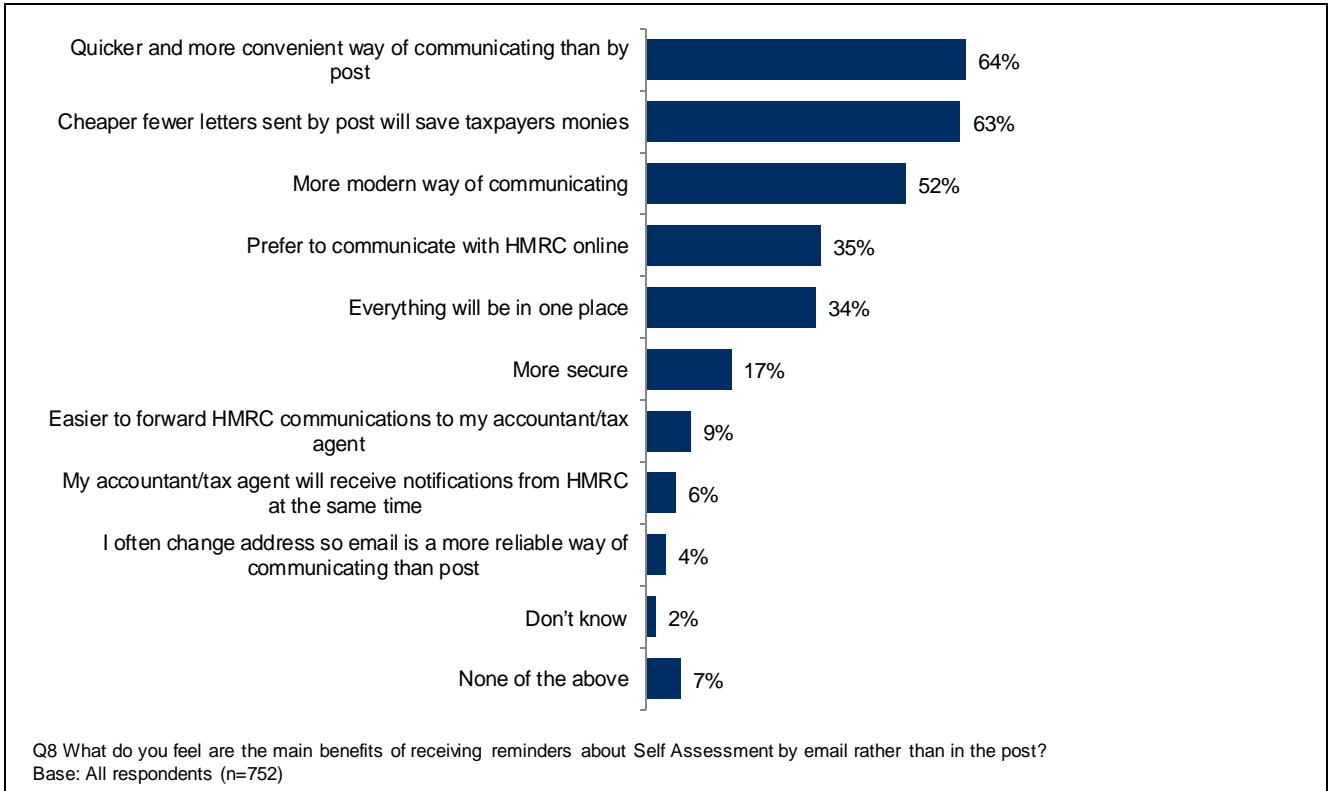
The quantitative research explored potential benefits and downsides of digital communication, on the basis of what was learned in the qualitative work. Figure 1 shows the range of perceived benefits. Among the most frequently recognised was that it is a quicker and more convenient way of communicating when compared to traditional postal methods (64%). While many customers noted there was no personal financial incentive to sign up, 63% felt email reminders would ultimately save taxpayers money. Just over half (52%) saw it as a more modern way of communicating, and for just over a third (34%) online would be their preferred channel of communicating with HMRC.

Mentioned less frequently, perhaps reflecting the more divisive nature of the ‘benefit’, were the convenience of having everything in one place (34%) and confidence in the security and reliability of online systems (17%). Only 7% could see no benefits at all, but this was higher for those who file on paper (18%).



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**Figure 1. Perceived benefits of receiving a Self Assessment email reminder**

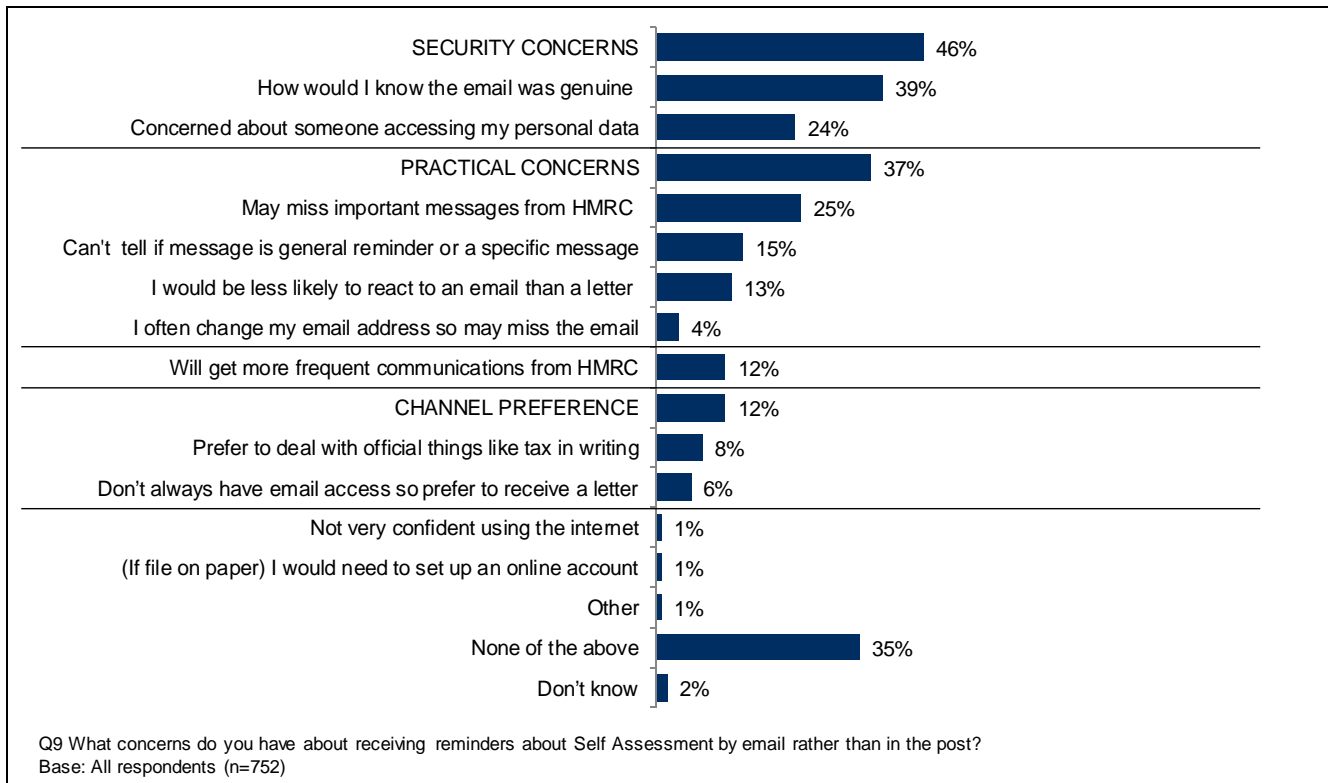


The key differences between digital communications from HMRC and other organisations were that transactions with HMRC involve a higher level of personal information, and that some communications from HMRC need an urgent response. Most concerns therefore revolved around the security of online systems, and the ‘stand-out’ impact of email vs paper.

Figure 2 quantifies the perceived downsides of email communication. Slightly fewer than half (46%) cited a concern over security, while 37% had a practical concern.

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Figure 2. Concerns over receiving a Self Assessment email reminder



In terms of security, the main concern was around email scams. There was widespread awareness in the qualitative research that scam emails include a link to a fake website or requests for personal information, and that HMRC does not currently send out emails. The main fear was therefore about falling for a scam email and becoming a victim of fraud, which was seen as an active mistake with limited recourse. To mitigate this risk, individuals felt they needed to recognise emails when they received them, and to be confident they were from HMRC.

A lesser concern was around the risk of IT experts ‘hacking’ into online systems to access personal information, and the expectation that HMRC would be holding a wealth of sensitive information that would permit identity theft or other types of fraud. However, being hacked seen as something the service provider should offer protection against; most trusted HMRC to be secure and assumed that HMRC knows about risks and will take these very seriously. In general, good experiences with the security of and secure message systems used by online banking services gave confidence to many; but some remained unconvinced.

A second set of concerns identified in the qualitative research and shown to be significant in the quantitative work regarded practicalities and the expected impact and visibility of emails vs paper communications. As noted above, HMRC brown envelopes were well known and taken seriously – letters were opened, even if they were not acted upon. There was a

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widespread view that HMRC emails will look similar to other emails and will not have the same impact. In light of this, a number of individuals – especially non-office workers and others who did not routinely check their email – worried that they would not see an HMRC email when it came in. Others who received large numbers of emails but did not process them routinely worried that HMRC emails would be lost amongst all the others. Similarly, some (especially those who left letters out as a reminder to act) felt that emails are likely to be forgotten if not acted on immediately. Finally, an assumption that emails would only be used for routine, non-urgent communications led to concerns that they would be taken less seriously even if they are legally binding

These practical concerns were expressed by a wide variety of individuals, although the risk of missing an email was more common than email lacking impact. Offering a 'trial' with an option to go back to paper, and the thought that in most cases missing an email would not matter as the message would not require an urgent response, reassured many.

### Represented individuals

Individuals with formal agents tended to express similar views as other individuals, but there may be extra barriers. All in the qualitative sample said they would be happy in principle to receive communications digitally rather than on paper. Many who used an agent were not of the types to be concerned about digital communications; some said it would be easier to forward a letter by email to their agent than to send it by post (9% of SA filers overall mentioned this as a benefit).

However, there were two additional potential barriers that existed for formally represented individuals, which may be significant:

- It is likely that many will not be registered with the HMRC online SA system (if they have not filed themselves); they will need to register in order to access online messages, and it was not clear from this research whether they would make the effort to do this. *(In the quantitative research, of those who did not complete their tax return themselves, half were registered for online service in their own right. But it must be borne in mind that this is likely to be an overestimate, as the survey was done using an online panel, so it could be reasonably assumed that the quantitative sample has naturally higher levels of online engagement.)*

Since one of the reasons for using a formal agent is to avoid dealing with HMRC, it is possible that some of these individuals will not want to go to additional effort to access communications (i.e. logging in vs receiving through the post). This also poses a risk for individuals who do opt in (covered below).

### **Views of the opt-in and notification processes**

SA customers in the quantitative research were shown a mock-up of a potential opt-in screen for the Digital SA service. On the basis of this screen, only 46% recognised that the main purpose was to get them to sign up to the reminders. Among the range of other purposes

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mentioned were: it was designed to tell them their return was due (19%) and to persuade them to complete their SA return online (16%).

No specific areas of the opt-in screen caused any difficulty when asked of customers directly, but there was evidence to suggest that the title "Sign up for Self Assessment email reminders" did not register cognitively or was not read as, (as mentioned) only 46% thought this was the main purpose of the communication.

Problems with the opt-in screen would inevitably generate inbound contact for HMRC as customers seek to resolve them. If they had a problem, half of SA filers said they would visit the HMRC website in the first instance to try to find a solution, but three in ten (30%) would instead telephone HMRC.

Few individuals in the qualitative research felt they needed to know about Digital SA in advance in order to decide whether or not to opt in, but many felt being told in advance and then 'recognising' the opt-in screen when it appeared would give them confidence against scams. On this basis, there was a general preference for a notice that Digital SA is coming in the April notification letter that precedes its launch.

All agents were happy with the idea of asking clients if they wanted to opt in, and collecting email addresses if they do; none anticipated any negative impact on client relationships. Most felt that written permission from clients will be required before sending their contact details to HMRC; they felt this would be easy for new clients, but some (especially larger agents) expected there to be an admin burden for existing clients, although burden did not seem to be sufficient to deter them from asking their clients. Most agents therefore wanted advance warning of the launch of Digital SA so they could plan the permissions exercise and spread it out rather than leaving it to last minute when clients send their SA information.

Some individuals cautioned against making it 'too easy' to opt out, seeing a risk that a simple click to opt out vs the need to enter an email address to opt in may drive some to opt out if they are focussed on filing and just want to 'get on with it'.

Most individuals wanted email to be the standard method of contact; some wanted SMS offered as an additional option to flag up an email, with 93% expressing preference for an email reminder either on its own (72%) or accompanied by an SMS (21%). All in the qualitative sample were happy to give HMRC their email address (many assumed HMRC already has it), and many, especially younger, saw benefits as their email address would remain more constant than their home address.

Most wanted to receive routine, non-personalised messages in the email itself: few had security concerns around the content of these messages; and they currently paid little attention to these communications and did not want to go to the extra effort of accessing them via the secure portal. However, all wanted to be notified about non-routine, personalised messages by an email without a link (as this is how scams tend to work) and to retrieve the

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document itself from the secure portal. Many called for something identical to the secure message systems banks use. Some (especially non-office based and younger) also wanted an SMS to 'flag' the email – a back-up rather than the sole notification channel.

### Likelihood of opting in

Three in ten individuals (30%) said they would definitely sign up to email reminders, on the basis of information given on the mocked-up opt-in screen, which would leave the majority needing some persuasion. Two thirds of SA customers (66%) said they definitely or would be fairly likely to sign up. At the opposite end of the scale 15% said they would be unlikely to sign up, which included 4% who said they definitely would not. The unlikely to sign up group were more likely to be paper filers (38%) and be aged 55 or over (18%). Of the 42 online filers involved in the qualitative research, 2 were clear that they would not opt in – others ranged in attitude from enthusiasm to willingness to 'give it a go'. But it must be noted that those in the qualitative research were inevitably much more immersed in the subject than the average customer would be.

Take-up is likely to be maximised if HMRC gives implicit (through the way the system works) and explicit (through information) reassurance about security, and there is an option to opt out if messages are being missed and/or receive paper copies of urgent letters. However, there are likely to be some individuals with specific concerns other than security and practicality which will more challenging to mitigate and which are likely to deter them from opting in.

In the quantitative research, for those who did not say they would definitely sign up and thus would require more of a push, no one action HMRC could take stood out as being more effective than the others at increasing take up. Three quarters (76%) could be encouraged by the option to opt out at any time, while slightly fewer could be encouraged by more detail about the security protocols HMRC has in place (63%) or by receiving a further reminder if they had not logged in to their account within two weeks (60%).

Upon taking action to encourage customers to sign up, the likelihood of sign up increases slightly, with 37% definitely likely and a further 37% fairly likely. The proportion unlikely to sign up falls from 15% to 9%.

### Potential impact of opting in

#### Individuals

Moving communications online seems unlikely to have much impact on the timing or process of filing for those individuals who file on time anyway and thus only receive routine communications. However, it may have an impact on late filers and those who need to take urgent action, who receive communications 'outside' the normal routine.

Paper notifications and reminders from HMRC play little if any role in triggering individuals to file before the deadline, so moving these communications online is unlikely to make any difference to when or whether they file. Similarly, most individuals find out what they owe at

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submission, not from the statement: on this basis some will download the digital Statement in order to file it, and others will leave it in the online 'vault' without looking at it, but either way it seems unlikely that moving the statement online will make any difference to their awareness of how much they owe. However, receiving a paper statement does remind some that payment on the previous year needs to be made, so where such individuals do not check emails regularly, there is a risk that they will not be alerted as effectively as at present.

Paper communications do trigger some who file their return after January 31<sup>st</sup>, and since email is likely to lack impact for some there is a risk that these individuals will not be alerted as effectively as at present. Similarly, questions from HMRC which need to be answered within 28 days could be unexpected, and may be missed if the individual does not check emails regularly. Email notifications may not make the importance of a penalty notice clear, especially for those who expect to receive such communications on paper, so again these could be missed if they are unexpected. Largely as a result of these thoughts, many expected HMRC to be able to see whether urgent messages have been accessed, and to follow up with paper if they have not.

A third of SA filers (34%) are concerned about receiving at least one specific type of email communication, with SA statements (21%) and penalty notices (21%) most frequently mentioned. Four in ten (40%) of those unlikely to opt in to reminders have a concern over at least one type of communication, as do those who have filed late or have received a query about their submission in the last five years (43%).

#### Represented individuals and agents

Moving to digital communications is likely to benefit both agents and their clients when urgent action is needed, provided agents are pro-active and roles/responsibilities are agreed.

Individuals who use agents will know that their agents will see urgent communications immediately; and are likely to expect their agents to act on their behalf straight away. They also typically want to minimise their involvement with HMRC; together with the assumption of the above this may make them less likely to log in when they receive a notification email. As with unrepresented individuals, this seems unlikely to make any difference to those who file in time and without raising queries. However, these individuals may be more reliant on agents to react to non-routine communications. Agents have a professional interest in doing this, but individuals have the legal responsibility – they are at risk if the agent does not act for any reason.

Agents, for their part, want to respond pro-actively to any urgent communications to provide a good service to their clients. They do not always receive paper copies, so have to react when clients forward these. Digital communications would ensure they see what their client sees, and can be pro-active. However, this also carries a risk for them: if clients know their agents see all their communications in real time, they may have raised expectations of a more pro-active service which agents need to deliver against reliably if their client relationships and reputation are to be preserved.