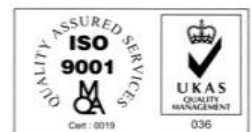


Rules-based service

Customer understanding and effectiveness

HMRC Research Report 229



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Published by HM Revenue and Customs, January 2013

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Executive summary

Background and methods

Tax Credits provide financial support to 6.4 million households in the UK. The amount households receive is based on several factors including income, number of dependent children and the claimant's personal circumstances. To ensure that households receive the correct amount of tax credits it is important that information is accurate and up to date. HM Revenue and Customs, who administer tax credits, have targets for ensuring accuracy and reducing error and fraud. To this end HMRC piloted a new Rules Based Service (RBS) childcare process. RBS is an interactive IT system which enables tax credit advisers to perform automated calculations by accessing relevant customer information. This report describes the findings of qualitative research examining the pilot version of the rules based childcare process, which has since been rolled out fully.

The RBS childcare process is an end to end process which presents HMRC tax credits advisors with a series of screens that include information for customers and questions to ask. Call handlers are able to rephrase questions if customers have difficulty understanding. They are also able to adopt a more conversational tone. The underlying rules-based IT system is very complex and comprises a large number of scenarios. This research focussed on: making a claim for the childcare element of working tax credits; adding a childcare provider; and calculating customers' average childcare costs. The overall aims of this research were twofold:

- To test key elements of the RBS childcare process using cognitive testing methods, for customer comprehension and effectiveness in capturing all the required information. Elements of the childcare process were selected which were likely to be used most often and where the risk and impact of error was judged to be highest, specifically making a claim for the childcare element for the first time, adding a childcare provider and the process for calculating average weekly childcare costs; and
- To explore customers' views about reporting changes in circumstances, and their ability to accurately provide the required information such as income and childcare charges.

The research was undertaken with new (less than one year) and longer term (more than one year) customers receiving the childcare element of working tax credits with either a low or high tax credits award. A 'mock' call approach was used to simulate the customer contacting the HMRC tax credits helpline, which was observed by another researcher. This was coupled with a qualitative interview that explored comprehension of the rules-based service. Fieldwork was undertaken during March to April 2012.

Customer understanding of tax credits

Customers were generally aware that their tax credit awards were based on income, household, working status and childcare costs. However, they were unclear how information related to different elements and were not confident predicting how changes to each would affect their award.

The importance of providing accurate information was well understood, although providing an estimated start date for childcare costs was considered acceptable. Customers believed that the impact on their working tax credit childcare award would be limited when compared to providing incorrect childcare costs or income information. The obligation to report a change of circumstance was also well known and customers were aware that failure to do so could result in an overpayment which they would need to repay. Across the sample, changes to income and childcare costs were top of mind. Changes to working hours, returning to work after maternity leave and a change of address were also raised without prompt. However, less experienced customers were less likely to discuss changes to personal circumstances unless prompted.

There was a lack of clarity regarding certain aspects of reporting a change of circumstances including:

- Reporting future changes - customers had on occasions been told by tax credit advisers that they should not report changes until their new costs had started¹;
- Reporting a small change in childcare costs – some customers incorrectly believed that their award would be affected if their costs changed by less than £10 per week, often resulting in over-cautious

¹ When the change can be reported depends on the type of change. HMRC asks customers to tell the Tax Credit Office about childcare related changes within a month after the change and no more than seven days before.

behaviour of reporting every change in circumstance. Customers with a new claim thought that 'report all changes' and 'do not report changes of less than £10 a week' messages were contradictory;

- Reporting a change in income – similarly, income increases of any size were usually reported. Customers were concerned about receiving an over payment and did not always know that it was only necessary to report changes of more than £10,000 per year. Those struggling to pay for childcare were particularly worried about their award being reduced and occasionally delayed reporting small income increases, despite their concerns about overpayments.

Customer comprehension of the rules-based childcare processes

Overall, the questions and statements used in the rules based childcare process were considered to be straightforward, easy to follow, readily understood and to have the right neutral tone. However, there were some phrases that were repeatedly found to be less easily understood.

Customers were generally confident that they had provided the correct information, although comprehension was not uniform across the sample of customers, with varying consequences:

- Customers who were **not confident** dealing with HMRC were reluctant to ask for clarification and consequently gave an incorrect response. During the mock call, these individuals were incorrectly routed through the system and were either unable to provide all the necessary information or the mock call was terminated;
- Very experienced tax credit customers could pre-empt the information they would be asked to provide, sometimes mis-interpreting questions and they either provided too much information or provided information before it was asked for;
- Customers who spoke English as a second language experienced the greatest difficulty.

Three phrases were not readily understood:

- Do you pay some or all of the costs out of your own pocket?

This phrase had a mixed response, with some customers recognising that there were excluded situations when the cost of childcare would not be covered by HMRC; for others, both the phrase and its intent were unclear. The difficulty arose because there was confusion about what was, and was not, considered to be 'out of your own pocket', especially as some received help from family or a former partner or used their combined working and child tax credits to pay for childcare in full.

An alternative suggested by customers might be: *'To get help with your childcare you must pay some or all of the costs yourself. Do you pay some of your childcare costs using your money?'*

- Did you include this change when you originally worked out your average childcare costs?

This question is intended to prevent customers reporting the same change twice, such as reporting holiday arrangements at the start of a school term and then reporting them again at the start of the school holidays. Many changes however were considered to be unpredictable and customers also believed that HMRC would not record changes in advance. As such, customers questioned the purpose of the question. In addition, difficulties focused on the word 'originally', which for customers with longer term claims could refer to when they first made a claim for tax credits which could have been several years ago.

A suggested alternative might be: *'Have you already told us about this change to your childcare costs and did you tell us how much the cost would be?'*

- Do you want to continue?

During the mock call recipients were given educational information. They are then required to confirm that they wanted to continue with their claim. The purpose of this question was not clear to recipients who said they answered 'yes' because they did not want the call to be terminated.

A suggested alternative might be: *'Do you want to continue with your application on the basis of the information I just gave you?'*

Effectiveness of the rules-based childcare process to encourage customers to provide accurate information

Following the mock call exercise, customers were asked to describe their childcare arrangements in full. Although errors were uncommon, there were two areas where errors arose:

1. They reported term time costs as though these continued throughout the year; and
2. They failed, or chose not, to report short term, or one-off, costs.

Childcare arrangements can be complicated, especially around the transition from term-time to school holidays. During the mock call, customers were only asked about holiday and one-off costs if they confirmed that their costs fluctuated. However, when asked about fluctuating costs customers tended to think only about their term time costs rather than their costs across the year. As such they suggested that it would be helpful to probe on holiday arrangements and short term costs to ensure that these are not forgotten or under-reported by customers.

The educational and deterrent effects of the rules-based childcare process

The rules-based childcare process contains a number of statements that are designed to educate the customer and to encourage them to provide accurate information and thereby minimise error and fraud and reduce unnecessary contact with the HMRC call centre. These include: that HMRC cover up to 70% of childcare costs; that changes in childcare costs of less than £10 a week do not have to be reported; and that HMRC checks childcare costs with providers.

Depending on the environment in which the customer was answering the rules-based questions and their overall level of engagement with the tax credits process, customers varied in the amount they learned from the educational statements.

Customers with a low award were generally aware that HMRC did not pay for their childcare in full but they did not always hear the phrase 'up to' and consequently questioned why their award was lower than 70%. Customers who paid for the childcare in full, using a high childcare award, combined with their child and working tax credits, could be confused by this phrase because in their mind HMRC covered 100% of their costs.

Customers thought that 'do not report changes in childcare costs of less than £10 per week' was contradictory to the overall 'report all changes' message with which they were familiar. They were more likely to err on the side of caution and report all changes.

Customers who had been claiming tax credits for more than one year generally accepted HMRC's calculation of the tax credit award over the phone; they did not feel they could challenge HMRC until they received the award notification letter and they would only challenge HMRC then if the award had changed significantly more than expected. By contrast, new customers were more likely to be engaged with the process and be willing to challenge the award amount but thought that HMRC could encourage customers to note down key pieces of information at the time of the call.

Customers were aware that HMRC may check with their childcare providers. Overall, they were positive about this and felt that it could pick up cases of error and fraud but thought that it would not deter the determined fraudster.

Conclusions

Understanding of Tax Credits: Award calculations were considered too complicated for customers to understand; they did not feel able to spot errors or prevent overpayments, relying heavily on HMRC to get it right.

Comprehension: Whilst comprehension was generally good, those who struggled also lacked the confidence to ask for clarification. Call handlers may need to be sensitive to this and customers felt it would be useful if advisers checked understanding with less confident customers.

Effectiveness: The childcare cost calculator worked well, although parents with school aged children sometimes forgot that their costs would

fluctuate and suggested that tax credit advisers could prompt them by asking directly about holiday arrangements.

Decision making: Customers were careful to provide the correct information and used childcare contracts to check. They could be overcautious, for example by not reporting small changes in costs, rather than risk an overpayment.

Education and deterrent effects: Customers expected HMRC to promote accuracy in all contacts as this was important to reduce fraud and minimise unintentional error. However, only customers who were engaged listened to information given during the mock call, others thought it was generic and therefore they tended to switch off

1. Introduction

1.1 Background

With approximately 6.4 million families receiving tax credits in 2011², financial support is provided to customers in the form of the Child Tax Credit (CTC) and Working Tax Credit (WTC). The flexibility of the system was designed to enable the delivery of tailored support to address the needs of a specific family at a particular point in time. Entitlements are directly linked to factors within a household, such as earnings and the number of children, and any change in circumstance would lead to a change in entitlement.

A downside of the flexible approach is the potential for tax credits to be overpaid or underpaid due to: misunderstanding/error on required information; lack of awareness about what constitutes relevant changes; or failing to inform HMRC about changed circumstances³.

In 2009/10, it was estimated that there were 1.3 million tax credit payment errors favouring customers, and 510,000 which favoured HMRC.⁴ However, tax credits tend to be under claimed with child tax credit claimed by 81% of those eligible whilst the take up rate for working tax credit is only 61%.⁵

Most contact about tax credits happens by telephone, and therefore it is important that the systems used by tax credit advisors are effective in enabling HMRC to capture all the information required. In an effort to improve customer experience, reduce fraud and error, and provide an effective, responsive service, the tax credit helpline now uses a system linked to an interactive IT system - The Rules Based Service (RBS). This system enables advisers to perform automated calculations using customer data provided; suggests useful questions based on customers' circumstances; and increases accessibility to relevant customer information. This helps to identify errors and educate customers about their responsibility to report changes in circumstance that may impact on entitlements.

² <http://www.hmrc.gov.uk/stats/personal-tax-credits/cwtc-apr11.pdf>

³ <http://www.hmrc.gov.uk/research/report149.pdf>

⁴ <http://www.hmrc.gov.uk/stats/personal-tax-credits/cwtcredits-error0910.pdf>

⁵ <http://www.hmrc.gov.uk/stats/personal-tax-credits/cwtc-take-up-09-10.pdf>

This research tested key elements of a pilot version of a new rules based childcare process, with particular focus on customer understanding and effectiveness in capturing all the required information.

1.1.1 The rules-based system

The Rules Based Service (RBS) is an interactive IT system. The system supports HMRC's helpline advisers when they take calls from customers about tax credit issues. The RBS software package performs automated calculations and prompts advisers to ask relevant questions based on customers' circumstances. It makes logical links between different issues, prompting advisers to ask useful questions. It also allows advisers to see relevant data in one place, allowing them to easily ask relevant questions about the customer's circumstances.

RBS aims to identify errors and educate customers about their responsibilities to report. It should improve customer experience by providing a tailored service which helps customers get things right. It also helps HMRC to direct customers to the most appropriate service, improving their experience.

1.2 Research aims

The underlying rules-based IT system for the childcare process is very complex and comprises a large number of scenarios. This research focussed on: making a claim for the childcare element of working tax credits; adding a childcare provider; and calculating customers' average childcare costs. The overall aims of this research were twofold:

- To test key elements of the childcare-related RBS using cognitive testing methods, for customer comprehension and effectiveness in capturing all the required information. Elements of the rules based childcare process were selected which were likely to be used most often and where the risk and impact of error was highest, specifically making a claim for the childcare element for the first time, adding a childcare provider and the process for calculating average weekly childcare costs;
- To explore customers' views about reporting changes in circumstances, and their ability to accurately provide the required information such as income and childcare charges.

Within these overarching aims there were a number of research objectives:

- to explore customer understanding of the tax credits system, including their attitude to reporting changes in circumstances in a timely and accurate way;
- to gauge customer comprehension of the selected rules based childcare process;
- to explore the decision-making process that customers use when answering the rules-based script questions;
- to gauge the effectiveness of the rules-based service in capturing all the relevant information;
- to determine whether the rules-based service for childcare had an educational value;
- to gauge the effect of 'tell statements' in deterring customers from providing incorrect or inaccurate information;
- to explore customers' views about the accuracy with which they should provide information about income and charges for child care.

1.3 Research methods

1.3.1 Design

The research had two components. The first was with recipients of the childcare element of working tax credits and explored comprehension of the rules-based service; the second was with recipients of working tax credit only and explored issues of reporting and accuracy through conventional depth interview techniques.

For recipients of the childcare element of working tax credits a modified cognitive testing approach was used to explore comprehension of the rules-based service. Pilot interviews were carried out with ten customers to test this approach and some small modifications to the topic guide were made as a result.

Cognitive testing is most frequently used to test understanding and interpretation of questions to be asked in a survey; the material is often given to the interviewee and they are asked to 'think aloud' how they would answer the questions. However, tax credit transactions are different. They are undertaken by telephone, with the customer calling the call centre, or in some circumstances, the customer being called by HMRC. During the call there are often a wide range of tasks that are undertaken – an identity check, the customer providing information, the call centre asking questions and also providing information that has an educational value. The tax credit call process is not therefore as structured or straightforward as a conventional piece of cognitive testing research. Consequently, in order to explore how well they were likely to work in a real life context we devised an approach that would provide a more realistic situation by simulating a real-life call ('mock call') with the tax credits helpline. The approach comprised:

- A full briefing of the approach to be used at the recruitment stage;
- An initial ten minute face-to-face interview with the customer to establish household information, to build rapport and explain the remainder of the interview process;
- A fully-briefed office-based researcher called the customer by phone, introduced themselves, established basic identity information (but excluding information which might compromise the claimant's security, as this was for research only) and then worked through the selected set of rules-based childcare screens. Meanwhile, the researcher with the customer observed the call and noted any difficulties that the customer might have, any hesitations and requests for clarification as well as any information they may be referring to;
- At the end of the call – usually around 15 to 20 minutes – the interview continued focussing on the customer's comprehension of RBS, the approach they used in answering the questions and the perceived educational value of the information provided to them during the call.

1.3.2 Sample

As is usual in qualitative research, the sample was designed to ensure coverage of the key sub-groups within the target population in order to

identify and explain variations in the experiences and views between them. Purposive sampling⁶ was used to structure a sample of respondents according to the following criteria:

- Receipt of the childcare element of working tax credit or working tax credit only;
- Whether their claim was new - they had been receiving their award for less than one year; or, they were longer term customers and had been receiving the award for more than one year;
- The complexity of childcare costs - whether customers used one provider and the costs stayed the same (simple cost) or the costs fluctuated throughout the year and / or the customer used more than one provider (complex costs); and
- The amount of the award, with two levels – low and high.

The purposive nature of the sample design means that the research cannot provide any statistical data relating to the prevalence of views, experiences or reflections in the general population. Any attempt to provide numerical evidence of this kind would require a quantitative research methodology. The aim of qualitative methods is to define and describe the range of emergent issues, rather than to measure their extent.

The sample was constructed from contact details provided by HMRC. Following an opt-out procedure, in which customers were sent a letter outlining the nature of the research and providing the opportunity for them to opt out of being contacted, 47 customers took part in the research. Interviews were conducted in six locations: Glasgow; Peterborough; Plymouth; Birmingham; East London; Cardiff and Newport. The achieved sample is shown below.

⁶ A purposive sample is one that is chosen by intentionally seeking respondents likely to provide greater understanding of the research topic.

	Type of Tax Credit			Total
	Child Tax Credit		Working Tax Credit	
	Tax credit award level			
Period of time receiving tax credits	Low	High	High	
New - less than 12 months	8	6	2	16
Longer term -12 months or longer	11	14	6	31
Total	19	20	8	47

1.3.3 Fieldwork and analysis

All of the interviews were exploratory and interactive in form and were based on topic guides (Appendix A), which allowed questioning that was responsive to the issues which arose during the course of the interview.

The topic guide covered the following issues:

- A brief description of the household context;
- The 'mock call';
- Customer responses to the mock call, the process they went through in providing the details asked for, and whether there were any gaps in the information provided;
- Understanding of tax credits and how they are calculated;
- The perceived value of the information provided in the RBS 'tell statements'; and
- Cognitively test key sections of the RBS. The research tested a self-contained section of the scripts concerned with making a claim for the childcare element for the first time, adding a childcare provider, and the calculation process for calculating average weekly childcare costs.

The overall research approach and the topic guides were piloted during the week commencing 19th March 2012, with the main fieldwork being undertaken between the weeks commencing 16th April and 28th May 2012.

The interviews lasted approximately 60 minutes and were digitally recorded, with permission, and transcribed verbatim to allow detailed

analysis. The transcribed interviews were subject to a rigorous content analysis (Matrix Mapping), which involved systematically sifting, summarising and sorting the verbatim material according to key issues and themes within a thematic framework. Further details of the analytical process used may be found in the Technical Appendix (Appendix B).

The findings have been illustrated with the use of verbatim quotations. The quotations have been edited for clarity but care has been taken not to change the respondents' meaning in any way - alterations are shown using parenthesis and ellipses. Quotation attributions will include the complexity of costs (i.e. whether customers' costs fluctuate or if they have more than one provider), the length of time claiming the childcare element of tax credits and the location as shown below:

(Complex cost, claiming for over one year, London)

(Simple cost, claiming for less than one year, Plymouth)

1.4 Report outline

Following this overview of the objectives, design and conduct of the research, the subsequent five chapters discuss the research findings in detail:

- **Chapter 2** provides an overview of customer understanding of tax credits;
- **Chapter 3** explores customer comprehension of the selected rules-based service for childcare;
- **Chapter 4** covers the effectiveness of the rules-based service in collecting all the required information and customer approaches to providing accurate information;
- **Chapter 5** explore the educational and potential deterrent effects of 'tell' statements in the rules-based service for childcare; and
- **Chapter 6** draws together the findings and presents a set of concluding comments.

2. Customer understanding of tax credits

This chapter provides a brief overview of customers' understanding of tax credits in terms of reporting changes in circumstances, the reason why overpayments occur and their approach to providing accurate information. It provides a context for understanding how customers responded to the rules-based service and highlights areas of misunderstanding.

2.1 Customer understanding of tax credits

Overall, the customers in this research were aware of the tax credits they were receiving although they tended not to distinguish between the different types of tax credits (e.g. Working Tax Credit – WTC, Child Tax Credit - CTC) and spoke mainly about the total amount of their award. There was also some evidence, particularly amongst people from ethnic minority backgrounds, of confusion between child tax credits and the childcare element of working tax credits because English was not their first language and they had some difficulty understanding the terminology, particularly as the wording was similar. The childcare element of working tax credits is only available to households where both parents were in employment and was designed to pay for childcare during working hours. Child tax credit on the other hand is available to all households and is solely means tested.

In making a claim for tax credits HMRC need to know information including:

- income for the last tax year, if employed
- income for the last tax year, if self-employed
- details of any benefits such as contribution-based Jobseeker's Allowance or Carer's Allowance
- details of other income such as savings interest, pensions or rent
- details of any childcare payments made to a registered or approved provider
- marital status

Customers generally were aware of the information they needed to provide in order to make a claim for tax credits, understanding that HMRC would require information about their household, work status, cost of childcare and income. Knowledge of the specific details HMRC required varied according to experience. Customers with more experience were

aware that they may be asked to provide other information, for example working hours and details about their childcare provider.

However, customers did not know how the information they provided related to the different types of tax credits. Neither did they understand how HMRC calculated their award, nor could they predict with any degree of certainty the amount they would be likely to receive. This meant, especially for new tax credits recipients, that they were unlikely to notice if there was any error in the calculation.⁷ Therefore they felt unable to recognise whether they were being overpaid when they received their award notice:

"You never know what they are going to give you, I just trust whatever usually." (Complex costs, claiming for over one year, Plymouth)

It was a clear observation that customers with least understanding of how tax credits worked also tended to be the most disengaged; they were interested only in the amount they would receive, rather than checking that their award was accurate.

2.2 Reporting a change in circumstances

HMRC require customers to report the following changes in circumstances:

- Address changes
- Bank details changes
- Starting and stopping work - or changing jobs
- Working hours changes
- Being off work, or there is a gap in work
- Income changes
- Getting married, civil partnerships, living with someone - or no longer with a partner
- Family changes
- Childcare changes
- Changes in disability
- Leaving the UK - or losing the 'right to reside' in the UK

⁷ Customers should check that the information on their award notice about personal circumstances is correct and complete. They do not need to check the calculation of their award.

The customers in the research were very aware that it was their responsibility to report changes in circumstances. Without being prompted, customers mentioned that they would report changes in income, working hours, returning to work after maternity leave, a change of address, and changes in their childcare arrangements. They were also aware of their responsibility to report a change in personal circumstances, such as a separation or a new partner. However, for less experienced customers or those who had not experienced these changes in the past, this tended to be remembered only after prompting suggesting that changes to personal circumstances may not be top of mind for these customers.

Changes in circumstances would generally be reported as they occurred, or slightly after they happened; there was little evidence of customers storing up changes to report at a later date, such as at tax credits renewal. None of the customers reported changes in circumstances in advance, as they correctly believed that HMRC would not record changes until they happened. In some cases tax credit advisors had told recipients that they had to wait until their childcare costs changed before reporting⁸.

It was clear that the reporting change message was very well recognised as it had been '*drummed in*' by HMRC correspondence and the helpline call handlers, for both new and existing customers. Customers were also aware, either through HMRC advertising or previous experience, that if changes were not reported on time, an overpayment could result which they would have to repay. Nevertheless, customers in this study had experienced overpayments but did not always understand why it had occurred as, in their view, they had provided up to date and accurate information to HMRC.

Although the 'reporting change' message was well received, not all customers abided by it. This tended to be where changes would result in a higher award, as customers were anxious about receiving an overpayment. However, there was some evidence that customers did not report a change in circumstances because they did not want their award to be reduced, although this was a minority view. In one instance,

⁸ When the change can be reported depends on the type of change. HMRC asks customers to tell the Tax Credit Office about childcare related changes within a month after the change and no more than seven days before.

a household that was concerned their award would be reduced, chose to delay reporting an increase in income. However, this anxiety was misplaced as the income increases were under £10,000 and therefore, under the current disregard thresholds, would not affect their award amount.

HMRC allows certain 'disregards' whereby changes in income or childcare costs do not have to be reported until renewal:

Tax credits awards are initially based on a customer's previous year's income. For 2011 if the difference between their previous year and their current year's income was less than £10,000 it was disregarded when calculating their final award.

For childcare charges if the change is less than £10 a week, it is 'disregarded' and does not have to be reported.

Customers who had been claiming for over 12 months were not aware of the income disregard, but they generally understood the message that changes in childcare costs of less than £10 a week did not need to be reported to HMRC.

Customers who had been claiming the childcare element of working tax credits for less than twelve months were less likely to recognise this however. Where recent claimants did recognise this, there was an element of dissonance between the two messages 'report all changes in circumstances' and 'do not report changes in weekly childcare costs of less than £10'. This tended to result in over cautious behaviour, especially amongst customers who had been claiming for less than a year who would report changes in childcare costs of less than £10 a week.

2.3 Accuracy of information provided to HMRC

Overall, customers believed that providing accurate information to HMRC would result in an accurate award and minimise the risk of an overpayment. Customers usually referred to documents such as payslips and childcare contracts to provide accurate information, although there could be some estimation, or guessing, if documents were not to hand or could not be found. This is discussed more fully in chapter 4 regarding the estimation of childcare costs and start dates. Customers with fluctuating, or unpredictable incomes or childcare arrangements were more likely to have difficulties in providing accurate information.

"I can't predict overtime, so I get overpaid all the time and have to pay it back." (Simple costs, Claiming for more than 12 months, Peterborough)

"They require more accurate information than you could possibly provide [...] unless you called them every four days." (Simple costs, claiming for more than 12 months, Newport)

3. Customer comprehension of the rules-based service

This chapter focuses on customer comprehension of the rules-based childcare process, identifying specific phrases that were found to be difficult to understand or open to interpretation.

3.1 How confident were customers that they had provided the information requested?

For the most part, the rules-based service were considered straightforward, easy to follow and readily understood, although there were some phrases, discussed later, that were repeatedly found to be less easily understood.

The language and tone used by the service was considered appropriate for HM Revenue and Customs (HMRC) and considered to be straightforward and neutral.

Having completed the mock call, customers were confident that they had generally understood what they were being asked to do and the information they were asked for well enough to provide the correct information, despite the difficulties with some of the phrasing.

When talking to HMRC about their tax credits, customers often do so in an environment that can make providing reliable and accurate information difficult. For example, even during the mock call, distractions in the home were commonplace, particularly when looking after children. In addition, there is often a degree of anxiety involved in contacting HMRC about tax credit awards. For customers who were new to tax credits or had a poor understanding about how tax credits worked, they worried about providing the correct information. It might therefore be potentially useful for the call handler to be alert to these situations, ensuring that the customer fully understands the questions they are being asked and the degree of accuracy with which the information is given.

3.2 The importance of the call handlers tone

The research comprised pilot and main stage fieldwork periods. During the pilot fieldwork, the mock call handler adopted a fairly neutral tone when asking the rules-based questions. Feedback from the customers indicated that this affected how receptive they were to questioning and also meant that they were less likely to ask for clarification. Some felt that they would 'switch off' during such calls; others felt that the neutral manner made them feel flustered, causing them to rush to give an answer.

"When I didn't understand a question [...] I felt under pressure to answer questions, so I got a bit confused and muddled." (Simple cost, claiming for less than 1 year Glasgow)

During the main stage fieldwork period, the mock call handler adopted a friendlier, more conversational, style. This resulted in more positive feedback from customers, the friendlier tone of voice making the information easier to digest and with customers being more confident about asking questions when they did not understand⁹.

3.3 Comprehension issues – customer groups

While customers in this research generally had a good understanding of the rules-based service there were specific groups of people who experienced particular difficulties:

- Customers who were **not confident** dealing with HMRC, either due to a lack of experience contacting HMRC or a poor understanding of the tax credits system were reluctant to ask for clarification when they did not understand a question. As a consequence, they could be incorrectly routed through the screens and therefore did not provide the full detail necessary to provide an accurate award, or the call was terminated because they incorrectly gave a response which indicated their childcare costs were not eligible.

⁹ We recognise that HMRC call handlers already adopt a conversational style with tax credits customers; this research finding provides additional evidence to support HMRC's approach.

- **Very experienced** tax credit customers could pre-empt the information they would be asked to provide. Whilst this meant they were very prepared, they also at times mis-interpreted questions and either provided too much information or provided information before the call handler had asked for it. The recipient would therefore have to repeat themselves if the call handler failed to record the information when first provided.
- Customers who spoke **English as a second language** experienced the greatest difficulty. However this was easily addressed by rephrasing the question. In particular the phrase 'out of your own pocket' was not well known and sometimes needed to be rephrased.

3.4 Comprehension issues - Questions that were not readily understood

Three questions were particularly difficult to understand, either because during the mock calls customers asked for clarification, responded incorrectly, or gave an answer despite later admitting that they were not certain what they were being asked to do. These were:

- Do you pay some or all of the costs out of your own pocket?
- Did you include this change when you originally worked out your average childcare costs?
- Do you want to continue?

3.4.1 Do you pay some or all the costs out of your own pocket?

The phrase 'out of your own pocket' was being piloted as a more accessible way of asking about a range of exclusions including:

- through an early years education grant;
- by the Department for Work and Pensions;
- with childcare vouchers given to them by their employer;
- with any other childcare subsidy, for example anything paid by the employer;
- local education authority grants.

There was a lack of confidence on the part of customers when answering this question. The difficulty arose because there was confusion about

what would, and would not, be considered 'out of your own pocket'. Consequently, customers explained their payment arrangements to ensure they answered correctly which lengthened the call time during the mock call exercise. However, customers tended to answer the question correctly because they paid for at least some of the costs themselves from the money that they earned.

However, those who used their combined working and child tax credits to pay for childcare in full, as well as those receiving help from family or a former partner, did not feel confident answering this question and often felt the need to explain their circumstances.

For others, both the phrase and its intent were unclear. For example, some customers thought that the question was seeking to identify fraudulent behaviour because the phrase 'out of your own pocket' suggested to them 'cash in hand payments'.

"Out of your own pocket, that seems like a backhander." (Complex cost, claiming for more than 1 year Peterborough)

Following the mock call exercise, customers were shown a list of exclusions. Being told about the exclusions clarified the purpose of the question for customers; they would have assumed these exclusions in any case because the cost of childcare was being paid on the customer's behalf, rather than using their own money which they could choose to spend on other things. Using the term 'out of your own pocket' confused the matter for the reasons discussed above.

A 'no' response at this point terminated the call, although customers who had misunderstood the question were able to correct themselves after hearing the closing 'tell' statement which said *'to get help with your childcare costs you must pay some or all the costs yourself'*, as this clarified the purpose of the question.

SUGGESTED IMPROVEMENTS

Merging this question with the closing statement may help to clarify its purpose.

Customers felt that call handlers should have alternative phrasing for 'out of your own pocket' as not all recipients will understand this phrase. This may be something that handlers develop for themselves, although suggestions for alternative wording could be incorporated in the rules-based scripts, for example:

To get help with your childcare you must pay some or all of the costs yourself. Do you pay some of your childcare costs using your money?

3.4.2 Did you include this change when you originally worked out your average childcare costs?

The intention behind this question is to prevent customers reporting the same change twice, for example reporting holiday arrangements at the start of a school term and then reporting them again at the start of the school holidays. Reporting the same change more than once would not cause an error in the amount of the award because the RBS system recalculates the average weekly cost each time a change is reported and would therefore give the same average cost if the customer reported the change twice. However, this question was intended to improve the customer experience as they would not be asked to provide information that HMRC already holds, and this could also reduce call waiting times by terminating unnecessary contact early in the call.

Customers experienced some difficulty in understanding this question - particularly the word 'originally' – which was taken to mean when their childcare costs were calculated for the very first time. For longer term customers this could have been several years ago and, therefore, they considered it nonsensical that they could have anticipated a change that far in advance. In addition, less confident customers did not believe that they had worked out their costs themselves. This was something that they considered that HMRC did on their behalf.

Many of those taking part in this research did not believe that the question was relevant to them. There were several reasons for this:

- changes to their arrangements were not predictable, for example deciding to increase or reduce working hours or having another baby; or
- they did not forward plan childcare arrangements by more than a few weeks; or
- they had been previously told by HMRC tax credits call handlers not to report changes that were happening in the future.

Customers who did not understand this question answered 'yes' because they had learnt from previous questions that this was the correct answer and allowed them to continue through the call. Prior to this, their call would have been terminated as a result and these customers had no understanding of why this was the case.

"By this time, I realised that just saying 'yes' was getting me through." (Complex cost, claiming for less than one year, Glasgow)

It may be the case that this question is only relevant to parents of school aged children who plan their holiday arrangements far in advance. Other customers, who were not in this position, questioned whether this was relevant to them, and there was a risk that customers who did not understand what they were being asked may have had their call terminated.

SUGGESTED IMPROVEMENTS

Customers suggested that the question could be rephrased for clarity. For example:

Have you already told us about this change to your childcare costs?

Did you tell us how much you would be paying when your child care costs changed?

3.4.3 Do you want to continue?

At certain points during the call, customers were given important information, for example how their average weekly childcare cost was calculated, or that HMRC may check their claim with their provider. This question fulfils a legal requirement for customers to confirm that they want to continue with their claim on this basis – ‘Do you want to continue?’

The purpose of this question was not clear to customers who said they answered “yes” because they did not want the call to be terminated. They suggested that it may be more beneficial to ask customers if they understood what they were being told or if they had any questions. This is particularly important because customers said that they were inclined to switch off when given information they perceived to be generic. Less confident recipients may not ask for clarification if they do not understand the question.

SUGGESTED IMPROVEMENTS

Prefixing the question with a statement that clarified its purpose was reported by customers to be helpful and could ensure that recipients think through their response. For example:

Thinking about the information I have just given you, can you confirm that you want to continue with this application on that basis

Customers found it useful to be asked probing questions to ensure that they understood and took on board important information although this could perhaps be at the call handler's discretion if they felt that the recipient was not confident in their understanding. An alternative is for the call handler to repeat back certain pieces of information to check that it has been noticed and remembered.

Apart from these specific difficulties, customers broadly felt that the questions in the rules-based service were easy to understand. However, they were not always confident that HMRC had all the necessary information to correctly calculate their tax credits award. We believe that

this is primarily a research effect and is due to the restricted nature of the mock call. Customers that contact HMRC would normally be asked an open question which allows them to explain why they are contacting HMRC, but this was excluded in the mock call.

Customers in this research indicated that they wanted to 'tell their story' to HMRC as this would reassure them that HMRC then had all the information necessary to process their claim. This serves to reinforce the value of the open question that HMRC currently ask at the start of each call.

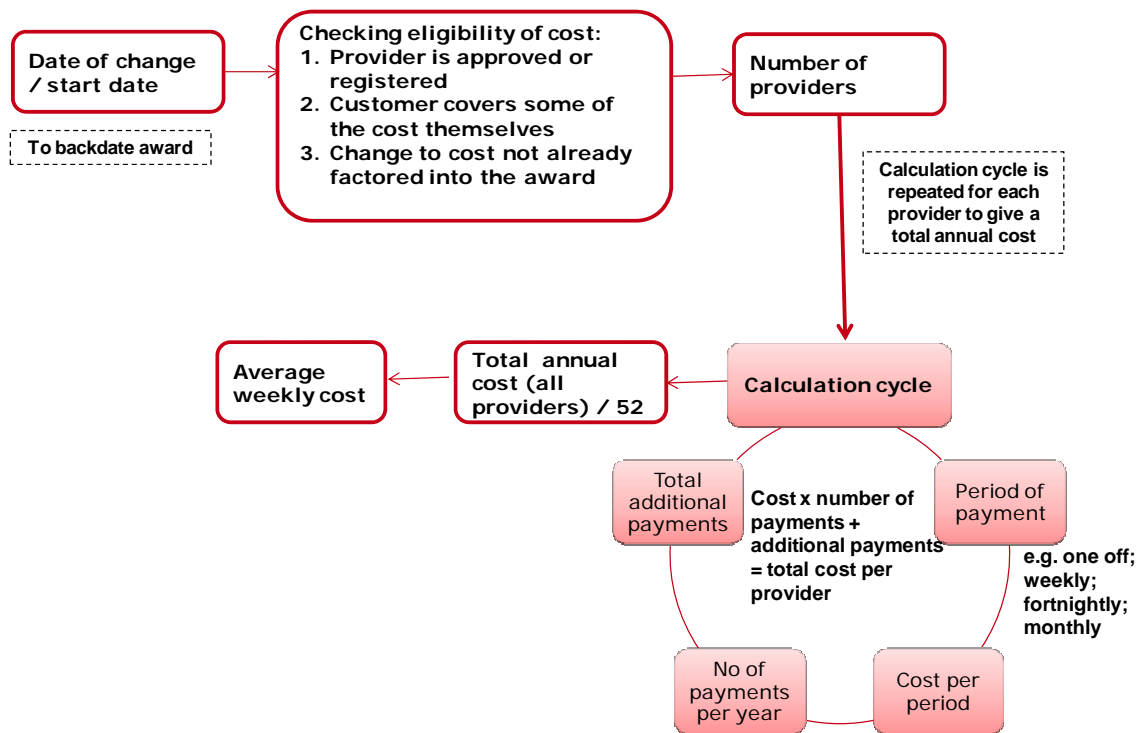
4. Effectiveness of the rules-based service

This chapter focuses on the effectiveness of a self-contained section of the rules-based service, which attempts to correctly calculate the average weekly childcare costs based on the information provided by customers.

The calculation process required customers to provide the costs for all child care providers in full, whether they were making a new claim or reporting a change in child care provision. As a result the average weekly cost reflected their current situation and had the potential to pick up any unreported changes or mistakes in previous calculations.

The diagram below illustrates how the calculation process worked. There were six main stages during which the call handler:

1. Noted the date when child care would start, or when a change in child care would occur, or had occurred if this was in the past and needed in order to back date the calculation;
2. Confirmed that costs were eligible for tax credits;
3. Entered the total number of child care providers;
4. Used automated tools to calculate the annual total cost for each child care provider;
5. The tool divided the total annual cost for all child care providers by the number of weeks in the year (52) in order to calculate the average weekly cost; and
6. Repeated the average weekly cost and calculation back to the customer and checked that they wanted to continue with the mock call.



Before beginning the calculation, customers were asked whether they had the necessary information to complete the call. This included the child care providers' details, the cost of each provider and the name of the child that the change of provision referred to.

Customers expected HMRC to ask for this information and often already knew this, or had it to hand. As a consequence, it was commonplace for this information to be given before the calculation process began. Call handlers may need to be aware of this and adopt a strategy that manages this. This may be either making a note of the information given at this point and referring to it later when needed, or to rephrase the questions into statements which will prevent the customer providing the information too early.

Customers said it could be useful to be reminded about what information they will need earlier in the call so as to minimise the time spent on a calls which will ultimately be terminated, and the customer asked to call back.

4.1 Causes of error

After customers completed the mock call exercise they were asked to describe their childcare arrangements in full. Although errors were uncommon, they did arise and there were two main causes:

1. They reported term time costs as though these continued throughout the year.
2. They failed, or chose not, to report short term or one-off costs

4.1.1 Reporting term-time costs as year round costs

At the start of the calculation cycle, recipients were asked whether they paid their child care provider 'the same all year round'. This was a critical routing question and only those who answered 'no' had the opportunity to provide different costs for different times of year and to specify the number of payments made.

However, this question was, on occasion, misunderstood by customers who paid a fixed amount only during term time. As a result their term time costs were calculated as though they were paying for childcare for 52 weeks of the year rather than 39 weeks. As a consequence, their average weekly cost was too high, which ultimately could result in an overpayment.

4.1.2 Recipients failed, or chose not, to report short term costs

As discussed earlier many customers were nervous about receiving an overpayment and were therefore predisposed to under-report their childcare costs in order to safeguard against this. As a consequence, they tended not to report short-term costs, such as holiday camps, which were paid for in a lump sum by themselves. Activities such as this may need to be prompted by call handlers.

5. Educational and deterrent effects of the rules-based service

The childcare element of the rules-based service contains a number of statements that are designed to educate the customer and encourage them to provide accurate information, thereby minimising error and fraud and reducing unnecessary contact with the call centre. This section considers the effectiveness of these statements in increasing knowledge about the childcare element of tax credits. Below is a selection of educational information contained within the rules-based service:

1. The customers average weekly cost and how this was calculated.
2. The childcare element will amount to no more than 70% of the cost of childcare.
3. Changes must be at least £10 a week in order to for the award to be increased.
4. HMRC may check the information they provided with childcare providers.

5.1 Educational value of the rules-based service

Customers who were more engaged and confident with the process of managing their tax credits claim tended also to be more attentive and picked up new information. This was true of customers who had been claiming the childcare element of working tax credits for less than a year and those with longer term claims (more than 1 year), although long term claimants were often already aware of the information provided by the rules-based service.

Conversely, customers who arguably most needed this information (i.e. those who were less confident and who were less able to spot errors in their award) tended to be less attentive and more likely to miss the information given to them.

However, attentiveness was also impacted by distractions in the home and elements of the design of the rules-based script. For example,

customers suggested that their readiness to absorb information was affected by:

- Information not being flagged as important; and
- Statements, particularly at the start and close of a call, that were presumed to be generic with the consequent risk of the call handler sounding scripted because legal statements must be read out exactly as written.

"Normally I don't listen if it sounds scripted because it sounds like they say the same to everyone." (Simple cost, claiming for less than one year, London)

It may also be the case that customers were not particularly receptive to information when contacting HMRC, particularly those who found it difficult to digest. For example, when contacting HMRC, customers were preoccupied with providing information and as such, were not in the best mindset to also receive information. In addition, customers expressed a preference for receiving information in writing so that they could digest it in their own time.

However, previous research has shown that customers do not always read everything that is sent to them and when challenged, recognised that they would only digest information that was short and easy to understand and that they may lose paper based information. Consequently, if information is to be provided during a telephone call, then it may be appropriate to encourage customers to make a note of important information.

"It would be useful if they said get a paper and pen and write this down for future reference." (New Customer, Simple, Plymouth)

5.1.1 Explaining the calculation of average weekly costs

When customers were told their average weekly childcare cost, the call handler also talked them through the calculation¹⁰; this allowed the customer to identify errors and also familiarise themselves with the information required by HMRC to provide an accurate calculation of their

¹⁰ HMRC call handlers only do this if the customer requests it.

average weekly childcare costs.¹¹ Experienced customers, with more complex arrangements often already understood how their average weekly childcare costs were calculated. They had either calculated this themselves when submitting a written renewal, or had this described to them by HMRC during an earlier contact.

Customers who had been claiming for more than one year had grown accustomed to the call handler calculating their average weekly award - they trusted them to do so and were not confident to challenge the amount straightaway if they thought it was incorrect. Instead they preferred to receive their award letter and then contact HMRC if they thought there was an error.

"They are just numbers and I am not good with figures. I just go with what they are saying [...] they follow a script, they must be right." (Complex cost, claiming for more than one year, Plymouth)

By contrast, customers with claims of less than one year were more engaged and motivated to understand the calculation process. New customers also suggested that they should be encouraged to write down the calculation to ensure they understood it properly and could refer back to this calculation when they received their award letter.

"I would not just accept it, until I was confident that I fully understood the calculations." (Complex cost, claiming for less than one year, London)

5.1.2 Understanding what the tax credit award will cover

Customers were told that their award would cover no more than 70% of their childcare costs and would not be increased if their costs had changed by less than £10 per week.

70% of costs: Customers who had a low award in relation to their costs were generally aware that HMRC did not pay for their childcare in full. However, they did not always hear the phrase 'up to' and consequently questioned why their award was lower than 70%. By contrast,

¹¹ Within the RBS system, customers do not need to understand how HMRC calculates their average weekly childcare costs because this is calculated on their behalf. However, it is important that customers provide the correct information for the calculation to be accurate.

customers who paid for their childcare in full, using a high childcare award, combined with their child and working tax credits, were at times confused by this phrase because in their mind HMRC covered 100% of their costs.

At least £10 per week: Given the salience of the accuracy message, this statement was considered contradictory. Those on low awards also indicated that a £10 a week change would represent a considerable amount of childcare, an extra two days at after school club for example. These customers said that they would continue reporting any change as advised by HMRC. Those on high awards would not report a small increase in costs but would continue to report any decrease as they would not want to experience an overpayment.

5.2 Deterrent effect of the rules-based service

As a means of encouraging accurate reporting of costs, customers were told that HMRC may check childcare costs with providers. They were then required to confirm that they wanted to continue with their application on that basis.

Customers were generally already aware of this message, as it is flagged by HMRC in all contacts, but they thought that it should be a message that is continuously reinforced; even though there were concerns that it could make some customers feel particularly anxious about completing the childcare claim.

"Makes you worried that you might get your maths wrong, and put the phone down." (Complex cost, less than one year, London)

Customers believed that there were two primary reasons for including this information in the rules-based service:

1. to remind customers of the need for accuracy in order to prevent overpayments; and
2. to dissuade active fraudulent behaviour.

Customers, on the whole, believed that HMRC did conduct checks with childcare providers and that there was a significant chance of an inaccurate or fraudulent claim being discovered. Whilst there was some scepticism expressed about whether this would stop active fraud

altogether, there was strong support for the continued inclusion of these 'deterrent messages' from HMRC.

6. Conclusions

The conclusions of this report answer the research objectives as outlined in the first chapter.

Understanding of the tax credit system

When making a change to the childcare element of their tax credits claim, customers had a good understanding of the type of information they needed to report to HMRC and why. However, due to the perceived complexity of award calculations, they felt unable to spot errors in their award in order to prevent an overpayment¹². As such there was little customers felt they could do to avoid receiving an overpayment.

Comprehension of the rules-based service

Comprehension of the rules based childcare process was generally very good. Customers who experienced the most difficulty understanding questions selected for use in the mock call were also the least confident in dealing with HMRC. Customers suggested that they would have felt more confident asking clarification questions had the call handler checked comprehension throughout the mock call.

Effectiveness

The childcare cost calculator was generally effective in capturing all childcare arrangements in order to provide an accurate average cost. However, errors did arise when parents with school age children forgot that their costs would change during the school holidays, suggesting that it may be helpful for call handlers to probe on holiday arrangements or any short-term / one off costs.

Decision making

Customers were very aware of the importance of providing accurate information and therefore used childcare contracts to check figures and dates when contacting HMRC. However, there was considerable anxiety about the risk of receiving an overpayment and as a result customers may be over-cautious when reporting changes of income or costs,

¹² Customers should check that the information on their award notice about personal circumstances is correct and complete. They do not need to check the calculation of their award.

particularly one-off costs. They also expressed discomfort providing costs that were difficult to predict, for example if their use of an afterschool club changed week by week.

Educational and deterrent effects of the rules-based service

Customers considered it important that HMRC continues to emphasise the accuracy message in all correspondence as they believed that this would potentially dissuade fraudulent behaviour. Reminding customers with a legitimate claim of the importance of providing the correct information also minimises the risk of an overpayment.

Customers who were more confident tended to be more attentive to the educational statements whilst those with a more limited understanding were more likely to switch off. If they are not already doing so, call handlers may need to use their discretion to check that customers who appear less engaged are taking important information on board. Asking customers to write information down or repeat it back may also help to ensure the information is absorbed properly.

Appendix A – Topic guides

Topic guide

Tax credit rule based service

Childcare

V1

Job Number: 260106611

Date: March 2012



Topic guide: HMRC Rules-based tax credit service

Childcare tax credits

Aims:

- To assess the effectiveness of rules-based tax credit scripts in ensuring that information is reported in full and accurately; in minimising error; and uncovering unreported changes.
- Cognitive testing of the scripts to determine levels of comprehension, interpretation of question, terms and language and explore alternative wording.
- Explore the educational value of rule based scripts and their role in ensuring customers are able to navigate the whole claims process.

Approx timing	Key Questions
5	1. Introduction
	<ul style="list-style-type: none"> • Commissioned by HM Revenue and Customs - the government department responsible for tax credits. • About the research: understand customers' experiences of dealing with HMRC regarding tax credits to enable them to improve their services. • TNS-BMRB is an independent research agency working on behalf of Revenue and Customs. • Length of interview – 60 minutes. • Audio recordings will be held securely at TNS-BMRB and won't be shared with HMRC. Verbatim quotes will not be attributed • Video clips will be edited to communicate research findings. These will be given to HMRC who will use the footage to illustrate people's experience of contacting HMRC. • Confidentiality and anonymity – their personal details will not be shared with HM Revenue and Customs. <p>Explain that this is a piece of research and not part of the Tax credit assessment process. Provide reassurance that current or future tax credit claims will not be affected.</p>
5 min	2. Experience of dealing with HMRC re tax credits
	<p><i>The purpose of this section is to get a very top level understanding of their award to provide some context to the call. Probing is kept to a minimum to avoid effecting participants' response to the mock call by flagging up issues such as the importance of accuracy,</i></p>

	<p><i>problems with calculation and reporting change of circumstances.</i></p> <p>Brief description of their child tax credit award</p> <ul style="list-style-type: none"> • Value of the award • What childcare costs are covered by their tax credits • Length of time receiving award • Any previous changes to the value of their award and what caused this
10 mins	3. Mock call
	<p>Explain the task: <i>We are now going to call another TNS-BMRB researcher who will take you through a typical call with HMRC about making a change to your tax credit claim.</i></p> <p><i>To make this as realistic as possible, we want you to talk about the last time you made a big change to your childcare arrangements. This could be because you changed a provider, you started using your provider more or less, or you changed your arrangements during the holidays. Ask participant to describe the change to ensure this is appropriate.</i></p> <p><i>For first claim script – we want you to talk about you current situation, but as though you are applying for the first time.</i></p> <p><i>Treat this like a real call</i> - <i>They will ask you a few questions, like those you would be asked by someone at HMRC. Please answer these questions as though you were calling HMRC, using information about your ‘real claim’. The person on the other end of the phone is not from HMRC, but we want you to treat them as though they are. Afterwards I’ll ask you questions about how the call went.</i></p> <p><i>Is there anything you would normally do before calling them about a change?</i></p> <p>Allow participant time to get any documentation they would normally have to hand before making a call but do not prompt them about what they might need.</p> <p>During the call note on your copy of the script:</p> <ul style="list-style-type: none"> • Hesitation; umming, puzzled looks • Requests for clarification • Any commentary on their thought processes, particularly about decision processes, calculations and accuracy. • Any docs / information they refer to

5 mins	4. Response to scripts and any gaps
	<ul style="list-style-type: none"> • Initial response to the call <ul style="list-style-type: none"> ○ How they felt during the call ○ Any points at which they felt uncomfortable ○ How confident they were answering the questions • Ask respondent to describe all childcare arrangements <ul style="list-style-type: none"> ○ During the week ○ At weekends ○ In school holidays ○ Any other one off costs in the last year ○ To what extent they had the opportunity to give all this information <p><i>Make a note of the number of providers discussed and how much childcare arrangements change.</i></p>
5 mins	5. Understanding of tax credits
	<ul style="list-style-type: none"> • How do they think that HMRC works out their award <ul style="list-style-type: none"> ○ What information does HMRC need from them? ○ How do they think HMRC uses this information? • Contact with HMRC <ul style="list-style-type: none"> ○ How often they contact HMRC? ○ Who usually initiates contact? ○ How often they report a change of circumstance? ○ What changes have they / would they report? ○ How big a change do they need to report (probe, amount – less than or more than £10 change). • Have they ever had an over or underpayment? <ul style="list-style-type: none"> ○ What happened ○ If and how they queried this / followed it up ○ Why they think it happened / understanding of what causes an over or underpayment
5mins	6. Educational value
	<ul style="list-style-type: none"> • What they learnt from the call about <ul style="list-style-type: none"> ○ When they should report a change

	<ul style="list-style-type: none"> ○ When they should not report a change ○ How HMRC work out their tax credit payments ○ To what extent was this entirely new or had they heard it before? <ul style="list-style-type: none"> ▪ Where / how had they heard this before? • What do they remember about what will happen after the call? <ul style="list-style-type: none"> ○ Do they remember what they were told about next contacting HMRC or being contacted by HMRC? ○ Do they remember what changes will be made to their award? ○ Do they remember the date or time period?
20mins	7. Cognitive testing
	Use probes in annotated screens
5mins	8. Close
	<ul style="list-style-type: none"> • How the mock call experience compared to other contact regarding tax credits • What improvements they could suggest <p style="text-align: center;">Thank and close</p>

Topic guide

Tax credit rule based service

Income sample

V3

Job Number: 260106611

Date: April 2012



Topic guide: HMRC Rules-based tax credit service

Working tax credits

Aims:

- Explore customers approach to financial management and understanding of financial terminology.
- Explore understanding of how working tax credits are calculated and what information customers think they need to give HMRC.
- Explore motivations for reporting changes in circumstances, and whether or not there are linkages between different types of change.
- To supplement parallel work on childcare tax credits – ensuring that recipients without children are also consulted.

Approx timing	Key Questions
5	9. Introduction
	<ul style="list-style-type: none"> • Commissioned by HM Revenue and Customs - the government department responsible for tax credits. • About the research: customers' view of dealing with HMRC and how well they understand the process of calculating working tax credits. • TNS-BMRB are an independent research agency working on behalf of Revenue and Customs. • Length of interview – 60 minutes. • Audio recordings will be held securely at TNS-BMRB and won't be shared with HMRC. Verbatim quotes will not be attributed • Confidentiality and anonymity – their personal details will not be shared with HM Revenue and Customs. <p>Explain that this is a piece of research and not part of the Tax credit assessment process. Provide reassurance that current or future tax credit claims will not be affected.</p>
5 min	10. Financial management
	<p>Researcher note – explore briefly for context, HMRC has existing research on these issues</p> <ul style="list-style-type: none"> • How do they deal with managing and budgeting the household finances <ul style="list-style-type: none"> ▪ <i>Obtain brief description about whether they use a 'common pot', keep individual finances separate, use 'cash pots' or different bank accounts to allocate money for</i>

	<p><i>different purposes</i></p> <ul style="list-style-type: none"> • Explore whether and how they keep track of their money. PROBE FOR: <ul style="list-style-type: none"> ▪ <i>weekly or monthly review of bank statements;</i> ▪ <i>weekly or monthly budgeting;</i> ▪ <i>use a diary etc. to write down transactions;</i> ▪ <i>software such as MS Money, etc.</i> • Who keeps track of the money (if applicable). PROBE FOR: <ul style="list-style-type: none"> ▪ Who deals with day-to-day financial issues such as paying bills ▪ Who deals with financial issues such as claiming tax credits or other benefits, Tax Returns ▪ If different person deals with different tasks, probe for reason. • How would they describe their approach to dealing with household finances <ul style="list-style-type: none"> ▪ proactive approach – organised, plan ahead, always on time with bills or other payments ▪ reactive approach – less organised, don't plan, often late with bills or other payments • How stable is their income <ul style="list-style-type: none"> ○ How much does it vary in the short term ○ Is it likely to go up or down in longer term ○ How often would they see a change of income – weekly, monthly, within the year or once a year ○ What usually causes their income to fluctuate i.e. temporary work, paid on hourly basis, commission, over-time, salary increase, changing ○ By how much does / can their income fluctuate • How do they see their financial situation – comfortable, just getting by, struggling to get by
5 min	11. Current tax credit arrangements
	<p>Ask respondent to describe the tax credits and benefits they receive</p> <ul style="list-style-type: none"> ▪ Which tax credits they receive • Any other benefits • Value of awards and to what extent they think of the tax credits / benefits as separate payments • How long they have received WTC and CTC • How many times their awards have changed in the past

	<ul style="list-style-type: none"> ○ What they understand causes the change ● What do they know about tax credits (Note: respondent may know little about tax credits so handle sensitively) <ul style="list-style-type: none"> ○ The type of people who receive them (Note: try to keep people talking about the demographic profile of perceived recipients) ○ The eligibility criteria (income, children, age, disability) ○ How much they are worth ○ What recipients need to do whilst claiming tax credits <ul style="list-style-type: none"> ▪ The need to report changes in circumstances ▪ The need to renew their claim once a year ● Contact with HMRC <ul style="list-style-type: none"> ○ How often they contact HMRC ○ Who usually initiates contact ○ Briefly explore their experience of reporting a change to HMRC (explored in more depth in section 7) <ul style="list-style-type: none"> ▪ What changes have they reported in the past ▪ How often they have done this ▪ What methods they use – writing or by telephone ● How do they think that HMRC works out their award <ul style="list-style-type: none"> ○ What information does HMRC need from them ○ How do they think HMRC uses this information ○ How accurate do they need to be in providing their income ○ If respondent spontaneously raises past experience of over or under-payments briefly explore why they think this happened
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10 mins	12. Understanding terminology
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	<p><i>Respondents may feel they are being tested so handle sensitively</i></p> <p>Checking their pay</p> <ul style="list-style-type: none"> ● How easy / difficult is it to check how much they earn each week / month? ● How would they check weekly / monthly incomes? What would they use to check this? (bank statements, payslips) ● For those with fluctuating incomes – how easy it is to find out their pay each week/month <ul style="list-style-type: none"> ○ If HMRC asks for their normal pay, how they work this out <p>Understanding of income:</p>
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- When HMRC asks for your income, how do you work out the figure
 - What do they take into account
 - Earnings from employer
 - Rental income
 - Income from interest
 - Anything else
 - What period they are thinking of
 - The previous year up to today's date
 - Their salary
 - The tax year – 6th April - 5th April
 - How would they go about working out income on that basis
 - Any problems they anticipate
- What paperwork do they use to check their income figure is correct
 - Payslips
 - Bank statements
 - P60
 - Anything else
 - What figures do they check / look for
- What is the difference between gross and net income
- How would they work out their gross income
- How would they work out their net income

Understanding other terms:

- What do the following mean to them (if anything)
 - Deductions
 - What sort of deductions would they expect from their income
 - Salary sacrifice
 - Pension contribution
 - Gift aid
 - Any other deductions they are aware of
- What does the phrase 'deductions for allowable expenses' mean
- *When you make a claim for tax credits you need to provide your gross income (that is, your income before tax, NI, pension contributions, etc. are deducted). Pension contributions (and some other expenses) are 'allowable expenses' and are taken into account when working out your gross salary. So, for example, if you make a contribution to a pension scheme your gross income after allowable expenses*

	<p><i>would be your gross income minus your pension contributions.</i></p> <ul style="list-style-type: none"> • HMRC needs you to report your gross income after deductions for allowable expenses. What would be the best way for HMRC to ask you for this information
5 mins	<p>13. Experience of making a call to HMRC</p>
	<p>The last time you called HMRC, who calculated their income and how did this process work</p> <ul style="list-style-type: none"> ○ Did HMRC calculate or you calculate ○ What information they used to make the calculation ○ How confident did they feel about calculating themselves ○ What made them feel this way ○ What documentation / information they used ○ How would they feel if the call handler calculated for them ○ How much do they trust them to get it right ○ Would they check the figure was right ○ What would they do to check the figure is right ○ Whose responsibility is it to make sure the figure for their total gross income is recorded correctly
10 mins	<p>14. Importance of accuracy</p>
	<p>Discuss views about the importance of accuracy</p> <ul style="list-style-type: none"> • Do you need to be accurate to the penny, £10, £100s , £1000s • How much can you over-estimate / under-estimate by • What happens to your tax credits if you over / underestimate • Why might someone under-estimate their income • Have they ever given income information they weren't completely confident about <ul style="list-style-type: none"> ○ Why. What happened as a result; Would they do this again • How would it effect you / them if you were told that under-estimating could result in an overpayment <p>Explain that <i>In the future, HMRC's call handlers may say</i> <i>"We check income details with other systems – do you want to continue"</i></p> <ul style="list-style-type: none"> ○ What do they think this means

	<ul style="list-style-type: none"> ○ What is the purpose of this information ○ To what extent they believe this will happen ○ How would they respond <p>When should you be given this information</p> <ul style="list-style-type: none"> ○ Beginning of a call ○ When providing income information
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20 mins	15. Reporting a change
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	<p>NB – THIS SECTION IS CRITICAL. ENSURE THERE IS TIME TO COVER ALL ISSUES</p> <p>Views about the importance of reporting a change of circumstances:</p> <ul style="list-style-type: none"> • What changes they should report • SHOW - list of main changes that should be reported • How important is it to report changes • Which changes are more / less important • How is this information used to assess tax credits • What happens if you don't report a change <p>Reporting a change of income</p> <ul style="list-style-type: none"> • How big they think a change needs to be before they report <ul style="list-style-type: none"> Probe for <ul style="list-style-type: none"> ○ What they have heard / know about how much their income can go up or down by before they need to report • What (if anything) have heard about any future changes to the amount their income can go up or down before they must report it <ul style="list-style-type: none"> ○ In April 2012 their income will need to reduce by £2500 before it affects their tax credits in that year ○ In April 2013 their working tax credits will go down if their income increases by £5000 or more • Explore the triggers to reporting a change i.e. how much their weekly / monthly pay packet goes up by; changing from part-time to full time; taking on more hours / overtime <ul style="list-style-type: none"> ○ How soon do they report a change of income ○ How / where they learnt about this <p>Explore links between reporting different changes</p> <ul style="list-style-type: none"> • <i>Imagine you've moved to a job in another area, what would you report to HMRC and</i>
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	<p><i>how would you do it;</i></p> <ul style="list-style-type: none"> ○ Explore spontaneous response and then PROBE: change of employer, change of address, change of income, change of working hours. ○ Would they also report any other changes that had happened in the year at this time? ○ Would you report all of these at the same time, or at different times. ○ Reasons why <ul style="list-style-type: none"> ● Explore whether in the past they have reported one change at a time or more than one in a call <p>Probe on how / why this happened and ask for specific examples where:</p> <ul style="list-style-type: none"> ● They saved changes up to avoid calling too often ● One change (such as moving house) led to other changes (hours worked / income / no longer living with partner) ● They remembered other changes during the call / the staff asked questions about their circumstance ● What they did, why they took that action and how they thought it would effect their tax credits <ul style="list-style-type: none"> ● Which changes they would report straight away and which would they delay <ul style="list-style-type: none"> ○ Probe on which changes they delay and their reasons for doing so ● Would they / have they waited to report a change because they knew another change or tax credit renewal was due ● When would they NOT report a change <ul style="list-style-type: none"> ○ Reasons why ○ What type of changes would you not report <ul style="list-style-type: none"> ● If you report a change to another government department, such as a change of address, change in income, new child, etc. – for example to the Department for Work and Pensions about a change for Jobseekers Allowance or other state benefits. - would you also report the same change to HMRC <ul style="list-style-type: none"> ○ PROBE whether they think that government departments are joined up and share information ○ What information do they think that government departments share ○ What effect does this have on them reporting changes in circumstances.
2 mins	16. Close
	Thank and close

Appendix B – Qualitative analysis

Material collected through qualitative methods is invariably rich but unstructured. The primary aim of any analytical method is to provide a means of exploring coherence and structure within a cumbersome data set whilst retaining a hold on the original accounts and observations from which it is derived. The analysis of the in-depth interviews was undertaken using a qualitative content analysis method called 'Matrix Mapping', which involves a systematic process of sifting, summarising and sorting the material according to key issues and themes. Information from each interview transcript was summarised and a map was produced which identified the range and nature of views, experiences, and issues for development and form the basis of this report.