

# HB A1/2016

## ADJUDICATION AND OPERATIONS CIRCULAR

<b>WHO SHOULD READ</b>	All Housing Benefit staff
<b>ACTION</b>	For information
<b>SUBJECT</b>	Managing capital cases where Payment Protection Insurance may be included

### Guidance Manual

The information in this circular does not affect the content of the HB Guidance Manual.

### Queries

**Extra copies of this circular/copies of previous circulars** can be found at <https://www.gov.uk/government/collections/housing-benefit-for-local-authorities-circulars>

- about the **technical content of this circular**, contact [Andrew.mclean2@dwp.gsi.gov.uk](mailto:Andrew.mclean2@dwp.gsi.gov.uk)  
  
• **distribution of this circular**, contact [housing.correspondenceandpqs@dwp.gsi.gov.uk](mailto:housing.correspondenceandpqs@dwp.gsi.gov.uk)

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# Managing capital cases where Payment Protection Insurance may be included

## Introduction

1. A number of issues have been raised around the quality of some Housing Benefit Matching Service (HBMS) Inland Revenue (IR) capital rules, particularly in relation to elements of Payment Protection Insurance (PPI).
2. This circular provides background to how these cases have occurred and includes recommendations on handling these cases.
3. The current capital rules within the HBMS have provided consistently good results and in 2013/14 identified overpayments of benefit in excess of £8.5 million.
4. Legal advice is that PPI compensation should be classed as capital. However, the way PPI compensation payments are included in the HBMS capital matches has led to some confusion. These payment amounts are being classed as savings interest within the capital rules, leading to a number of 'false positive' matches that indicate the claimant may have a large amount of capital that in reality they do not have.
5. We are currently working with HM Revenue and Customs (HMRC) and the financial institutions to find a solution to this problem. In the interim we ask that the financial figures generated by the capital match cases be treated with extreme caution and we have produced some guidance below which should assist with your assessment of the information you are receiving from the HBMS service.

## Background

6. Each year we receive notification from HMRC on information provided from banking and financial institutions on interest paid on customers' accounts. This informs our capital match suite of rules.
7. The banks do not use National Insurance numbers (NINO) as a common unique identifier; although they often hold them for tax/interest purposes. We therefore need to allocate a NINO by identifying the banks customers using the limited data provided; these include fields like Name, Address etc. We then match these, as best we can, against benefits systems to identify fraud and error.
8. We then apply a safe interest rate to that information. Currently most financial institutions are paying around 1%. If the information the banks provide shows actual interest paid on an account of £130, then we apply the 1% as the basis for our multiplier. In this case that would show potential savings of £13,000. This would impact most 'means tested' benefits and therefore comes out as a General Matching Service data match. Historically this is a sound approach to take with

the only doubts being around the time delay in receiving the data and the customer spending the money.

9. In early 2012 the mis-selling of PPI was identified. This opened the door to a flood of claims. The penalty applied to banks and financial authorities for successful refunds is 8% interest. Banks need to declare this 8% for tax purposes. Many people challenged their own PPIs and were awarded a refund. Given our customer group it is possible that due to their financial status a high proportion may have taken this route.
10. We are currently using 2013/14 data for capital matches and this is the first year we have seen a very clear volume of potential PPI cases clouding the capital data. Our data matching abilities are only as good as the information provided by the banks. Please refer to Annex 1 of this document for a copy of the advice provided by the HBMS Team which was issued with all new IR rules from October 2015.
11. Due to the application of the 'safe interest' across all capital figures supplied by HMRC the figures quoted on the matches should be treated with extreme caution.
12. There is currently no clear way to easily de-select PPI from other capital for data matching purposes and there is a need to make risk based sensible decisions on how to take action on these cases.

## Identifying a Payment Protection Insurance element

13. Legal advice is that we should consider PPI awards as an element of capital. However it can be difficult to identify a PPI only case. The average compensation for a PPI claim is £2,700 nationally. So we have developed some simple points you may want to consider:
  - consider if the match shows criteria that is easily recognisable as a bank account number (for example many are 6 number sort codes followed by 8 number accounts), or does it look like a Building Society Roll number. If so it is more likely to be a capital case. A number of this year's IR referrals have been generated without a sort code and we are challenging back on this issue. In the public domain, there is a list of sort codes which you may find of use. This can be accessed via <http://findsortcodes.co.uk/>
  - is the amount realistic? £130,000 refund on PPI is very unlikely when you consider the insurance policies you would have had to get a refund like that and how long they have run. So PPI on someone in their early twenties of a significantly large amount is unlikely, but an inheritance or redundancy capital is more likely. However, 1% of £130,000 is £13,000 and still worth investigating
  - are there multiple financial accounts and therefore more likely to have £6,000 plus?

- is there a history of financial transactions that may warrant a PPI claim? For example, mortgage details past or present on the claim. But allow for the fact that any large capital could have come from the sale of a home and treat the intelligence accordingly
  - before seeking financial information consider if an early intervention or interview is appropriate. And use these as the evidence gathering opportunities they are. Often a claimant can provide the information and PPI award notice much quicker than using Social Security Fraud Act (SSFA) powers and speeds up the end to end process. There is nothing to stop you re-interviewing or following up the cases further if the information is not provided.
14. You should, as now, only request the use of SSFA powers after considering the points above and deeming the request a proper use of those powers. (This is only relevant to those LAs who have not yet transferred under the Single Fraud Investigation Service).

### **Proposed action to take**

15. Firstly take a common sense approach and treat every case on its own merits. The HBMS only opens the door to an investigation. You may now want to review any cases where you think there is an element of PPI and consider the following next steps if:
- you can identify that your case is PPI only then you can close the case down. Use of SSFA powers would not be appropriate in these cases
  - your case has associated capital of £6,000 or more, then as part of your investigation you should pursue any suspected PPI element as this amount could make the difference on the financial outcome of the case. Consider carefully the use of powers
  - the capital identified appears to be over £3,500 then consideration should be given to the PPI on a case by case basis as the national average PPI payout could put a claimant over £6,000 and benefit may be impacted
  - if you identify any other discrepancies, you should email [hbms@dwp.gsi.gov.uk](mailto:hbms@dwp.gsi.gov.uk)
16. As with all HBMS cases a common sense approach is needed but hopefully by considering these actions it will help you to manage these cases.

## Data matching next steps

17. We will continue to monitor these cases and review those selected for 'code 14' closure to identify patterns. The data matching team will continue working closely with Technology and HMRC colleagues to see if there are any ways we can identify a PPI only case and use the criteria to de-select in the future.
  
18. If you have any further questions then please escalate them through your normal route.

## Annex A



## Centric HB Team (HBMS)

Data And Analytics, Technology

**Date:** October 2015

### HBIR102 & HBIR215 Capital Matches

Please note that the data has been refreshed for these referrals. We are now using **2013/2014 Savings data** for these rules.

Please see attached document from the Centric HB Team (HBMS) containing information to be taken into consideration when investigating HBIR102 and HBIR215 referrals.

We will update this document on an ad-hoc basis and issue with referrals following any amendments.

**Please note we can only list the information we are aware of, there may be other issues with the data which are not yet noted on pages 2 and 3 of this document.**

**We have recently been notified by a number of LAs about Lloyds bank account numbers starting with the prefix 'PPI' and then the account number. This is a new query at HBMS and as we do not have the authority to investigate with the banks / building societies what type of accounts these are, cannot provide an answer at this time. If however, you have information that you can share with us from speaking with Lloyds we will update the list below.**

If there are any possible issues not listed please email [HBMS@DWP.GSI.GOV.UK](mailto:HBMS@DWP.GSI.GOV.UK) with the details; including in your email the Financial Institution affected, what the problem is, and how it is identified. We will then assess if it impacts the savings data.

- Please return any referrals affected by these issues as code 14.
- We do not recommend suspension of benefit following receipt of a referral- this information is **intelligence only** and investigations should be undertaken prior to any action on the claim.

The savings rules do come with a health warning as detailed in the Rule Guides

**\*\*HEALTH WARNING\*\***

*This referral is intelligence only and should be treated with caution. Whilst every attempt is made to ensure the accuracy of these data matches the referral is issued on the basis that it **indicates a 'potential' discrepancy** and will require further investigation to ensure that incorrectness exists before making approaches to customers.*

***The NINO provided by HMRC is now verified by DWP. If a NINO is not provided by HMRC the personal details will be verified. However care should still be taken when making preliminary investigations such as ensuring that the personal details have indeed matched correctly. It is therefore left to the Local Authorities discretion how best to proceed in each case.***

*The HMRC savings data within any referral should be treated as a form of intelligence, which should not be disclosed, and should be treated with caution. Investigators should use their powers where available to go directly to the bank or building society to obtain full details of the account. Where possible other data sources should be checked to support the credibility of the HMRC data.*

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## HMRC health warnings

To be read in conjunction with Centric HB Rules HBIR102 and HBIR215

Financial Institution Name	Reference	Year	Warning
<b>Santander UK Plc</b>	<b>A1007/01</b>	<b>2011/12</b>	In a small percentage of cases the amount of interest has been over reported. In every affected case at least one party to the account has supplied a form R85 since September 2011. If the account holder is able to supply copies of bank statements and/or a letter from the bank detailing the correct amount of interest, which differs from the interest reported on the return and on the S975 certificate, the figures on the bank statements and/or letter should be accepted.
<b>Lloyds TSB Private Banking Ltd</b>	<b>A1627/07</b>	<b>2011/12</b>	2011/12 Return reference A1623/07 from Lloyds TSB Private Banking Ltd contains a number of Bank of Scotland Trust accounts which would normally be reported under A1199/09. A resubmission is not being sought in this case.
<b>Cheshire Building Society</b>	<b>B1270/01</b>	<b>2011/12</b>	In a small percentage of cases the society has reported the power of attorney as the owner of the interest instead of the beneficial owner. If the person reported is able to demonstrate that they are the power of attorney then you should accept that they are not the beneficial owner.
<b>Henderson Global Investors Ltd</b>	<b>Z1230/01</b>	<b>2011/12</b>	Gartmore Investments, Z1134 became part of Z1230, Henderson Global Investors Ltd in July 2011. Accounts that were still live at the take over have also been included in the return for Z1230. If you identify an account on both returns with the same account number the entry on the Gartmore return, Z1134/01 should be ignored.

Potential issues currently under investigation

Financial Institution Name	Year	Description
<b>Santander</b>	2011/12	Possible loan accounts included in savings data. Sort code shown as zero on HBMS referral. Amounts could relate to interest charged rather than earned.
<b>TSB Bank PLC</b>	2011/12	Possible credit card accounts with account number format CC/xxxxxx
<b>Barclays</b>	2011/12	Account numbers starting with 100 or 1000 followed by a series of letters-possible loan or credit card account.
<b>Co-Operative Group PLC</b>	2011/12	Possible loan accounts included in savings data. Sort code shown as zero on HBMS referral. Amounts could relate to interest charged rather than earned.
<b>HBOS</b>	2011/12	Account Numbers could refer to mortgage accounts rather than savings.
<b>Royal Bank of Scotland</b>	2011/12	Non-interest paying account, format 00123456
<b>Tesco Personal Finance</b>	2011/12	Account number has 6 digits, sort code 0. Possible spurious information.
<b>HSBC</b>	2011/12	Account number format is 4 letters followed by 6 digits- sort code is 0. Could refer to repayments of interest on a loan.
<b>HSBC</b>	2011/12	Interest shown could refer to payment protection insurance.
<b>Santander</b>	2011/12	8-digit account numbers reported as not valid by Santander. No identifying characteristics.

## Frequently asked questions and answers

### **Q1. How can I identify it is PPI only?**

A1. Consider the advice for identifying PPI in **paragraph 13** of this note. If you are still unsure agree with your manager possible options including inviting the customer in, closure or seeking further advice.

### **Q2. Can't we just close all the capital cases?**

A2. We wouldn't advise that. There is still a lot of fraud and error in these cases. Each case should be treated on its own merits. We can only improve the quality of capital referrals with your cooperation in identifying how we can improve the rule.

### **Q3. How do I get PPI information from financial institutions?**

A3. You should consider very carefully whether you need to contact financial institutions based on PPI information only as this is unlikely to be of a value to affect benefits in its own right.

### **Q4. I work in an LA how do I know which to close or which to send to the Fraud and Error Service (FES)?**

A4. You need to consider the advice above on whether the case warrants further investigation. Consider your local business agreements with FES before passing a case for investigation

### **Q5. I work in an LA, what do I do if the claimant cannot or will not provide the information?**

A5. If you think that the case warrants further investigation including the use of SSFA powers then refer the case to FES following your locally agreed process or seek advice from your local Decision Makers. They can decide if the information held is enough to make a decision or the missing information would have any relevant impact on the case.