

Exploring public attitudes towards owing a debt to HMRC and its effect on credit ratings – report on survey findings Sept 2016

1. Introduction

HM Revenue and Customs are the UK's tax and customs authority, responsible for making sure that money is available to fund the UK's public services and for helping families and individuals with targeted financial support. As well as collecting tax revenue in, HM Revenue and Customs also follow up with people who have not yet paid them the tax that they owe, in order to make sure that as much money as possible is brought in to pay for the UK's public services.

In January 2016 HMRC published the results of a qualitative research study of HMRC customers who had a tax debt which aimed to understand their decision-making and behaviours regarding paying the amount owed – HMRC Debtor Behaviour¹. This included exploring their understanding of credit scores and whether their payment behaviour would be different if their credit rating could be affected. The research found that those customers in the research with a VAT or Self Assessment debt would be more concerned about their debt to HMRC if it could have an impact on credit ratings. However, it tended not to have an impact on decisions they made on what to pay and when as this was dictated more by their own financial situation.

This qualitative research provided a deep understanding of customer's views but, due to the methodology, did not provide a representative picture of attitudes across the public as a whole. In order to explore how widespread public attitudes are towards tax debt and its impact on credit ratings, three questions were placed on the ONS Opinions and Lifestyle survey on behalf of HMRC.

The findings add to HMRC's evidence base, providing useful information to support the formulation of any future policy development in this area.

¹ <https://www.gov.uk/government/publications/hmrc-debtor-behaviour>

2. Sampling, Methodology and Reporting

The ONS survey is an existing and well established public survey vehicle that gathers general population views – and when fieldwork for this survey took place in January 2016, a 52% response rate was achieved, corresponding to 951 interviews.

Three questions, designed by HMRC, were placed on the January 2016 module of the ONS omnibus “Opinions and Lifestyle Survey”². These were preceded by an introduction to the work HMRC undertakes to clarify that the questions were being asked on our behalf. The full question list can be found in Appendix A.

The Opinions and Lifestyle Survey uses a random probability sample stratified by region, the proportion of households with no car, the proportion of households where the household reference person is in the National Statistics Socio-economic Classification (NS-SEC) categories one to three and the proportion of people who are aged over 65 years.

Due to the unequal probability of selection, the data is subsequently weighted to correct for this. This weighted data is portrayed in the analysis with the un-weighted base also provided for each question. The data has been reported as a percentage and is rounded to the nearest whole per cent. As a result numbers shown in tables may not sum to 100 per cent due to rounding. Where respondents refused to answer a question, these refusals have been excluded from the analysis.

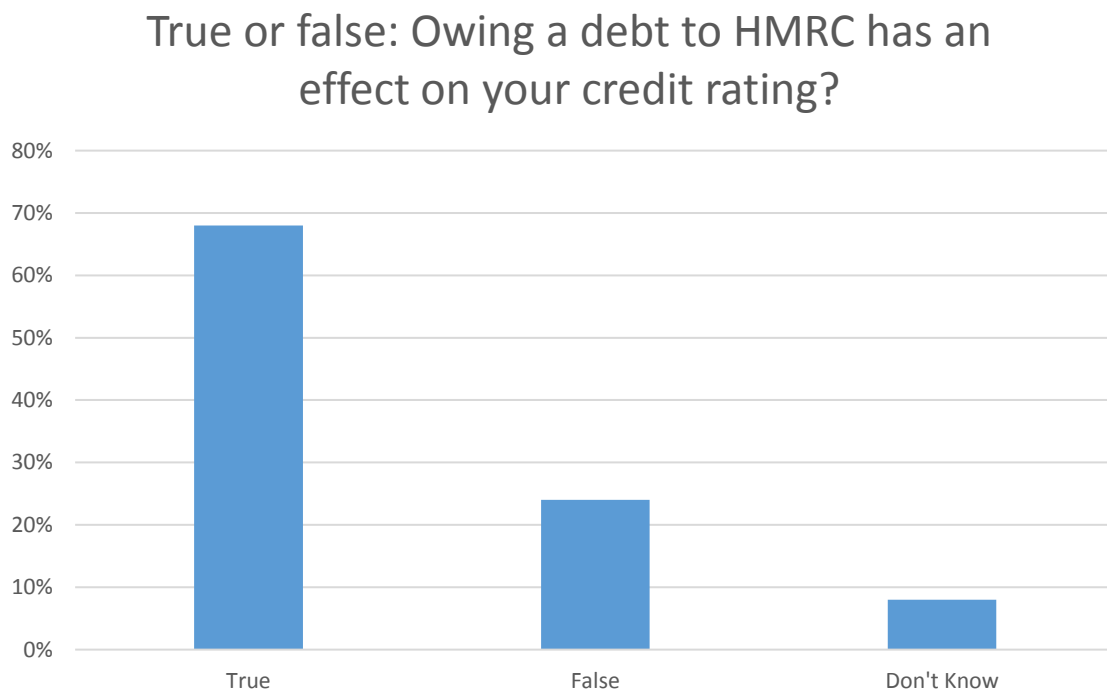
² <http://www.ons.gov.uk/ons/about-ons/products-and-services/opn/index.html>

3. Key Findings

Beliefs about whether HMRC debt will affect their credit rating

A much larger proportion of respondents thought that it was true that owing a debt to HMRC has an effect on your credit rating: 68% compared with 24% who thought this was false. 8% of respondents answered 'Don't Know'.

Figure 1 – Beliefs about HMRC debt and impact on credit rating



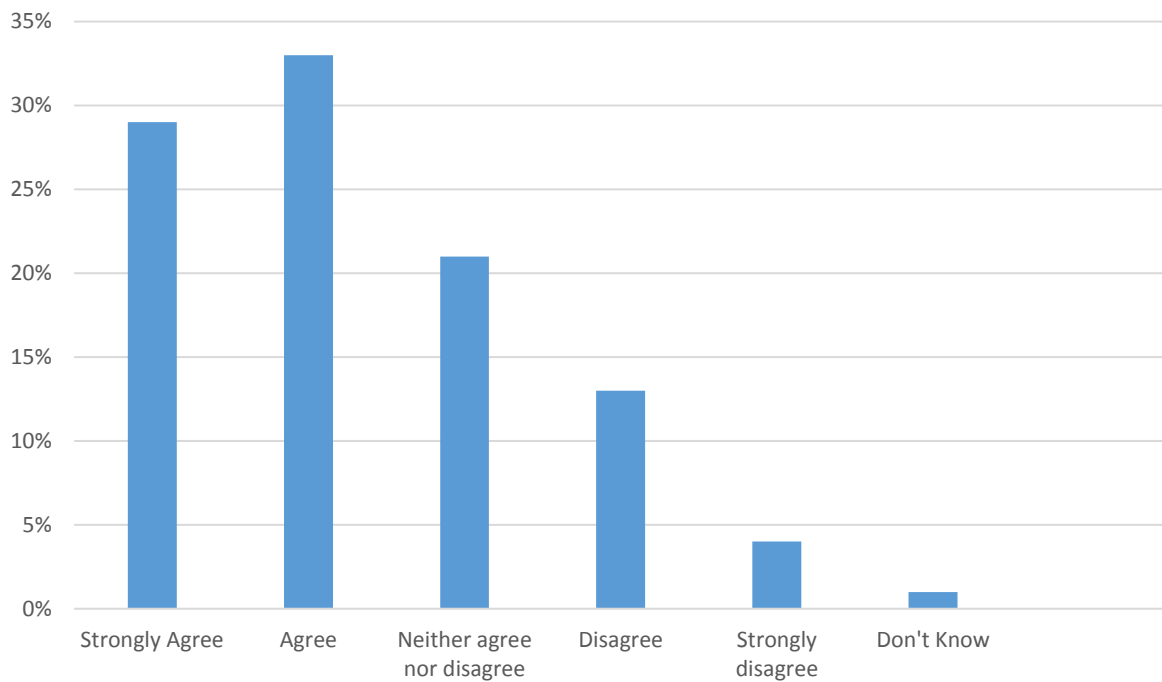
(2016 unweighted base: 942, excluding 9 refusals) (Annex A: Q1)

Attitudes towards the idea that HMRC debt should affect credit ratings

Overall, 62% of respondents either strongly agreed (29%) or agreed (33%) that owing a debt to HMRC should affect your credit rating. Again, this is a considerably larger proportion than the 17% of respondents who strongly disagreed (4%) or disagreed (13%) with the statement. Close to one fifth of respondents neither agreed nor disagreed with the statement (21%) and 1% of respondents answered 'Don't Know'.

Figure 2 – Attitudes towards idea that HMRC debt should impact on credit rating

To what extent do you agree or disagree that owing a debt to HMRC should have an effect on your credit rating?



(2016 unweighted base: 941, excluding 10 refusals) (Annex A: Q2)

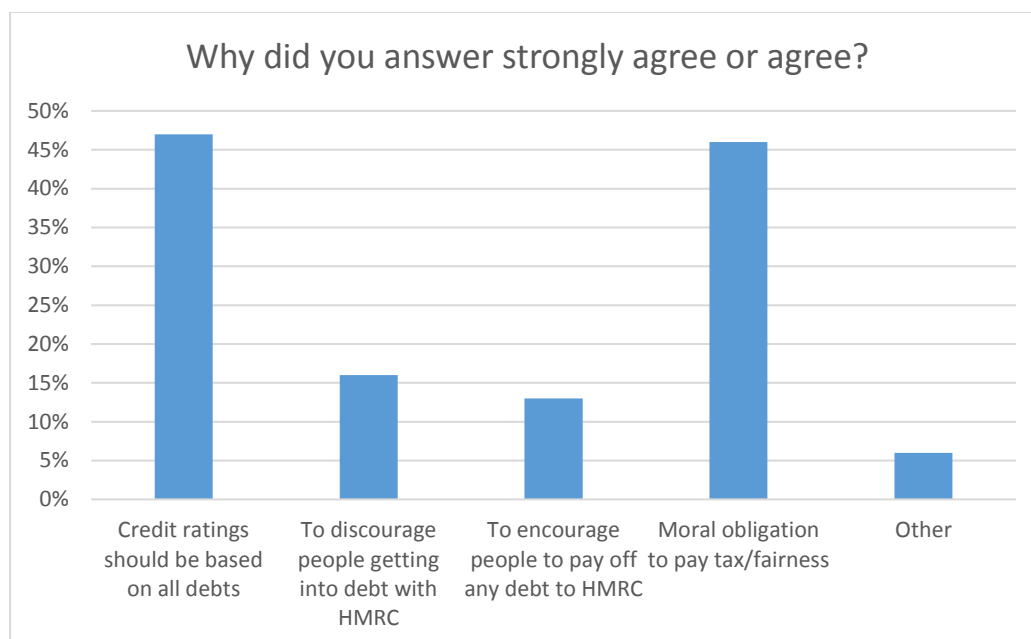
Why did you answer strongly agree or agree?

Of those who agreed or strongly agreed that owing a debt to HMRC should have an effect on your credit rating, the greatest proportion of respondents stated they thought this for reasons relating to fairness – including ‘credit ratings should be based on all debts’ (47%) and ‘moral obligation to pay tax/fairness’ (46%).

Other reasons cited less frequently included ‘discouraging people to get into debt with HMRC’ (16%) or ‘encouraging people to pay off their debt to HMRC’ (13%).

A small proportion, (6%) of respondents, provided a reason not listed, as shown by ‘Other’ below, and two common themes emerged within this. The first relates to the impact on the UK finances, and the wider impact of debt to HMRC on society overall – and the second relates to the importance of taking personal responsibility for financial conduct.

Figure 3.1 – Understanding attitudes towards idea that HMRC debt should impact on credit rating – if strongly agreed or agreed that they should



(2016 unweighted base: 591 – This is greater than the actual number of respondents answering this question because each respondent could provide more than one answer.) (Annex A: Q3) Excluding 2 refusals and 4 cases where the respondent answered ‘Don’t Know’.)

Why did you answer strongly disagree or disagree?

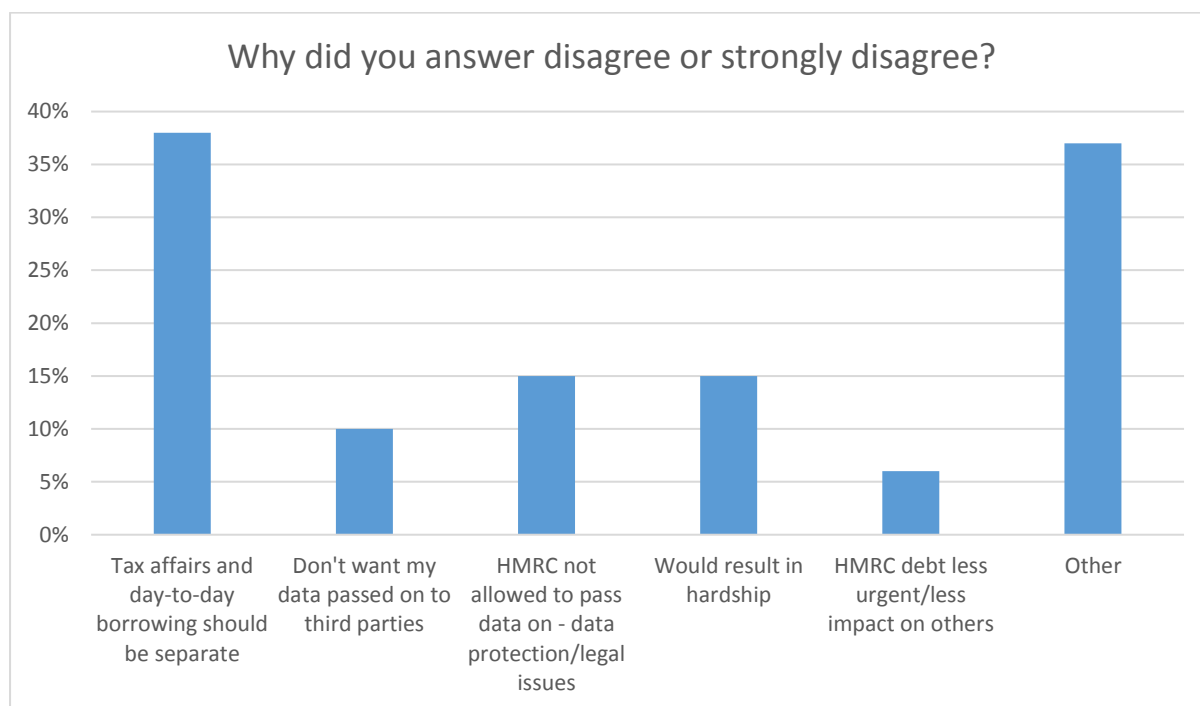
Of those who disagreed or strongly disagreed that owing a debt to HMRC should have an effect on your credit rating, the most commonly cited reason for thinking this was that tax affairs and day-to-day borrowing should be separate (38%).

The next most commonly cited reason was ‘HMRC not allowed to pass data on – data protection/legal issues’ (15%) – and a further 10% of respondents also cited another concern relating to data, namely ‘Don’t want my data passed on to third parties’.

Another commonly cited reason was that this ‘Would result in hardship’ (15%) and 6% stated that ‘HMRC debt less urgent/less impact on others’.

However, a considerable number of respondents who disagreed/strongly disagreed gave an alternative reason, as shown by ‘Other’ (37%). The most commonly cited ‘other’ reason was a belief that HMRC might make a mistake, which then should not negatively impact on your credit rating. Other reasons mentioned included that it would depend on the individual’s circumstances and also that taxes are too high/too targeted at individuals.

Figure 3.2 – Understanding attitudes towards idea that HMRC debt should impact on credit rating – if disagreed or strongly disagreed that they should



(2016 unweighted base: 188) This is greater than the actual number of respondents answering this question because each respondent could provide more than one answer.) Excluding 3 refusals and 9 cases where the respondent answered ‘Don’t Know’.)

(Annex A: Q3)

4. Conclusion

The findings from the survey show that the majority of people think that debt owed to HMRC will affect credit ratings. Most people agreed that this should be the case and the most common reasons for agreeing related to fairness – in that credit ratings should be based on all debts, and that there is a moral obligation to pay taxes.

The most common reason for disagreeing was that tax affairs and day-to-day borrowing should be separate.

This research has provided HMRC with a better understanding of the public’s understanding of whether owing a debt to HMRC will and should affect credit ratings and the reasons why they hold these attitudes.

Appendix A

Questions and Briefing Information

Credit Ratings/Debt questions to be included in ONS Opinions and Lifestyle Survey

Briefing Information for Interviewers

Some background on the questions

HMRC are responsible for safeguarding the flow of money to the Exchequer through their collection, compliance and enforcement activities. **These questions will help HMRC to understand its customers better, in order to encourage them to comply with their tax obligations.**

Information which can be shared with respondents

If any respondents ask what we mean by 'credit rating', please tell them the following: **A person's credit rating would be checked whenever they apply for credit. It is a way of establishing how likely someone is to be able to pay money back, and is based on their personal financial history and prior payment of debt.**

If any respondents question why we are asking these questions, it's ok to pass on the information above, **that our aim is to better understand our customers, so that we can make sure as many people as possible comply with their tax obligations.**

Introduction

The next few questions are being asked on behalf of HM Revenue and Customs, and are about collecting the debts that people owe to them. HM Revenue and Customs are the UK's tax and customs authority, responsible for making sure that money is available to fund the UK's public services and for helping families and individuals with targeted financial support. As well as collecting tax revenue in, HM Revenue and Customs also follow up with people who have not yet paid them the tax that they owe, in order to make sure that as much money as possible is brought in to pay for the UK's public services.

I would like to remind you that all of your responses will be treated as confidential and not attributed to you.

Ask All

Qu.1) Please tell me if you think the following statement is true or false:

Owing a debt to HM Revenue and Customs has an affect on your credit rating?

- (1) True
- (2) False
- (3) Don't know (*spontaneous only*)
- (4) Refusal (*spontaneous only*)

Ask All

Qu. 2) To what extent do you agree or disagree that owing a debt to HMRC should affect your credit rating?

- (1) Strongly agree
- (2) Agree
- (3) Neither agree nor disagree
- (4) Disagree
- (5) Strongly disagree
- (6) Don't know (*spontaneous only*)
- (7) Refusal (*spontaneous only*)

If Agree/ Strongly agree:

Qu. 3.1) Please can you tell me why you gave this answer?

Do not prompt on response options. Record spontaneous answers against response options. Code all that apply

- 1) Credit ratings should be based on all debts
- 2) To discourage people getting into debt with HMRC
- 3) To encourage people to pay off any debt to HMRC
- 4) Moral obligation to pay tax/Fairness
- 5) Other (*Please Specify*) (*collected as text data*)
- 6) Don't know (*spontaneous only*)
- 7) Refusal (*spontaneous only*)

If Disagree/Strongly disagree:

Qu. 3.2) Please can you tell me why you gave this answer?

Do not prompt on response options. Record spontaneous answers against response options. Code all that apply

- 1) Tax affairs and day-to-day borrowing should be separate
- 2) Don't want my data passed on to third parties
- 3) Not allowed to pass data on - data protection/legal issues
- 4) Would result in hardship
- 5) HMRC debt less urgent/less impact on others
- 6) Other (*Please Specify*) (*collected as text data*)
- 7) Don't know (*spontaneous only*)
- 8) Refusal (*spontaneous only*)