

Customer views on the use of BBSI (bank and building society savings interest) to bring customer tax affairs up to date

Report on research findings prepared for HMRC by IFF Research – June 2016

HM Revenue and Customs Report 438



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Published by HM Revenue and Customs, October 2016
www.hmrc.gov.uk

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1 Key findings

- 1.1 HM Revenue & Customs (HMRC) wished to understand the impact on customers of using third party bank and building society data to calculate tax owed on their bank or building society savings interest (BBSI). HMRC implemented a Test and Learn initiative in which it matched savings interest data direct from customers' banks and building societies with customer PAYE records. This enabled underpayments of tax on savings interest to be identified and people's tax codes to be adjusted to ensure they were paying the correct amount of tax. Customers were informed of this by receiving a tax code notification (a P2), and / or a breakdown of their tax calculation (a P800). In some instances, they were also sent an advance letter explaining that HMRC was using their BBSI data to calculate their tax liability and to adjust their tax code.
- 1.2 To understand how this influenced customer behaviour, the customer experience when managing their tax affairs, and customer attitudes and beliefs regarding HMRC using BBSI data, IFF conducted 25 face-to-face in-depth interviews with PAYE customers who had previously underpaid tax on BBSI. The study sought to draw comparisons between those who had received the explanatory advance letter, and those who had not, in order to investigate the impact of drawing customers' attention to the use of third party BBSI data. It also compared individuals who had contacted HMRC in response to the letter, and those who had not, in order to explore the factors driving action and inaction.

Comprehension of the communications

- 1.3 Initial understanding was tested by investigating how well customers recalled and understood the advance, P2 and P800 letters. Without prompting, they were most likely to spontaneously recall the P2 as a 'tax code notice', which they thought of as a standard document that they received regularly. Some recalled the P800 spontaneously as a 'tax calculation document', and some of those sent the advance letter recalled it, with a few more recalling it on prompting. It was a mixed picture regarding whether customers understood the connections between the letters.
- 1.4 Most customers grasped that a tax underpayment was being remedied through their tax code. However, customers varied in terms of whether they took out the *whole* correct message, with the most common 'imperfect' understanding being that of not realising the underpayment *related to tax on BBSI*.
- 1.5 As would be expected, understanding of the communication materials was vulnerable to external factors, including:
 - Customer preoccupations regarding other aspects of their tax affairs (for instance, as the P2 covers a variety of customer income sources, customers could focus on another aspect, such as fuel or health benefits, and fail to notice the BBSI aspect; or, if the customer was already in contact with HMRC about another aspect of their tax affairs, they sometimes presumed the communications were about that instead);
 - The sequence in which the letters were received or read (for instance, if they read the P2 before the advance letter and focused on another aspect of the P2, such as fuel or health benefits, they could then assume the advance letter about BBSI data had nothing to do with the P2); and,
 - The financial nous of customers and their willingness to engage with their tax affairs.

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- 1.6 The benefit of the advance letter is somewhat unproven – for a few it clarified the focus of the P2 and P800, but overall, customers seemed just as likely to comprehend that underpayment of tax on their savings interest was being remedied via their tax code, *without the letter* as with it. In a few cases it also created concern by setting up expectations of an ‘investigation’, leading to an expectation of follow-up contact regarding the outcome. The one difference to comprehension that the advance letter *did* make was highlighting to some customers that HMRC had used third party data from their bank / building society to calculate the underpaid tax.
 - 1.7 When prompted, many felt a ‘breakdown’ letter setting out the savings interest information that banks and building societies had provided would have added ‘clarity’ and ‘context’ to other HMRC communications and suggested it be sent alongside the other letters, though customer views varied on which communications the breakdown letter should accompany. For some, a breakdown of all their tax affairs via an online account would help, but there were some customers who would always ring HMRC, preferring the ‘more personal’ phone contact, for its ability to reassure them that somebody at HMRC had taken ownership of their issues.

Responses to the communications

- 1.8 In a number of cases, the letters prompted customers to contact HMRC, but due to their own preoccupations their query did not always relate to the use of BBSI. Other behaviours which were prompted by the letters included making a mental calculation to roughly check that HMRC’s calculation and / or the final amount owed was correct or a more thorough check of the customer’s own records to verify the information provided.
- 1.9 Customers who took no further action mainly chose not to because they felt the information received was correct. However, in many cases, customers were reluctant to contact HMRC over what they considered smaller, ‘immaterial’ sums of money, while a few customers felt they needed to factor in time to prepare for the phone call. In a few cases, customers said they did not contact HMRC because of negative experiences of dealing with HMRC in the past, such as the time taken to get through and dissatisfaction with the quality of HMRC’s call handling.

Attitudes to HMRC using third party data

- 1.10 There is a near consensus that using third party BBSI data is not problematic overall. Many felt the use of BBSI data would reduce the burden of managing their tax affairs by removing the need for them to declare the tax owed on their savings interest (which many assumed would involve having to submit a tax return of some kind). Even among the few whose approach to their tax affairs was characterised by an angry or confused tone, there was predominantly relief that HMRC’s use of the BBSI data to calculate tax owed meant there was no need for the customer to handle a ‘difficult’ declaration.
- 1.11 There were however some cases where customers said they would want reassurance about HMRC’s approach to safeguarding their personal data. In addition, some wanted HMRC to accompany the use of this data by proactively providing more transparent information about how the tax sums had been arrived at, to allow the customer to check HMRC’s calculations.

The impact of HMRC’s use of third party BBSI data on customer behaviour

- 1.12 Most of the customers interviewed were not concerned that they might have been underpaying tax on their savings interest, and didn’t feel they had done anything ‘wrong’. In some cases, it appeared that levels of understanding of the previous system were fairly low; most customers

did not realise they owed any tax on their savings interest, while only a few suspected they may owe money but felt it must be HMRC's responsibility to contact them if an underpayment had occurred.

1.13 When HMRC's use of third party BBSI data became clear to them - which creates a system whereby the correct tax on savings interest will be collected by default - some customers felt they would change their behaviour in response to this – but others did not. The points below summarise this impact:

- **For some** of these customers, it prompted a behavioural shift where they engaged more with the communications and felt there was an increased onus on them to check the P2 and P800 letters more carefully
- **For some** - no impact on behaviour as they were either already engaged (they had previously declared their BBSI to HMRC), or they were previously very unengaged in their tax affairs and HMRC's use of third party data did nothing to change this.
- **For a few**, HMRC's use of third party data signalled that they would no longer be 'let off the hook'

2 Introduction and background

Background

- 2.1 Before April 2016, when UK banks and building societies paid interest on their customers' accounts, they were required to deduct any tax due on that interest at source. Tax was deducted at the basic rate of 20% and paid directly to HMRC. Where customers owed tax in excess of this 20% deducted at source, they needed to notify HMRC in order to pay any additional tax required. There hasn't been a concrete 'process' for this notification or payment, i.e. a particular form to submit,
- 2.2 Analysis of BBSI data shows that many individuals failed to report this extra income to HMRC. The main impact of this for HMRC is a contribution to the 'tax gap', i.e. the difference between the tax due and the tax collected. A further impact for the individual is a potentially negative customer experience, as customers were required to contact HMRC in order to pay the correct amount of tax on their BBSI.

About the BBSI Test and Learn initiative

- 2.3 HMRC is seeking to close the 'tax gap', i.e. ensure that all the tax owed on BBSI is paid. One initiative to achieve this involves using data from banks and building societies (in this instance details of savings interest from customers' accounts) in order to correctly assess customers' tax liability. If there has been an underpayment, the rest of the tax owed is collected by an alteration of the individual's tax code for the remainder of the current year, and if necessary for the following year.
- 2.4 In November 2015, HMRC implemented a 'Test and Learn' initiative to test this proposed process with certain PAYE customers who had previously underpaid tax on BBSI at a particular level. In order to evaluate the initiative, HMRC commissioned research to understand the reactions, attitudes, experiences and behaviours of this group of customers

Objectives

- 2.5 HMRC commissioned IFF to conduct qualitative research to understand:
 - How the use of third party BBSI data influences customer *behaviour* when conducting tax affairs;
 - How the use of third party BBSI data impacts on the overall *experience* of conducting tax affairs; and,
 - To explore customer attitudes and beliefs regarding HMRC's use of BBSI third party data to calculate tax codes and tax owed.

The series of communications being investigated

- 2.6 Customers were informed of the use of BBSI third party data, and its impact on their tax code, through the following communications:
 - **An advance (pre-output) letter (see Appendix 3).** The majority of the Test and Learn population received this letter which told them that HMRC was going to *review* details of their savings interest - which they receive from bank and building societies each year -

in order to check that the right amount of tax is being paid on their savings interest. In addition, that, HMRC would adjust their tax code - and confirm this in a P2 / P800 letter - if they have underpaid.

- **The first P2 letter.** This told the customer their tax code for the second half of 2015/16, along with some information on how HMRC worked out their tax code. A change in tax code allowed HMRC to ensure customers were paying the right amount of tax.
- **The P800 tax calculation letter.** This told the customer that they had underpaid tax in 2014/15, and provided a breakdown of how this was calculated. It informed the customer that the underpayment would be collected through an adjustment to their tax code.

2.7 **A second P2 letter – received slightly later in February 2016 - told** the customer their tax code for the forthcoming year 2016/17, and provided some information on how HMRC worked this out. Although this letter was not sent to customers as part of the ‘Test and Learn’ initiative, it was investigated as part of this research because it could potentially have alerted customers to HMRC’s use of BBSI data to calculate the tax owed on their savings interest.

2.8 Part of the research involved exploring customers’ understanding of these letters, particularly whether receiving the advance (pre-output) letter increased customers’ understanding of the other communications (i.e. the P2s and P800), and of HMRC’s use of BBSI third party data.

3 Sampling and methodology

Methodology

3.1 A qualitative approach was adopted for this study, comprising 25 in-depth interviews conducted with Pay-As-You-Earn (PAYE) customers who had underpaid tax on their savings interest. Qualitative research was chosen in order to explore customer behaviour, experiences and attitudes in depth and detail. Interviews took place face-to-face between 1st March and 1st April 2016, each lasting around one hour. In most cases these took place at the customer’s place of work (16 interviews); or at the customer’s home (8 interviews), while one interview was conducted in an appropriate public place.





Sampling

3.2 Research participants were recruited from lists of Test and Learn customer contacts (see 2.4) supplied by HMRC. Prior to providing these customer contacts to IFF Research, HMRC sent opt out letters to the selected sample. This letter set out the purpose and subject matter of the research, explained how the findings would be reported back to HMRC, and gave respondents the opportunity to opt-out of the research study. Following a three-week period in which customers could opt-out, the customer lists were supplied to IFF and individuals were approached by telephone to participate in the research.

Profile of respondents

- 3.3 It was important that the research included the following types of customers (the number interviewed within each group is shown in table 3.1):
- A mix of those that had, and had not received the advance letter. This was because a key area to be explored was how customer understanding and attitudes differed depending on whether they received the advance letter ahead of the other communications.
 - A mix of those that had, and had not, contacted HMRC as a result of receiving these communications about their tax code. This was to ensure the research could explore why some customers got in touch, and why others did not.

Table 3.1 Number of customers within each group interviewed for the research

	Did not contact HRMC 	Contacted / Challenged 	Total
Received advance letter 	6	8	14
No advance letter 	6	5	11
Total	12	13	25

3.4 The study also specifically sought to interview a number of customers who were considered to belong to the most non-compliant group of respondents; these customers had previously reported their BBSI to HMRC, but based on BBSI data received by HMRC, should have had a higher tax liability. In total, 9 interviews were achieved with this group, split across the four main groups as below:

Audience	Completed interviews	Number of most non-compliant customers
Received letter - <i>Took no action</i>	6	0
Received letter - <i>Contacted/challenged HMRC</i>	8	3
No letter - <i>Took no action</i>	6	4
No letter - <i>Contacted/challenged HMRC</i>	5	2
Total	25	9

3.5 The research aimed to explore experiences of customers from a range of different backgrounds, therefore interviews were achieved with customers from a variety of age groups and different locations, and with varying levels of financial nous (see the recruitment screening questionnaire in Appendix 1 for more information on how this was determined).

Table 3.2 Age and region of customers who participated in the research

Age group	Number of interviews
25-49	13
50-64	10
65+	2
Total	25

Region	Number of interviews
East of England	2
London	6
North West	3
South East	5
South West	1
West Midlands	2
Yorkshire and the Humber	5
Scotland	1
Total	25

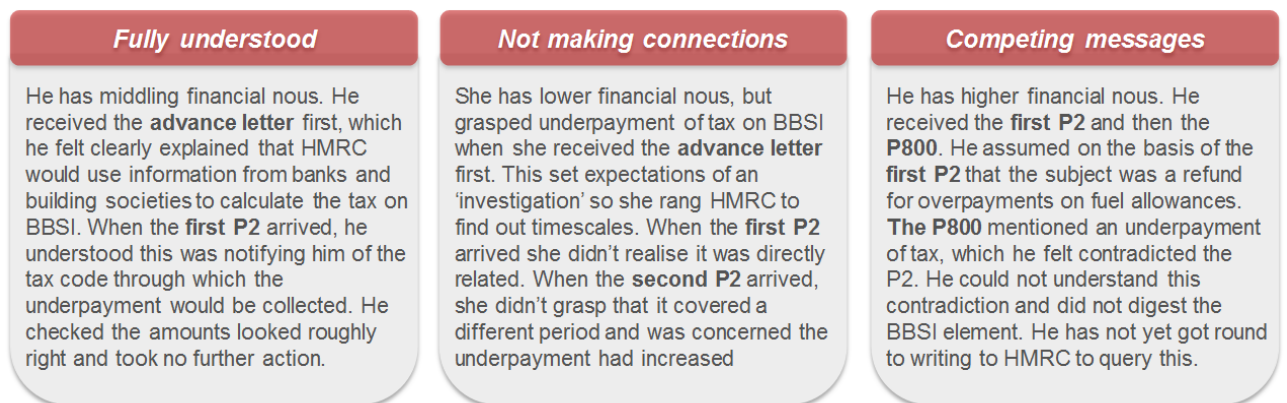
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- 3.6 Due to the sample available, more interviews were achieved with men (18) than women (7), and most interviews were conducted with customers from a White / White British ethnic background (22).
- 3.7 Each interview was conducted as a free-flowing dialogue between the participant and the interviewer, with the interviewers' questions being tailored to the participants' responses. The interview began by exploring what the participant could recall about recent communications from HMRC before prompting them by briefly showing them the relevant letters (the P2, the P800 and, if relevant, the advance letter), in order to discuss what they could recall about them and what they did in response. Customers were later given an opportunity to re-read all of the documents to see what further thoughts this prompted. The interview then explored their views on HMRC using BBSI data to calculate the tax they owed, and how they felt this had impacted on their behaviour and experiences of conducting their tax affairs. For further detail of the interview questions, see the discussion guide in Appendix 2.
- 3.8 Each interview was audio-recorded (with the participant's permission) and summarised in detail. The content of each interview was then reviewed by the research team in order to identify the key themes and implications. This analysis of each interview was then entered into an analysis framework to help make comparisons across all of the interviews (for example, to allow us to identify areas of commonality across interviews, or to identify patterns of differences between certain types of customer).
- 3.9 Please note that this is qualitative analysis, intended to understand individuals' circumstances and behaviour in depth and detail, rather than to be 'representative' or measure the incidence of these behaviours. Results therefore show the spread of opinions and give an indication of the in-depth reasons for these opinions or the individual circumstances surrounding them. The interviews achieved are not intended to be fully representative of all individuals who were included in the Test and Learn initiative – nor of any customers who may be involved in the future.
- 3.10 When describing the results, we use terms such as 'many', 'some' or 'a few' to give a relative indication of the extent to which views were expressed or behaviours reported. The term 'many' is used to mean that a view or behaviour is fairly widespread within a particular group of customers; while, at the other extreme, 'few' indicates that a findings applied only to a small handful. 'Some' is used to indicate a middle-ground between 'many' and 'few'. For example, if looking at the views of all 25 customers, 'few' is used to indicate findings observed among five customers or fewer; while 'some' is used to describe findings that apply to clusters of around 6-12 customers and 'many' is used to describe findings that apply to clusters of above 13 customers.

4 Recall, understanding and opinion of communications

What customers recall receiving, take-out messages and reactions

- 4.1 During the interviews, customers were asked what letters they could remember receiving, and their understanding of those that they could remember. If they could not remember very much spontaneously, customers were 'lightly' prompted with the letter during the interview, i.e. it was held up briefly at arm's length to jog their memory of the letter's overall 'look'. They were not allowed to re-read the letters at this stage.
- 4.2 In terms of recall, customers were most likely to remember the **P2** document spontaneously, compared to the other documents – all recalled this. Customers referred to this as a 'tax code notice' and perceived it to be a 'standard document'; many remembered receiving this annually, and in some cases more frequently. Customers were less likely to spontaneously recall the **P800** - around half recalled it, referring to it as the 'tax calculation document'. A few customers recalled the P800 document when prompted during the interview with a description of the letter or when briefly shown the letter as a reminder. In terms of the **advance letter**, some of the customers that received this spontaneously recalled it, again with a few more recalling after being prompted.
- 4.3 The interview then covered what customers *understood* by the letters they recalled receiving. The 'ideal' customer understanding of the letters would be as follows:
- That the customer's bank or building society has provided HMRC with information about the customer's savings interest, and that HMRC has used this information to calculate how much tax the customer owes to HMRC;
 - That the customer has underpaid tax to HMRC *on their bank or building society savings interest*, and,
 - That HMRC will rectify this underpayment by changing the customer's tax code.
- 4.4 Most customers understood most of these messages, in that typically they understood a tax underpayment was being remedied through their tax code.
- 4.5 That said, customers were very mixed regarding whether they took out the *whole* correct message. The most common 'imperfect' understanding, amongst some customers, was that a tax underpayment was being remedied through their tax code, but *without realising that the underpayment was related to their bank or building society interest*. Several of these customers were under the impression that the underpayment was related to another area of tax, while others were not sure where the underpayment originated from.
- 4.6 The manner in which customers pieced together the letters' meaning was extremely varied and idiosyncratic. The following figure (figure 4.1) illustrates some of the ways in which customers arrived at their interpretations of the letters. The factors commonly informing these interpretations will be explored in more detail in the next section.

Figure 4.1 Illustration of the various ways customers interpreted the communications from HMRC



Potential factors that affect how the P2, P800 and advance letter were understood

- 4.7 The research identified several factors that appeared to affect how the communications from HMRC were understood. In summary, these factors were: the order in which the communications were received; preoccupations the customer currently had regarding their tax affairs; and the customer's level of financial nous. These are discussed in more detail below.
- 4.8 In terms of the **sequence of the communications**, it was often the first letter that arrived that the customer paid most attention to, with subsequent letters sometimes being over-looked. There were a few instances of the advance letter arriving after the first P2/P800 (this was potentially due to Christmas post issues as these letters were sent in December 2015). Sometimes this meant that the P2 and/or P800 letters had prompted customers to contact HMRC before the advance letter arrived, leading to the advance letter being ignored on its arrival, as the customer felt that everything was already 'in hand'. In other cases like this, customers had assumed the advance letter was unrelated to the P2 and P800 they had previously received. That said, there were instances of the advance letter being read later and yet still being understood.
- 4.9 In some cases, customers brought with them their **own assumptions and preoccupations** when reading the letters, which prevented comprehension of what the letters were communicating. For example, in some cases they assumed that the communications were related to previous or ongoing discussions with HMRC around underpayments on healthcare benefits or pension contributions, or changes to their working hours. It was common in fact for customers to have experienced recent changes in their general life circumstances such as a job change, which also acted as a filter through which customers understood these letters. In these instances, the customers' preoccupations could lead them to latch onto different aspects of the P200 letter, such as overpayments on fuel allowances, and assume their underpayment was related to this.
- 4.10 **Financial nous** was also a factor in comprehension of the letters, in that there were a few cases where customers with lower levels of financial nous struggled to understand the terminology and did not feel confident enough to engage with the information, and as a result did not attempt to understand the message.

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- 4.11 Although people with mid and higher levels of financial understanding were more likely to understand the terminology and general subject matter, some still did not understand the complete message (that an underpayment on the tax on their BBSI was being rectified by a change in their tax code). In some cases, this was because customers hadn't fully understood the message in the advance letter relating to BBSI – or they assumed that the letters were in relation to other ongoing elements of their tax affairs.
- 4.12 Occasionally, a **hectic or busy lifestyle, or general lack of engagement with HMRC**, meant that all letters from HMRC were largely ignored or only skimmed over and put away.

Customer views on the P2, P800 and the advance (pre-output) letter

- 4.13 Customers were asked for their views on the documents they could remember receiving, and the views were relatively mixed.
- 4.14 For many, the **P2** letter was perceived to be a 'routine' document and a letter that they were used to receiving. Several nevertheless spontaneously mentioned it was unclear how the tax code had been arrived at and wanted a breakdown provided to them to help explain this. A few found the language and layout 'impenetrable' and consequently did not attempt to understand it.
- 4.15 Customers generally felt that the **P800** letter was clear in its message that tax had been underpaid, however several felt it was unclear as to the *origin* of underpayment, tending to assume it was to do with changes to their salary or benefits, or that an incorrect tax code had been previously applied. A few customers felt the document was less clear due to too much technical jargon, and in one case it was assumed that the P800 letter was simply a summary of taxable earnings.
- 4.16 The **advance letter** prompted mixed views amongst customers. Some had not picked up that it made reference to HMRC's use of third party BBSI data, though some felt it was clear in that it communicated an underpayment *on their savings interest*. A few customers were alarmed by the letter (discussed further in the next section), while one customer felt it was a generic letter that would be sent to everyone.

Understanding the impact of the advance letter

- 4.17 The interviews then specifically explored the impact of the advance letter on customer understanding, amongst those that had received it. This section only looks at those customers who received and read the advance letter *before* the other communications¹, i.e. received and read the communications in the 'intended' order (this was most of the customers receiving the letter).
- 4.18 At an overall level, receiving the advance letter did not appear to contribute to increased comprehension of the fact an underpayment of tax was being corrected on the part of these customers:

¹ Either those who felt certain they'd read this first, or may have done. We have excluded those who felt sure they'd read the P2 / P800 first.

- Those that had *not* received the advance letter were as likely to understand that a tax code alteration was rectifying an underpayment on tax on their savings interest, as those that had received the letter;
- Some of those that *received* the letter took out this message, while the remainder understood there had been an underpayment however were unaware of the *savings interest* element.

4.19 What the advance letter *did* do was to “highlight” to customers that HMRC was using third party BBSI data to calculate tax owed on saving interest. Some of the customers receiving the advance letter took this message from it, whereas none of the customers that did not receive the letter took this message from the rest of the communications (some were still aware of this, or assumed this was the case from other sources, but they had not taken this from the letters received).

4.20 For a few, the advance letter caused concern, in that it created an expectation of an ‘investigation’. One of these customers expected a follow-up letter to confirm the outcome of the investigation and make clear any additional money owed to HMRC. This customer did not feel that the P2 that followed the advance letter was a sufficient ‘closure’ on these expectations set by the advance letter.

“If they had written to me personally saying they were going to look into my bank interest and say I had unpaid tax on it, I would expect a follow up letter addressed to me saying, ‘This is what we found’.” [The P2] is not a response to the letter.

Male, 25-49, received letter/no contact

4.21 Another customer received the letter and expected that as a result of the ‘investigation’ she would need to pay extra money to HMRC. She wanted to budget for this but the letter did not give an indication how long the investigation would take or when the money would be recovered, and she therefore called HMRC to try to find out. One further customer felt they would have made him feel ‘like a criminal’ without an explanatory breakdown of how the underpayment had arisen.

Customer views on the contact centre-generated saving breakdown letter

4.22 During the ‘Test and Learn’ period, where customers contacted HMRC with a query about their savings interest, HMRC call handlers were able to send a savings breakdown letter which set out the savings balances held in their various bank and building society accounts. This was designed to help customers understand how the tax on their BBSI had been calculated.

4.23 Through a variety of circumstances, none of the customers interviewed who had contacted HMRC had received this breakdown letter and call handlers only offered to send it out in two cases. However, in a number of cases, the interest breakdown was explained to customers on the phone – and only one customer had specifically requested this information be sent.

4.24 In a few cases however, it appeared that customers called HMRC to discuss a variety of issues; these were often related to previous / recent contact they had had with HMRC. This meant that the call was not always particularly focussed on the BBSI element, and so the savings breakdown letter may not have seemed the most appropriate document to send to the customer. In one case, a customer reported that the call handler said that they were unable to

provide such a breakdown, and in another, the call handler had offered to send a breakdown but it had not arrived in the month between the call and the interview.

4.25 As none of the customers interviewed had received this breakdown letter, the interview instead explored whether customers *would have* found a breakdown such as this useful. When prompted with an example of this letter, many felt it added 'clarity' and 'context' to the other HMRC communications, and provided a means of verifying the information was correct. The savings breakdown letter was considered particularly helpful amongst those who have more than one savings account.

4.26 In a few cases, customers felt receipt of this letter would have removed the need to contact HMRC. However, a few also felt the letter needed more detail about the rate of tax they should be paying and how the underpayment of tax on their savings interest had occurred.

"Had they included this breakdown in the original communication, it would have eliminated the need for calls and questions."

Male, 25-49, received letter / no action

"If I had received this I probably would have understood it more, and if I wanted to I could go through all of my savings accounts and just check they have been given the right information."

Female, 50-64, received letter / contacted

4.27 Most customers suggested that the breakdown letter should be sent alongside other HMRC communications, though views were mixed as to which letters it should accompany:

- Some would prefer to receive the breakdown letter alongside the advance letter so that it is very clear from the beginning what the advance letter is referring to, while also providing a 'starting point' for verification of HMRC's calculations.
- Some would prefer to receive the breakdown letter alongside the P2 or P800 letters (more commonly the P2) as this would allow customers to cross-check the BBSI breakdown with HMRC's tax calculations.

"If they sent it with [the P2], then you could confirm the figure on the letter is the same figure on your tax code calculations and how HMRC arrived at the figure...at least you know how they've tried to get to the figure."

Male, 50-64, received letter / contacted

5 Customer behaviour in response to HMRC's communications

A summary of the action taken by customers

5.1 Customers varied in how they responded to the HMRC communications. The following responses were mentioned by customers:

- Contacting HMRC about BBSI
- Contacting HMRC about a non-BBSI related query
- Making a mental calculation to roughly check interest payment
- Checking records such as information from bank statements
- Taking no action

5.2 It was pre-determined by the sample structure that many of the respondents *would* have contacted HMRC; these tended to be customers with lower levels of financial understanding and in most cases contact was made because customers felt there was an error in the amount of tax they had been told they owed.

Responses from customers who did not contact HMRC

5.3 Where customers had not contacted HMRC, this was generally because they felt that the information in the letters they had received was correct and understood that, this being the case, no action was needed.

5.4 That said, some of these customers still personally made some checks of the figures in the letters. The thoroughness of checks varied amongst these customers.

- Some made a **mental calculation** – they took a cursory glance over HMRC's calculation or the final amount of money owed and felt it was 'about right' based on previous experience or on their rough estimate of the amount of savings interest that they believed they had accrued. These customers had mixed levels of financial understanding.
- Some checked records – this involved a more thorough check of the information in HMRC's letters against their own records, including payslips, savings information from bank statements or their own tax-calculation spreadsheets. In one example, a customer asked accountancy colleagues to check the information for them. These customers had mid and higher levels of financial understanding.

"As far as the tax calculation is concerned I verified the interest element of it and satisfied myself that it was correct."

Male, 50-64, received letter / no action

5.5 In a few cases customers took **no action** whatsoever, filing letters away without reading. In some of these cases, customers factored in the work needed to prepare for the call, leading to a decision not to contact HMRC, or to postpone doing so.

-
- 5.6 Some customers had *wanted* to contact HMRC because they were unsure about the figures in the letters or suspected there may have been an error, but were reluctant to do so due to the assumption that it would take a considerable time to get through to someone, or that some preparation would be required before they made the call. For some, mildly negative experiences of contacting HMRC in the past reinforced their inertia, for example, being unable to get through straight away or call handlers not being able to resolve issues quickly and efficiently.

“Historically I’ve had a lot of contact with HMRC over the years. You can often take some time to get through to them and I suspect if that barrier was not there I may have just rang them.”

Male, 25-49, received letter / no action

- 5.7 This was often combined with the consideration that the amount of money in question was not worth the time or the potential frustration. Customers differed in what they perceived to be smaller, ‘immaterial’ sums of money but this was generally up to around a £200 ‘annual’ payment owed to HMRC.

Why customers contacted HMRC

- 5.8 Several of the customers who contacted HMRC did so because they believed HMRC had made an error in calculating the amount of tax owed; this was particularly the case where more significant (in the customer’s view) sums of money were involved.
- 5.9 In some cases, customers wanted clarification on why their tax code had changed and what calculation had been involved in determining this change. A few simply did not understand the breakdown or the final amount.

“I was hoping that they would guide me, so that I know if there are any errors in the first place – if there are things that I haven’t been made aware of, that I should know.”

Female, 25-49, no letter / contacted

- 5.10 For others the letters had prompted them to get back in touch regarding other ongoing or long-standing issues with their tax affairs, or they thought the letters were about some other area of tax in which they had underpaid, for instance a previous overpayment on HMRC’s part, or something related to changing health benefits.

What happened when the customer contacted HMRC

- 5.11 For most customers, HMRC clarified the different taxable earnings that had contributed to underpayments, in some cases mentioning BBSI. (In other cases, the customer was so preoccupied with other areas of their tax affairs that the call handlers may not have thought to mention the BBSI element). Where BBSI was discussed, there were two instances of the HMRC call handler offering to send a breakdown of the BBSI from the customer’s various accounts.
- 5.12 For a few, a genuine mistake (not always related to the BBSI element) was rectified by the call handler, sometimes by re-sending an adjusted tax code document.
- 5.13 Outcomes of the phone calls were mixed; customers were most positive where a genuine miscalculation was resolved and where there was evidence of this being remedied (for example through receipt of a new P2). In some cases, it took several phone calls before customers felt

their issue had been resolved. Customers expressed frustration where call handlers were unable to give detail on how calculations were made or were unable to access relevant information and did not escalate this to a more knowledgeable member of staff.

“This lady actually told me what I need to do and said, “Given your circumstances ... you need to go back and it might be a bit of rigmarole” and she gave me the pointers of what I needed and gave me some great advice. I could have been told that on Day One. She’d obviously dealt with some cases and had the experience. If someone junior cannot deal with the case, then escalate it straight away and not sit on it which is what a lot of them have done.”

Female, 25-40, received letter / contacted

How do customers feel about online alternatives

5.14 In order to explore whether HMRC might handle queries about the use of third party data via less resource-intensive channels, customers were asked how they felt about receiving documents, or communicating with HMRC, *online* rather than via post or telephone.

5.15 Several respondents felt that having a **personal online account**, which included a history of communications and a breakdown of calculations (including BBSI information), would be a helpful tool in managing their tax affairs.

“[Regarding online account breakdown] If it just started at the top: [and showed] this is how much you earn; this is how much tax you pay; this is how much you are being taxed for medical benefit... simple lines ... this is what you pay at whatever percent and this is what you pay at this percent.”

Female, 50-64, received letter / contacted

5.16 In one case it was suggested that an online account system would increase the burden on customers as, without notification, they would need to check their account on a regular basis. Customers would, therefore, expect an email notification of any changes to their account so they would know when to log on and check anything. One customer went on to suggest that the online account could offer a way for customers to respond to new documents by ticking a box electronically to communicate ‘this looks wrong’ or ‘more explanation please.’

5.17 A few respondents felt an **online webchat system** would be beneficial as long as it was reliable, easy to understand and guaranteed a quick response. There *were* some concerns that this in isolation may not work, due to the complexity of tax affairs, and the need for the customer and the HMRC operative to see all of the customer’s recent tax details in front of them.

5.18 Some, however, preferred to retain contact over the phone as it was ‘more personal’ and easier to be certain that an individual member of HMRC staff was taking ownership of their issue. This was particularly important for customers when they felt a mistake had been made and there was a (perceived to be) significant sum of money involved, as they wanted the peace of mind that it was definitely ‘in hand’. In a few cases, customers felt that online assistance would be useful but for any significant concerns they would still need to speak directly to an HMRC staff member. Telephone contact would therefore remain the preferred channel for escalating an issue even where online contact was the accepted channel ordinarily.

6 Testing understanding of tax on savings interest

Prior comprehension of tax on savings interest, and views on where responsibility lies for paying the correct amount of tax

Knowledge about tax on savings interest

- 6.1 Overall, understanding of the 'old system'² of collecting tax on savings interest was poor.
- 6.2 Some customers had no idea that there was a higher rate of tax on savings interest, and a few were unaware of there being any tax on savings interest at all.
- 6.3 There were many however who were aware that there is a higher tax bracket within which tax on savings interest is treated differently; a handful of these knew that tax at the 20% rate is deducted by their bank or building society at source, with the rest having to be declared.

Perceptions of who is responsible for managing tax owed on savings interest

- 6.4 Despite a few customers having a good knowledge of the process for declaring tax on BBSI, it did not necessarily follow that these customers felt responsible for managing the tax owed on their savings interest. Respondents were mixed in their views of perceived responsibility, irrespective of their knowledge of the BBSI tax system. Customers were more or less equally likely to see it as their own responsibility, a shared responsibility between them, HMRC (and sometimes their bank or building society), or someone else's responsibility (for example mainly HMRC or mainly their bank or building society).
- 6.5 There were some outlying views; a small number of customers believed they had previously declared the tax owed on savings interest to HMRC, one thought their employer was responsible, and a small number knew it was their own responsibility but felt 'let off the hook' as there was no process for declaration (and said they felt HMRC would have chased this up if it had been important).

Concerns about underpaying tax on savings interest

- 6.6 Typically, customers had never previously had any concerns that they might have underpaid tax on their savings interest. This was most commonly due to:
 - A general lack of knowledge of tax on savings interest – assuming it was all taxed at source, or being unaware of tax on BBSI altogether;
 - The customer seeing the correct declaration/collection of tax as somebody else's responsibility (e.g. HMRC's or their bank or building society's), or,
 - They did not think their BBSI would be large enough to owe any tax (or at least not a material sum).

"If [the interest rate] was a higher level...then I'd have thought that's something I need to declare. But so little interest is being paid into that account, it's not going to be a fortune."

² As discussed in the introduction, under the old system tax on BBSI was deducted at source up to the basic rate of 20%. Where customers owed tax in excess of this, the correct course of action was for these customers to notify HMRC, and pay any additional tax required.

Male, 50-64, no letter/took no action

6.7 A few customers did express concerns that they may have underpaid tax on their savings interest; in some cases, this was because they did not know who should declare this information or how to do this, while in other cases, customers said they had declared their BBSI to HMRC.

“The interesting thing is how could I notify the Revenue of the tax if I’m not doing a SA?”

Male, 25-49, received letter/took no action

6.8 There were also some outlying views with a few customers saying that they were unaware that BBSI is taxable at all, unaware exactly what counted as ‘savings’, or that they were too confused, angry or preoccupied about their ongoing tax affairs in general to fully engage on the issue of tax on savings interest.

7 Attitudes to and impacts of HMRC using third party BBSI data

Customer attitudes to HMRC using third party data for tax on savings interest

- 7.1 Having explored customers' previous knowledge of arrangements regarding tax on BBSI, the interview moved on to discuss customer views on HMRC's use of *third party* BBSI data to calculate tax owed.
- 7.2 Despite some comments about data safety and security, **there was near consensus amongst customers that HMRC's use of third-party BBSI data is *not* problematic.**
- 7.3 Many customers felt that, if HMRC is going to reclaim BBSI tax, doing it this way alleviates the burden and simplifies the process of paying tax on savings interest.
- 7.4 **In some cases, customers assumed, or hoped, that HMRC was using BBSI third party data already to calculate how much tax was owed.** Some customers also felt that this process would reduce tax fraud by other customers.
- 7.5 A few spontaneously mentioned this trial process is no different to HMRC accessing third party data from their employer, or said that ultimately HMRC is a 'higher power' and has a 'right' to the data.

"All the information HMRC gets through the PAYE scheme comes from a third party because it comes from an employer and banks are just another agent in this chain. Your employer provides salary income information and your bank provides savings interest information. To some extent it is the same.... if the letter is providing factual information saying 'this is how your tax for a particular year is calculated' and 'this is how we are going to collect any underpayment through your new tax code', then you don't have to do anything. Unless I'm concerned that the information is incorrect, I'll be pretty happy if everything is done for me."

Male, 25-49, received letter/took no action

- 7.6 That said, there were a small number of customers who, while feeling that HMRC probably needs access to third party BBSI data in order to calculate tax correctly, were generally a little more annoyed than other customers that HMRC had access to 'their' data, or who did not quite trust HMRC to ensure the data was kept safe.

"I guess they have to use it [BBSI data] ... no matter what you do you can't escape paying tax and you just feel they are watching everything that goes in and out of your bank account and building society – quite 'big brother is watching you' [but] ... I guess they have to use [3rd party data] because they are going to tax you on it so they have to have the information."

Female, 50-64, received letter/contacted HMRC

- 7.7 As a slight caveat to this, despite all of the customers interviewed having previously underpaid tax on their BBSI, very few had ever had any concerns about having paid too little interest, and (as discussed in paragraph 6.6 in the previous chapter) **there was no discernible sense among those interviewed that they had ever done anything 'wrong'**. This may be contributing to customer acceptance of HMRC's use of their BBSI data.

-
- 7.8 Some customers also commented more widely on HMRC's use of third party data. **Opinion and knowledge was mixed.** Several customers perceived the use of third party data to be the norm within PAYE and they felt HMRC would already have access to any or all third party data that was required to calculate the tax owed; a few suggested HMRC should also have access to pensions data. One customer mentioned wanting HMRC to use third party data to ensure over-payments, as well as under-payments, were rectified (this customer felt that if HMRC had had access to his pension data, he would not have overpaid so substantially on a previous occasion).

Concerns raised about the use of BBSI third party data

- 7.9 There were some cases where customers who, while unopposed in principle to BBSI data being used this way, flagged some considerations and concerns. Some were concerned in particular around **data protection** with a few feeling **HMRC has a moral obligation to be transparent** around what data HMRC has access to, how it is used and what security and protection are in place.

"I have no problem with [HMRC's use of BBSI data] as long as it is suitably protected ... I wouldn't want the data getting out – people knowing how much you have got in our bank accounts and things ... but most government facilities seem to have data security as a big issue ... to be honest I am happy for them to use third party data rather than me having to do a personal tax return."

Male, 25-49, did not receive letter/contacted HMRC

- 7.10 A few customers also felt that **HMRC should only have the data that was truly needed**, and that this should be top-level data rather than anything more detailed like individual transactions.
- 7.11 Some customers felt there should also be greater transparency over the calculations used, so it is possible to check easily if HMRC are using customers' data correctly.

How HMRC's use of third party BBSI data impacted on perceived responsibility for tax affairs

- 7.12 It is important to note as context that ultimately the 'new system' of using BBSI data to calculate tax owed, and the use of tax codes to rectify any underpayment, creates a process by which underpaid tax on BBSI will be collected *by default*, irrespective of whether or not customers actively engage with the process.
- 7.13 In some cases, use of BBSI data *did increase their engagement*, by increasing the onus on the customer to check their P2 and P800 letters more carefully to ensure they are correct.
- 7.14 For a few customers, this new process of HMRC sourcing the BBSI data had also increased their perceived personal responsibility for being compliant by signalling that they would no longer be "let off the hook". Previously the absence of a process made it easier to permit themselves to ignore the necessity to pay any additional tax.

"I am aware it's your responsibility to declare everything that's material. But then my excuse would be that I thought the amount was too trivial to declare."

Male, 50-64, received letter/took no action

- 7.15 For some customers, use of BBSI data **made no difference to their level of engagement**, as a basic level of comprehension of their tax affairs and of the communications from HMRC would

be needed before the use of BBSI data could influence behaviour. For these customers', it seems likely that they will continue to remain disengaged from their tax affairs and/or reliant on others.

7.16 For a few customers, BBSI data made no difference to their level of engagement or perceived responsibility simply because they were already engaged and believed themselves to already be compliant, having previously supplied BBSI information to HMRC.

7.17 There were various other less commonly mentioned reasons why customers would feel unaffected by HMRC's use of BBSI data:

- The assumption that HMRC used this data already and therefore the idea of HMRC doing so had no behavioural impact;
- The perception that tax on savings interests was too trivial a part of the customer's tax affairs to make a difference to how customers engaged with this issue; and
- In a few instances, customers *claimed* they would scrutinise HMRC notifications more closely, but historically they have been passive, disengaged, or confused and there was no compelling reason to think this would change.

7.18 The least compliant group of customers were equally likely to shift towards increased perceived personal responsibility as they were to feel unaffected by HMRC's use of BBSI third party data.

How HMRC's use of third party BBSI data impacted on perceived burden

7.19 The research also explored whether customers felt the 'new system' would reduce the perceived burden of complying with the BBSI tax owed.

7.20 In summary, **most customers, once they understood the concept of HMRC using third party BBSI data, felt the use of this data *had* reduced the burden of compliance**, by shifting the emphasis from declaring (seen as onerous, involving a tax return) to checking the calculations provided by HMRC (seen as less so).

7.21 Many were simply pleased that the correct course of action did not require them to declare anything, that they would now be compliant by default. A few customers, who tended to have a higher level of financial nous, added that they could simply check HMRC's use of their third party data (particularly if a breakdown was provided).

"You get the notification. If the figures seem approximately correct, that's fine and you just accept it as it's received. ...It means I don't have to go through and get my certificates of interest. At the moment, unless it's glaringly wrong, because the interest rates aren't that high, it's not going to be that much."

Male, 50-64, received letter/contacted HMRC

7.22 A few customers with less financial awareness were relieved about HMRC's use of the BBSI data and subsequent tax code alteration, as they would have found it 'beyond them' to declare this information themselves. One also felt the use of third party BBSI data was helpful as it removed a link from the chain (the customer), thus reducing the chance of an error in the figures submitted – he felt that while a customer might make a mistake, HMRC would be less likely to do so as it was dealing directly with the bank or building society.

7.23 A few felt that HMRC's use of their BBSI data would make **no difference to the burden**; this was a mix of customers who had previously notified HMRC of their BBSI and hadn't found this onerous, and those who didn't trust HMRC to get the figures right when using the BBSI data. One outlying view was that it made no difference as they relied so much on their employer to make sure they were paying the correct amount of tax.

8 Conclusions

- 8.1 **In the context of calculating tax on bank and building society savings interest (BBSI), the use of third party data by HMRC – sourced directly from customers’ banks and building societies – is not seen as particularly problematic and has reduced the burden on the customer of compliance.** They typically feel that the process being trialled by HMRC (of third party data being used to calculate tax owed on savings interest, and this tax being recovered by HMRC through an adjustment in the customer’s tax code) is alleviating a potential burden on them, as they would otherwise have to declare the savings interest themselves. Other sentiments and beliefs underpinning customer acceptance of the use of this data include: believing that HMRC already has access to this data, feeling that HMRC has ‘higher powers’ and ‘a right’ to the data, or seeing the savings data as no different to other third party data that HMRC uses (e.g. from their employer).
- 8.2 **However, a small number of customers felt they would like HMRC to be more transparent in communicating to customers about the use of third party data and also had concerns about keeping their data safe.** Given the varying comprehension of the existing communications on this topic, if HMRC attempts to meet this customer request, a key challenge will be how to avoid this additional information about data uses and safeguards obscuring the intended ‘main’ messages.
- 8.3 It is also important to note that, despite all of the customers interviewed having previously underpaid tax on their BBSI, very few had ever had any concerns about having paid too little, and there was no discernible sense among those interviewed that they had ever done anything ‘wrong’. This may be contributing to their acceptance of HMRC’s use of their BBSI data, and **it will be interesting to see whether the same degree of acceptance is found if HMRC uses third party data to address non-compliance in areas of customers’ tax affairs around which there is greater consciousness of having been non-compliant.**
- 8.4 **The letters used to notify customers of HMRC’s calculations were reasonably well understood in that, on first receiving these letters, customers typically grasped that a previous underpayment was being remedied via a change in their tax code.** Customers were far more mixed in whether they picked up that the underpayment was relating to tax on *BBSI specifically*, or that HMRC was using third party data. Whether HMRC should make any changes to these communications depends on how important it is to HMRC that customers grasp that the underpayment is to do with *BBSI specifically*, and that HMRC has utilised third party data to calculate the correct tax amount. If this is important, then it may be necessary to address the fact that connecting the key messages across a series of separate letters makes them more vulnerable to being misunderstood and could even generate contact about issues unrelated to tax owed on BBSI. It may be worth considering consolidating some of the information contained in the advance letter, the P2, the P800 and/or the letter breaking down the customer’s savings account information into a single mailing, to increase the chances of customers engaging with it and taking out the correct intended messages.
- 8.5 There was also evidently interest amongst customers in the use of online alternatives. **The most popular option of a personal online account, which includes a history of communications and a breakdown of calculations (including BBSI information), could make information clearer and more accessible to customers.** A few respondents also felt an online webchat system would be beneficial as long as it was reliable, easy to understand and guaranteed a quick response.

8.6 Finally, while the new process HMRC is putting in place ensures that tax owed will be collected by default, irrespective of customer engagement, **it does appear to have had some attitudinal and behavioural impacts.** For some customers it has the potential to increase their engagement with their tax affairs by placing more onus on them to check HMRC's calculations. For the handful who had previously suspected they may have underpaid and had not taken action (on the grounds that there was no formal process for declaring and they felt that HMRC would make contact if it had been a serious issue), HMRC's new process signals that they will no longer be 'let off the hook' re: paying the correct tax amount.

9 Appendix 1: Recruitment screening questionnaire

Customer views on the use of BBSI (bank and building society savings interest) to bring customer tax affairs up to date

Telephone

S Screener

SAMPLE VARIABLES:

RECLET (Whether received letter from HMRC) FROM SAMPLE

Yes	1	
No	2	

CONHMRC (Whether contacted HMRC) FROM SAMPLE

Yes	1	
No	2	

COMP (Compliance group) FROM SAMPLE

GROUP 1: PAYE only individuals with a 40% tax liability, paying 0% tax on their BBSI, not reporting any BBSI to HMRC	1	
GROUP 2: PAYE only individuals with a 40% tax liability, paying 20% tax on their BBSI, not reporting any BBSI to HMRC	2	
GROUP 3: PAYE only individuals with a 20% tax liability, paying 0% tax on their BBSI, not reporting any BBSI to HMRC	3	
GROUP 4: PAYE only individuals with the greatest non-compliance who have previously reported BBSI to HMRC, but based on the BBSI data should have a higher tax liability	4	

AGE FROM S3

18-24	1	
18-24	2	
25-49	3	
50-64	4	
65+	5	
I'd rather not say	6	

REGION FROM SAMPLE

North East	1	
North West	2	
Yorkshire & The Humber	3	
East Midlands	4	
West Midlands	5	
East of England	6	
London	7	
South East	8	
South West	9	
Wales	10	
Scotland	11	
Northern Ireland	12	

CORE QUOTAS

	<i>No action (CONHMRC=2)</i>	<i>Contacted / Challenged HMRC (CONHMRC=1)</i>
<i>Received letter (RECLET=1)</i>	6	8
<i>No letter (RECLET=2)</i>	6	5

Other criteria:

At least 10 of most non-compliant group spread across the cells (COMP = 4)

<i>COMPLIANCE GROUP</i>	
<i>Most non-compliant group (COMP=4)</i>	<i>Min. 10</i>
<i>Other (COMP=1-3)</i>	<i>Max. 15</i>

MONITORING QUOTAS

- **Spread of AGE**
- **Spread of REGION**

ASK PERSON WHO ANSWERS PHONE

S1 **Good morning / afternoon / evening. My name is NAME and I'm calling from IFF Research, an independent market research agency, on behalf of HM Revenue & Customs (HMRC). Please can I speak to NAME?**

Respondent answers phone	1	CONTINUE
Transferred to respondent	2	
Hard appointment	3	MAKE APPOINTMENT
Soft Appointment	4	
Refusal	5	ASK S1A AND THEN CLOSE
Not available in deadline	6	CLOSE
Engaged	7	
Fax Line	8	
No reply / Answer phone	9	
Business Number	10	
Dead line	11	

ASK IF REFUSED (S1=5)

S1a **HMRC have asked us to tally up the reasons why people don't take part. Do you mind me asking why it is that you'd prefer not to participate?**

WRITE IN	
Refused	X

ASK ALL

S2 **Good morning / afternoon, my name is NAME, calling from IFF Research, an independent market research company. We're conducting some research on behalf of HM Revenue and Customs (HMRC).**

You should have recently received a letter from HMRC to inform you about some research they have commissioned. It's to help HMRC understand customer experiences of dealing with HMRC, particularly in terms of how they communicate your tax codes. The purpose of this is to help HMRC understand how to improve the customer experience in the future.

You were randomly selected by HMRC as someone who might be able to help them understand more about people's experiences of dealing with HMRC.

We are hoping to make a face to face appointment to talk to you about your experiences of dealing with HMRC to do with your tax codes. We're interested in speaking to you even if you haven't had contact with HMRC as HMRC occasionally sends you letters about your tax codes and we're interested in exploring your views relating to this contact. It doesn't matter whether or not you remember receiving anything.

Your feedback will be reported so you remain completely anonymous – no individuals will be identified. The interview would last around 45 minutes to one hour and as a thank you we would make a £25 donation to the charity of your choice. Is this something you'd be willing to help us with?

ADD IF NECESSARY: The face-to-face interviews would take place between now and 23rd March 2016, at a location and time to suit you (including evenings and weekends).

Continue	1	CONTINUE
Referred to someone else NAME: _____ TELEPHONE: _____	2	TRANSFER AND RE-INTRODUCE
Hard appointment	3	MAKE APPOINTMENT

Soft Appointment	4	
Not available in deadline	5	
Other refusal	6	

This call may be recorded for quality and training purposes only.

REASSURANCES TO USE IF NECESSARY

The initial call will take around 5 minutes. The face-to-face interview will take around 45-60 minutes to complete.

We're interested in speaking to you even if you haven't had contact with HMRC as HMRC occasionally sends you letters about your tax codes and we're interested in exploring your views relating to this contact. It doesn't matter whether or not you remember receiving anything.

Please note that your answers will not be reported to our client in any way that would allow you to be identified.

If respondent wishes to confirm validity of the study or get more information about aims and objectives, they can call:

- **MRS: Market Research Society (who can verify IFF's credentials and provide further information about how research is conducted) on 0500396999**
- **IFF: Gill Stewart or Sam Selner on 0207 250 3035, or email HMRCexperiences@IFFResearch.com**
- **Matilda Kinnersly (project manager) on 0300 051 4582, or email matilda.kinnersly@hmrc.gsi.gov.uk**

ASK ALL

S3 Thank you – there's just a few more questions we'd like to ask before arranging the interview to make sure you are eligible to participate in this research. First, can I just check, do you have a financial adviser or accountant who takes care of your personal finances on your behalf?

Yes	1	CONTINUE
No	2	

IF HAS AGENT (S3=1)

S4 **Which of the following best describes the extent to which this financial adviser / accountant represents you in your dealings with HMRC?**

READ OUT. SINGLE CODE.

My financial adviser / accountant is responsible for the vast majority of my dealings with HMRC	1	THANK AND CLOSE
My financial adviser / accountant deals with some of my dealings with HMRC, but I deal with most	2	CONTINUE
I take care of my own dealings with HMRC but use my financial adviser / accountant for occasional advice	3	

ASK ALL

S4a **Can I just check, do you complete a Self-Assessment tax return?**

Yes	1	THANK AND CLOSE
No	2	CONTINUE
Don't know	3	THANK AND CLOSE

IF "CONTACTED HMRC" **ON SAMPLE** (CONHMRC=1)

S5 **And have you contacted HMRC recently (in the past 2 or 3 months)?**

Yes	1	CONTINUE
No	2	THANK AND CLOSE
Don't know	3	

IF "NOT CONTACTED HMRC" **ON SAMPLE** (CONHMRC=2)

S5a **And have you contacted HMRC recently (in the past 2 or 3 months)?**

Yes	1	THANK AND CLOSE
No	2	CONTINUE
Don't know	3	THANK AND CLOSE

IF CONTACTED HMRC (S5=1)

S6 **Was this about your tax codes or how much tax you will pay in the coming year, or about something else?**

SINGLE CODE.

About your tax codes or how much tax you will pay in the coming year	1	CONTINUE – ASSIGN TO QUOTA ‘CONTACTED / CHALLENGED’
About something else (PLEASE WRITE IN) _____ _____	2	SAY THAT YOU WILL NEED TO CHECK WHETHER THEY ARE ELIGIBLE TO TAKE PART, AND THAT YOU WILL CALL BACK TO CONFIRM. MAKE SOFT APPOINTMENT TO CALL BACK. PASS REASON HERE TO RESEARCH TO CHECK WHETHER RELEVANT OR NOT
Don't know	3	THANK AND CLOSE

ASK ALL

S7 **Just to make sure we speak with a good mix of people of different backgrounds and to help us to study different views and opinions, we would like to ask a few questions about your age, and ethnicity.**

You absolutely don't need to answer these if you don't want to – but if it's ok with you, please can I ask, which of the following age groups do you fall into?

READ OUT. SINGLE CODE.

18-24	1	
25-49	2	
50-64	3	
65+	4	
I'd rather not say	5	

ASK ALL

S8 **And can I ask which ethnic group do you consider you belong to?**

READ OUT. SINGLE CODE.

White / White British	1	
Mixed	2	
Asian / Asian British	3	
Black / African / Caribbean / Black British	4	
Other (PLEASE WRITE IN) _____	5	
I'd rather not say	6	

S9 *INTERVIEWER NOTE: PLEASE RECORD RESPONDENT GENDER (NOT TO BE READ OUT)*

SINGLE CODE.

Male	1	
Female	2	

ASK ALL

S10 **That's great. When would be a good time and place for an interview?**

INTERVIEWER – PLEASE CHECK AVAILABILITY OF INTERVIEWER BEFORE PROCEEDING

SHOW TO INTERVIEWER:

INTERVIEWER – THIS CUSTOMER IS IN THE GEOGRAPHIC AREA: [REGION].

PLEASE BOOK THE DEPTH INTERVIEW USING THE DIARY FOR: [INSERT MODERATOR NAME FROM SAMPLE].

PLEASE ENSURE THE APPOINTMENT IS BOOKED NO LATER THAN 23rd March 2016.

Dates (not after 23rd March)	
Time	
Location – please record full address and postcode of where the interview is to take place	
Other instructions from respondent – e.g. directions to the venue, or to a specific room, or who they should ask for on arrival	

ASK ALL

S11 **Thinking about the interview – can I just check whether there are any facilities or measures we would need to provide to ensure you can participate fully in the discussion?**

ADD IF NECESSARY: For example, to do with how you communicate with other people, how the researcher puts ideas to you, or to do with getting to, or into, the location where the discussion takes place:

Yes	1	TAKE DETAILS:
No	2	CONTINUE

ALL – READ OUT:

We will be giving you some things to read, so if you normally need glasses please have these to hand.

Also, if you have received any letters or other information from HMRC in the past 2 or 3 months, and if you know where these are, please could you have these to hand as well? It's important that you don't re-read these before the interview as we want to talk about what you can remember receiving from HMRC (without you checking!) – but it would be useful to have these to hand in case we need them. If you're not sure where these are, or if it's a lot of trouble to find them, don't worry – we can still talk to you without these!

ASK ALL

S12 **Thank you. Could I just confirm the best details to contact you on so that our interviewer can phone you back and confirm an appointment?**

CONFIRM NAME	
RECORD BEST TELEPHONE NUMBER FOR THE DAY OF INTERVIEW	
CONFIRM BEST TELEPHONE NUMBER FOR THE DAY OF INTERVIEW WITH RESPONDENT	PROMPT INTERVIEWER TO CORRECT THIS IF DOES NOT MATCH
RECORD AN ALTERNATIVE TELEPHONE NUMBER	
CONFIRM ALTERNATIVE TELEPHONE NUMBER WITH RESPONDENT	PROMPT INTERVIEWER TO CORRECT THIS IF DOES NOT MATCH
RECORD EMAIL ADDRESS	
CONFIRM EMAIL ADDRESS WITH RESPONDENT	PROMPT INTERVIEWER TO CORRECT THIS IF DOES NOT MATCH

ASK ALL

THANK RESPONDENT AND CLOSE INTERVIEW

Finally I would just like to confirm that this survey has been carried out under IFF instructions and within the rules of the MRS Code of Conduct. Thank you very much for your help today.

10 Appendix 2: Discussion Guide

Customer views on the use of BBSI (bank and building society savings interest) to bring customer tax affairs up to date

RECRUITMENT TARGETS

	<i>No action</i>	<i>Contacted / Challenged HMRC</i>
<i>Received letter</i>	6	8
<i>No letter</i>	6	5

Other criteria:

At least 10 'most non-compliant' spread across the cells (from sample category 4)

Respondent ID	
Name	
Date of interview	
Interviewer	
Interview length	

- **INTERVIEWER – IMPORTANT – BEFORE YOU BEGIN, CHECK SAMPLE: IS RESPONDENT CODED AS...?**

	Received advance letter?	P2 (sets out tax codes for the year)?	P800 (sets out amount of tax over or underpaid)?
Yes	1	1	1
No	2	2	2

(NOTE THIS SO AS TO KNOW WHETHER OR NOT TO PROMPT RESPONDENT AT VARIOUS POINTS, WITHIN INTERVIEW.)

- INTERVIEWER, IF AT ANY POINT IN THE INTERVIEW THE RESPONDENT BECOMES UNCOMFORTABLE TALKING ABOUT THE TOPIC:
 - TRY INDIRECT QUESTIONING STRATEGIES SUCH AS ASKING ABOUT OTHER INDIVIDUALS IN SIMILAR SITUATIONS'
 - REASSURE: It's worth me saying again that your feedback will be reported so you remain completely anonymous; HMRC will not know whom we have spoken to; and it will greatly help if you feel able to answer all our questions frankly

NOTE THAT RESPONDENTS MAY REFUSE TO ANSWER SPECIFIC QUESTIONS

1 Introduction (2-3 mins)

- Introduce self
- Introduce IFF Research and work we are conducting for HMRC
 - Thank you for agreeing to take part in this valuable piece of research. You were randomly selected by HMRC as someone who might be able to help them understand more about customer experiences of dealing with HMRC to agree your tax codes for the year.
 - The interview will take up to 60 minutes.
- Confidentiality / Voluntary participation
 - All the information we collect will be kept in the strictest confidence and used for research purposes only.
 - We will not pass any of your details on to any other companies. It will not be possible to identify you in the results that we report to HMRC and the answers you give will not be traced back to you.
 - Participation is voluntary and – although it will greatly help if you answer all our questions frankly – you may decline to answer specific questions if you wish.
- Recording
 - Permission to record for researcher use only confirmed
 - At the end we will ask if you are happy to have an anonymised version of this transcript provided to HMRC – no obligation to agree
- Subject
 - HMRC are trying to get an understanding of how customers respond to recent HMRC communications and information needs regarding tax codes
 - Reassurance that the focus of the research is customer's relationship with HMRC and understanding of their processes

A few things to note / keep in mind:

- If customers ever say that they didn't take action because the amount of money was too small to worry about, we want to know how much this was, and how much would have to be involved to make them want to take action?
- If a customer contacted HMRC, and said that as a result of this, **their tax code, or the tax they owed, changed** (i.e. because HMRC made a mistake the first time) we would like to ask whether the respondent is happy for us to pass their details on so that HMRC can check why their calculations were incorrect in the first place. HMRC's own research shows that their calculations are nearly always accurate, so if they made a mistake on a calculation they can use it as an example to try and find any bugs in the system).

2 Participant introductions and background / Warm-up (5 mins)

- My first few questions are about your employment and your sources of income, just to help put what we're about to talk about into context.
- Please can you tell me a bit about the nature of your employment?
 - What do you do? How long have you been doing this for?
- How do you feel about the process of sorting out your tax affairs each year? Why?
 - How much detail do you tend to go into when doing this? Why?
 - Do you receive any help with this? Who from? PROBE:
 - *Accountant, friends or family member*

3 Recollection of HMRC information (10 mins)

By the end of the interview, we want to make sure we really understand what *order* customers remember receiving the different documents, and the amount of time that elapsed between them arriving. If they don't remember the ordering, we want to know that too.

We also want to understand how many customers recall receiving the second P2 in Jan/Feb – what they thought about it / what they did as a result / whether this changed their understanding of the situation in any way

- Do you recall receiving any written communications or information from HMRC over the last few months?
- IF RECALL COMMUNICATIONS:
 - How many times has HMRC written to you in the last few months?
 - When was this roughly and what were these about?
- PROBE TO ESTABLISH TOPIC OF EACH COMMUNICATION RECEIVED. Do they recall receiving one/two letter(s) in December and something in late Jan/February?

IF SPONTANEOUSLY RECALL LETTER(S) FROM DECEMBER NOTIFYING THEM OF NEW TAX CODES AND/ OR HOW MUCH TAX THEY HAD OVER OR UNDERPAID, SKIP TO “P2 / P800 RECALL” BELOW.

IF RECEIVED **P2 (SEE FRONT PAGE)** & NO SPONTANEOUS RECALL OF LETTER NOTIFYING THEM OF NEW TAX CODES ASK: Do you remember receiving anything from HMRC in [December] telling you your tax codes or how much tax you will pay in the coming year?

IF RECEIVED **P800 (SEE FRONT PAGE)** & NO SPONTANEOUS RECALL OF LETTER NOTIFYING THEM OF HOW MUCH TAX THEY HAD OVER OR UNDERPAID, ASK: Do you remember receiving anything from HMRC in (December) telling you how much tax you have over or underpaid in 2014/2015 In 2014/2015?

IF STILL NO RECALL, BRIEFLY HOLD UP SAMPLE **P2 (NEW TAX CODE NOTICE LETTER)** AND / OR SAMPLE **P800 (TAX OVER/UNDERPAYMENT LETTER)**. SHOW THEM **ONLY** THE ONE(S) THAT THEY **ACTUALLY RECEIVED** (BUT WITHOUT GIVING RESPONDENT TIME TO READ THEM): Do you remember seeing this/these?

ONCE RECALL ESTABLISHED, GO TO “P2 / P800 RECALL” BELOW.

IF NO RECALL STILL, GO TO “ASK ONLY IF CAN’T RECALL’

P2 / P800 RECALL

ASK ALL THAT RECALL **EITHER P2 AND/OR P800** (from December) BEFORE / ON PROMPTING

- What were your initial thoughts on receiving the letter(s)?
- What did you take to be the main message(s) of the letter(s)?
- Was there anything in particular that stood out to you? What? Why did this stand out? What did you take this to mean?
- What else do you remember about it/them (if anything)?
- IF RECEIVED AND RECALL **BOTH P2 AND P800**: When did you originally read each of these? PROBE: Did you read these together or on separate occasions? And did you think they were related to each other? Why/why not? IF YES, RELATED: In what way, related? IF YES OR NO: What difference did this make, to what you took these letters to mean?
- ALL: Overall, how did you feel having digested the information in the letter? PROBE: Why?
- (If not already mentioned): If you also recall the letter received in February, did your understanding of these letters change when you received this more recent letter?
- What do you take to be the main message of this letter?
- IF RECEIVED AND RECALL **P2 AND NOT EMERGED ALREADY**: Did you notice any difference in your tax code this year, compared to last year?

- IF YES: How did you think HMRC had arrived at a different code? How did you feel about this? What, if anything, did you do?
- Listen carefully for any comments about when they realised they would have a different tax code – did they realise this in December (when most people who received P2s were told their 2015/16 tax code was different to 2014/15)? Or did they realise in Jan/Feb (when most people who received P2s were told their 2016/17 tax code was different to their 2015/16 one?)
- **IF RECEIVED AND RECALL P800 AND NOT EMERGED ALREADY:** Did you notice anything about you having paid too much or too little tax?
 - IF YES: How did you think HMRC had arrived at the under or overpayment amount? How did you feel about this? What, if anything, did you do?
 - Listen carefully for any comments about relating to being given a different tax code for 2016/2017, particularly if they link this to the underpayment shown in the P800 for 2014/15.

ASK ONLY IF CAN'T RECALL WHAT THE LETTERS WERE TELLING THEM

- As an experiment to see if it helps jog your memory, what else was going on in your life, at work or home in [MONTH], at about the time you were sent the letter(s)?
- How were you feeling about this? [GIVE RESPONDENT SOME THINKING TIME]. Does this help you remember anything else about the letter(s) or how you responded to it/them? IF SO: What?

IF STILL UNABLE TO RECALL HAVING BRIEFLY SEEN EITHER THE P2 AND/OR P800 (from December) (SEE FRONT PAGE), ASK PARTICIPANTS TO READ:

- IF RECEIVED **P2 (SEE FRONT PAGE)**, THE P2 LETTER (TELLING THEM THEIR TAX CODES)
- IF RECEIVED **P800 (SEE FRONT PAGE)**, THE P800 LETTER (TELLING THEM HOW MUCH TAX THEY HAVE OVER OR UNDERPAID)

THIS CAN EITHER BE THEIR OWN OR OUR SAMPLE LETTER (IF THEIR OWN, CHECK IT IS THE CORRECT LETTER)

- What were your initial thoughts on reading the letter(s)?
- What did you take to be the main message(s) of the letter(s)?
- Was there anything in particular that stood out to you? What? Why did this stand out? What did you take this to mean?
- IF RECEIVED **BOTH P2 AND P800:** Did you think these two letters were related to each other? Why/why not? IF YES, RELATED: In what way, related? IF YES OR NO: What difference did this make, to what you took these letters to mean?

- Overall, how did you feel having digested the information in the letter(s)?
PROBE: Why?

ASK ONLY IF RESPONDENT IS READING THEIR OWN COPY OF THE LETTER(S)

- IF READING **P2**: Did you notice any difference in your tax code this year, compared to last year?
- IF READING **P800**: Did you notice anything about you having paid too much or too little tax?
 - IF YES TO **EITHER**: How do you think HMRC has arrived at [**AS APPLICABLE**] a different code / at the under or overpayment amount? How do you feel about this? What, if anything, might you do about this?
- Listen carefully for any comments about these letters in relation to the more recent P2 letter received in late Jan/Feb.
- If not emerged already: If you also recall the tax code letter received in February, how do you think these letters are linked to the more recent letter you received?
- Listen carefully for any comments about when they realised they would have a different tax code – did they realise this in December (when most people who received P2s were told their 2015/16 tax code was different to 2014/15)? Or did they realise in Jan/Feb (when they were told their 2016/17 tax code was different to their 2015/16 one?)

IMPORTANT NOTE: IF DISCUSSION DRIES UP AT ANY POINT, SHOW RESPONDENT THE SAMPLE **P2 (NEW TAX CODE NOTICE LETTER)** AND / OR SAMPLE **P800 (TAX OVER/UNDERPAYMENT LETTER)**. SHOW THEM **ONLY** THE ONE(S) THAT THEY **ACTUALLY RECEIVED** AND ALLOW THEM TIME TO READ THIS/THESE. BY END OF THIS SECTION, ENSURE THE RESPONDENT HAS ALWAYS BEEN HANDED THIS LETTER / THESE LETTERS AND GIVEN TIME TO (RE) READ IT AND MAKE COMMENTS.

ALL RESPONDENTS MUST BE GIVEN A CHANCE TO READ OR RE-READ THE **P2 (NEW TAX CODE NOTICE LETTER)** **AND / OR** THE **P800 (TAX OVER/UNDERPAYMENT LETTER)** – ACCORDING TO WHICH ONE(S) THEY ACTUALLY RECEIVED – AND MAKE COMMENTS, BY THE END OF THIS SECTION OF THE TOPIC GUIDE.

AGAIN, IF RESPONDENT CAN **QUICKLY** LAY THEIR HANDS ON THEIR **OWN** COPY OF THE RELEVANT LETTER(S), YOU CAN ASK THEM TO RE-READ THIS/THESE INSTEAD (THOUGH **DO** MAKE SURE IT IS THE CORRECT LETTER).

PROMPTED OPINION OF P2 / P800

IF RECALLED LETTER SPONTANEOUSLY OR RECALLED WHEN PROMPTED – ONCE RE-READ ASK:

- Does anything else strike you about this letter/these letters on re-reading it/them? IF SO: What? What difference does this make? Why?

- Are the implications of the letter/these letters any different from how you remembered them? IF SO: In what ways?
- What difference does this make? Why? Would you have acted differently if you'd grasped this at the time? How?
- Could the letter(s) have been clearer about this? IF SO: How?
- **PROBE CAREFULLY TO ESTABLISH WHICH COMMENTS RELATE TO THE P2 AND WHICH TO THE P800**
- Listen carefully for any comments about these letters in relation to the more recent P2 letter received in late Jan/Feb.
- If not emerged already: If you also recall the tax code letter received in February, how do you think these letters are linked to the more recent letter you received?
- Listen carefully for any comments about when they realised they would have a different tax code – did they realise this in December (when most people who received P2s were told their 2015/16 tax code was different to 2014/15)? Or did they realise in Jan/Feb (when they were told their 2016/17 tax code was different to their 2015/16 one?)

OVERALL – we are looking to see whether the customer understands all the changes that have taken place which might emerge here, or after section 4. Please listen carefully for the customers' thoughts on what has happened, and how the letters (and any phone calls) helped them to understand this.

RECALL OF ADVANCE LETTER

THROUGHOUT, LISTEN CAREFULLY FOR ANY MENTIONS OF AN ADVANCE LETTER ABOUT "PAYING THE RIGHT TAX ON YOUR SAVINGS INTEREST". THIS MAY BE REFERRED TO AS A PREVIOUS LETTER THAT HELPED EXPLAIN THEIR TAX CODES OR THE AMOUNT OF TAX THEY HAD UNDER/OVERPAID.

IF SPONTANEOUSLY MENTIONED, EXPLORE:

- What do you recall about this? What were the main things it was telling you?
- How did you feel about this? Why?
- What else stood out (if anything)? Why? What did you take this to mean?
- **KEY QUESTION:** Did it influence in any way how you interpreted the later letter(s) about [**AS APPLICABLE**] your tax codes or how much tax you'll be paying this year / the amount of tax you'd over or underpaid? IF SO: How? Why?
- **KEY QUESTION:** Did it influence what you did in response? IF SO: In what way(s)? Why?

DO NOT PROMPT WITH ADVANCE LETTER AT THIS POINT, IF RESPONDENT DOES NOT RECALL IT SPONTANEOUSLY.

4 Response to HMRC information (XX mins)

ASK IN RELATION TO P2 / P800 LETTER(S) received in December (AND ADVANCE LETTER IF SPONTANEOUSLY MENTIONED BY RESPONDENT)

- When you received the letter(s) in December, was it clear from the information received what, if anything, you needed to do in response?
- What were your initial thoughts about what you needed to do?
- Did you actually do anything in response to the information? Why?
- Did you think the information from HMRC seemed correct or incorrect, or weren't you sure? IF PERCEIVED TO BE INCORRECT OR HAD ANY CONCERNS: In what way? What was your reason for thinking it was, or might be, incorrect? **INTERVIEWER, MAKE A NOTE OF THIS FOR USE LATER. PROBE CAREFULLY TO ESTABLISH WHICH COMMENTS RELATE TO THE P2 AND WHICH TO THE P800**

INTERVIEWER TO PLOT OUT STEPS TAKEN BY PARTICIPANT FOLLOWING EACH COMMUNICATION RECEIVED. PROBE PARTICULARLY AROUND WHETHER THEY:

- Contacted HMRC directly (CHECK SAMPLE)
- Sought out additional information themselves (i.e. web search / checked "Your Charter")
- Checked bank account data/contacted bank
- Checked own records / other personal data
- Spoke to or sought advice from an accountant or other agent
- Spoke to friends / family / colleagues / employer

FOR EACH ACTION MENTIONED:

- Why did you contact HMRC? What were you hoping to achieve?
- IF USED SUPPORT: Why did you ask for help from [ACCOUNTANT AGENT / FRIENDS FAMILY ETC.]
- What happened next? And what was the outcome?
- Listen carefully for any comments about these letters in relation to the more recent P2 letter received in late Jan/Feb.
- If not emerged already: If you also recall the tax code letter received in Jan/February, did this letter lead you to do anything in response? If so, what did you do?
- If they contacted in Jan/Feb, altogether how many times did you contact HMRC?

IF CONTACTED HMRC OR HAD SOMEONE CONTACT HMRC ON THEIR BEHALF:

- How did you contact HMRC? Via what channels? Phone call? Writing?
- Why did you do this? IF CONTACTED HMRC BECAUSE PERCEIVED INFORMATION FROM HMRC WAS, OR MIGHT BE, INCORRECT AND NOT EMERGED ALREADY: In what way did you think it was, or might be, incorrect? What was your reason for thinking this? **INTERVIEWER, MAKE A NOTE OF THIS FOR USE LATER. PROBE CAREFULLY TO ESTABLISH WHICH COMMENTS RELATE TO THE P2 AND WHICH TO THE P800. And if they relate to the P2, do their comments relate to the December P2 or the Jan/Feb P2?**
- What did HMRC do in response?
 - PROBE: Did they go through any information on the phone to explain how they had arrived at their decision about [**AS APPLICABLE**] your tax codes / the amount of tax you'd over or underpaid? IF SO: What do you recall about what they told you? What difference did this make (if any)? Why? Did they volunteer this or did you ask for it? IF ASKED FOR IT: Why did you ask them for this? **INTERVIEWER – MAKE A NOTE OF WHAT INFO THE CALL-HANDLER GAVE, FOR REFERENCE IN A MOMENT**
 - PROBE: Did you ask them to provide any additional information in writing? IF SO: What did you ask for? Why? IF NOT: Did they volunteer to give you anything in writing? IF SO: What? Did you take this offer up? Why / why not?
 - IF REQUESTED / ACCEPTED OFFER OF ANY ADDITIONAL WRITTEN INFORMATION FROM HMRC: Did you actually receive what you asked for? What difference did this extra information make (if any)? Why?
- What was the outcome? PROBE: Was the situation resolved? Why / why not?
- How did you feel?
- PROBE: Is there anything else you could have done instead to try to achieve this?
- PROMPT If HMRC could have provided any information to you online, could this have met your need? Why / why not?
 - IF ANY POTENTIAL FOR ONLINE INFORMATION TO HELP: What specifically could HMRC provide online, that might have removed the need for you to contact HMRC?
 - IF ONLINE ACCOUNTS/PERSONALISED INFORMATION – SUCH AS BBSI INFORMATION – MENTIONED, PROBE: Would this really remove the need to contact HMRC? Why / why not?
 - IF NO, ASK: If online assistance was made available (such as a web chat support service for example), do you think this might help?
 - PROBE IF ANY INTEREST IN ONLINE INFORMATION: And how should HMRC have told you about this online information?

- Could any of HMRC's letter(s) have said anything different, that would have removed the need to contact HMRC? IF NOT: Why not? IF SO: What specifically? Why would this have made a difference?
 - **PROBE CAREFULLY TO ESTABLISH WHETHER COMMENTS RELATE TO THE P2 (Dec or Jan/Feb version), OR TO THE P800, OR BOTH, OR TO THE ADVANCE LETTER (DEPENDING ON WHICH RESPONDENT RECEIVED)**
 - IF HMRC CALL HANDLER GAVE RESPONDENT ANY INFORMATION ON THE PHONE TO EXPLAIN HOW THEY HAD ARRIVED AT THE NEW TAX CODES: You said that, on the phone, HMRC gave you details of [RECAP WHAT RESPONDENT SAID EARLIER]. What difference would this have made if this information had been in the original letter(s) (if any)? PROBE: If this had been included, do you think you'd still have wanted to contact HMRC? Why / why not?
 - IF NOT EMERGED ALREADY: Just to check, did you do anything to check or verify the information in HMRC's letter(s)?
 - IF YES: what did you do? How straightforward was this process?
 - What was the outcome?
 - PROBE: Did you feel the information in HMRC's letter was correct or incorrect? IF INCORRECT: In what way? What, if anything, did you do about this? Why?

IF NOT EMERGED ALREADY, IF THEY HAVE **NOT** TAKEN ANY ACTION AS A RESULT OF THE LETTER(S):

- Why have you not taken any action?
- IF PERCEIVED HMRC INFORMATION WAS, OR MIGHT BE, INCORRECT (SEE EARLIER) AND TOOK NO ACTION: Why did you not take any action, if you felt the information from HMRC was, or might be, incorrect? PROBE: Was there any action that you wanted to take in response to the HMRC letter(s) you received but were reluctant to or concerned about?
 - IF SO: What? And what put you off doing this?
- Were there any other particular barriers that prevented you from engaging with the letter?
- (IF BARRIERS) Is there anything HMRC could have done that would have helped you?
 - IF SO: What specifically? How might this have helped? And how might this have changed what you did? Why?
- Were you intending to revisit this letter / these letters at any point?
 - IF YES: When? Is there anything in particular that will trigger this?

PROMPTED RECALL OF ADVANCE LETTER (PART 1)

IF AN ADVANCE LETTER ABOUT “PAYING THE RIGHT TAX ON YOUR SAVINGS INTEREST” NOT MENTIONED SPONTANEOUSLY BY RESPONDENT, AND IF RESPONDENT CODED AS “YES, RECEIVED ADVANCE LETTER ON SAMPLE”, EXPLORE THE FOLLOWING [HOWEVER ONLY EXPLORE WHAT THEY REMEMBER FROM SEEING LETTER, DON'T GO ON TO TALK ABOUT THE LETTER IN ANY MORE DEPTH YET.

- Do you recall receiving any other letters from HMRC at about this time, about paying the right tax on your savings interest?

NOW BRIEFLY SHOW RESPONDENT THIS LETTER (“PAYING THE RIGHT TAX ON YOUR SAVINGS INTEREST”) BY HOLDING IT UP FOR THEM TO SEE AND AGAIN CHECK WHETHER THEY RECALL THIS. IF THEY DO, EXPLORE THE FOLLOWING:

- What do you recall about this? What were the main things it was telling you?
- How did you feel about this? Why?
- What else stood out (if anything)? Why? What did you take this to mean?
- KEY QUESTION: Did it influence in any way how you interpreted the later letter(s) about [**AS APPLICABLE**] your tax codes or how much tax you'll be paying this year / the amount of tax you'd over or underpaid? IF SO: How? Why?
 - **PROBE CAREFULLY TO ESTABLISH WHETHER THE ADVANCE LETTER CHANGED HOW THEY INTERPRETED THE P2 OR THE P800 OR BOTH (DEPENDING ON WHICH RESPONDENT RECEIVED)**
- KEY QUESTION: Did it influence what you did in response? IF SO: In what way(s)? Why?

5 Customer behaviour relating to understanding of tax on savings interest (XX mins)

- How much do you know about the tax that may be payable on interest you receive in your bank or building society savings account(s)?
- Are you able to describe to me how you think it was calculated?
 - Do you know how this differs depending on income?
 - IF YES: What is your understanding of this?
 - IF NO: Would you expect everyone to pay the same tax, or different amounts? Why?
- Thinking back over previous years (i.e. prior to 2015) did you know what the rate of tax was on your savings interest?
 - IF YES: How did you become aware of this?
- Have you ever in the past had any concerns that you were not paying the right amount of tax on your savings interests?

IF HAD CONCERNS:

- Were you concerned you were paying too much or too little tax on your savings? What gave you this impression?
- Did you ever take any action about this? IF SO: What? What was the outcome? IF NOT: why not?
- What do you think other people tend to do in this situation? Why?
- ALL: Who do you feel is responsible for checking that you're paying the right amount of tax on your savings? Why?

IF NOT EMERGED YET:

And now thinking about your circumstances this year and the communications you have received from HMRC.

- IF RECEIVED **P2**: Just to check – did you realise that the letters you received in December and late Jan/early February were to tell you about a change to your tax code? IF YES: Why do think this is different this year in comparison to last?
- IF RECEIVED **P800**: Just to check – did you realise that this letter you received in December was to tell you that you had paid too much or too little tax? IF YES: Why do think this was the case?

ASK ALL:

- How do you think HMRC had calculated this [**AS APPLICABLE**] new tax code / over- or underpayment amount? How did you feel about this?

IF NOT ALREADY DISCUSSED [THOUGH WOULD PROBABLY HAVE COME OUT BY NOW]: To what degree did you trust the accuracy of the information regarding your [AS APPLICABLE] new tax code / over- or underpayment amount that you received recently from HMRC?

- Did you do anything to check the accuracy of the [AS APPLICABLE] new tax code / underpayment amount as provided by HMRC? PROBE:
 - Checked bank account data / other personal data?
 - Sought advice from accountant or other agent?
 - Checked with HMRC directly? If so, via what channel?
- Why did you take this action? What were you hoping to achieve?
- How straightforward was this process?
- What was the outcome of this? How did you feel about this?

READ OUT: This research is being conducted with HMRC customers who, until this year were paying too much or too little tax on their bank or building society account interest.

- How does this compare with your understanding of the situation?
- How do you think this situation came about?

IF HAD CONCERNS THAT MIGHT BE PAYING TOO MUCH OR TOO LITTLE BUT DID NOT TAKE ACTION:

- What prevented you from taking action to address this?

EXPLORE THEN PROBE, **USING SHOW CARDS (EXPLAIN TO THE RESPONDENT THAT THEY CAN POINT AT CARDS THAT REFLECT THEIR FEELINGS):**

- *Was not sure what to do*
- *Was not clear about the amount of tax I was liable for*
- *Was not sure how to tell HMRC about this*
- *Thought the amount was too trivial to be worth declaring*
- *Thought the amount may be significant so was worried about having to pay*
- *Disagreed with the principle of paying it*
- *Don't believe anyone else would take action about this*
- *Just never got round to it*
- *Thought if I needed to pay less / more then someone would have informed me*
- *Found it difficult to understand*
- *Thought tax would be automatically deducted by the bank. PROBE IF MENTIONED:*
 - Where did this impression come from?
- *Thought HMRC would fix this automatically. PROBE IF MENTIONED:*
 - Where did this impression come from?

- How would you expect HMRC to do it? How would they know they needed to?
- Was advised not to take action [*PROBE FOR WHO ADVISED*]
- What, if anything, could have been done to encourage you to clarify your circumstances? How would this have helped? Who would be best placed to do this?

PROMPTED RECALL OF ADVANCE LETTER (PART 2)

NOTE: ONLY NEED TO GO THROUGH ONE OF THE FOLLOWING SCENARIOS

SCENARIO 1

IF RESPONDENT CODED AS “YES, RECEIVED ADVANCE LETTER ON SAMPLE”, AND IF RESPONDENT STILL DOES NOT RECALL THE LETTER, WHEN PROMPTED, GIVE THEM THE LETTER TO READ, AND THEN EXPLORE THE FOLLOWING:

- What strikes you about this letter, from reading it now? What are the main things it is telling you?
- How do you feel about this? Why?
- What else stands out (if anything)? Why? What do you take this to mean?
- **KEY QUESTION:** Would it have influenced in any way how you interpreted the later letter(s) about [**AS APPLICABLE**] your tax codes or how much tax you’ll be paying this year / the amount of tax you’d underpaid? IF SO: How? Why?
 - **PROBE CAREFULLY TO ESTABLISH WHETHER THE ADVANCE LETTER WOULD HAVE CHANGED HOW THEY INTERPRETED THE P2 OR THE P800 OR BOTH (DEPENDING ON WHICH RESPONDENT RECEIVED)**
- **KEY QUESTION:** Would it have influenced what you did in response? IF SO: In what way(s)? Why?

SCENARIO 2

IF RESPONDENT CODED AS “DID NOT RECEIVE ADVANCE LETTER ON SAMPLE”, GIVE THEM THE LETTER TO READ AS A HYPOTHETICAL EXAMPLE, AND ASK THEM IF THEY WOULD HAVE FOUND IT HELPFUL:

- What are the main things the letter is telling you? Would it have been helpful to receive this in advance of the letter about your tax code?
- **KEY QUESTION:** Would it have influenced in any way how you interpreted the later letter(s) about [**AS APPLICABLE**] your tax codes or how much tax you’ll be paying this year / the amount of tax you’d over or underpaid? IF SO: How? Why?

- **PROBE CAREFULLY TO ESTABLISH WHETHER THE ADVANCE LETTER WOULD HAVE CHANGED HOW THEY INTERPRETED THE P2 OR THE P800 OR BOTH (DEPENDING ON WHICH RESPONDENT RECEIVED)**
- **KEY QUESTION:** Would it have influenced what you did in response? IF SO: In what way(s)? Why?

SCENARIO 3

FOR THOSE WHO DID RECALL THE ADVANCE LETTER (SPONTANEOUSLY OR WHEN BRIEFLY PROMPTED) – NOW GIVE THEM THE LETTER TO READ, AND THEN EXPLORE THE FOLLOWING:

- Does anything else strike you about this letter on re-reading it? IF SO: What? What difference does this make? Why?
- Are the implications of the letter any different from how you remembered them? IF SO: In what ways?
- **KEY QUESTION:** Would it have influenced in any way how you interpreted the later letter(s) about [**AS APPLICABLE**] your tax codes or how much tax you'll be paying this year / the amount of tax you'd over or underpaid? IF SO: How? Why?
 - **PROBE CAREFULLY TO ESTABLISH WHETHER THE ADVANCE LETTER WOULD HAVE CHANGED HOW THEY INTERPRETED THE P2 OR THE P800 OR BOTH (DEPENDING ON WHICH RESPONDENT RECEIVED)**
- **KEY QUESTION:** Would it have influenced what you did in response? IF SO: In what way(s)? Why?
- Could the letter have been clearer about how your tax codes might have changed? IF SO: How?

RESPONSES TO WRITTEN BREAKDOWN OF HOW HMRC ARRIVED AT DECISION:

NOTE: THIS IS A 'NICE TO HAVE' SECTION – IF IN DOUBT ABOUT HOW MUCH TIME GOT LEFT, SKIP THIS SECTION AND COME BACK AT END. IF HAVE LOADS OF TIME, CAN COVER THIS SECTION HERE AS SUBJECT LEADS ON QUITE NICELY.

BY THE END OF THE SECTION WE WANT TO UNDERSTAND – IF CUSTOMER HAD CONTACTED HMRC ABOUT THEIR TAX CODE, WHETHER THEY HAD RECEIVED ONE OF THESE BREAKDOWNS, AND WHAT THEY THOUGHT OF IT.

IF TIME, SHOW RESPONDENT THE WRITTEN SAMPLE OF THE KIND OF BREAKDOWN AN HMRC CALL HANDLER WOULD PROVIDE. ALLOW TIME TO READ THIS, THEN EXPLORE:

- READ OUT / EXPLAIN: This is the sort of information that HMRC would have access to, and would refer to over the phone if you called them to query your tax code. It explains how HMRC arrived at the decision about your tax code. This information could then be sent out to you afterwards if you wanted to see a written record of this information. IF HMRC CALL HANDLER GAVE RESPONDENT ANY INFORMATION ON THE PHONE TO EXPLAIN HOW THEY HAD ARRIVED AT THE NEW TAX CODES: How does this compare with the sort of thing they told you?
- ALL: If you received this information in writing from HMRC when they informed you of your new tax codes, how do you think you might have responded? PROBE: People don't always read everything they are sent. Do you think you might have read this explanation or not? Why / why not?
- ALL: If you had read this, what difference do you think this would have made to what you did in response (if anything)? PROBE: If this had been sent to you, do you think you'd have wanted to contact HMRC? Why / why not?
- ALL: And if HMRC were to send you this explanation, at what point should they send this? Before the letter informing you of your new tax codes, with that letter, or afterwards? Why?
- ALL: how would you feel about accessing this breakdown online? Where / how would you want to access it? How would you like to be informed that this is available for you to see online?
 - IF CONTACTED HMRC: Would the ability to access this online mean that you would not need to contact HMRC about your tax codes?

6 Exploration of views on BBSI third party data (mins)

Each year, HMRC receives details from your bank or building society about taxable interest paid on your savings. HMRC now reviews this information, along with details of any jobs and pensions you have, to calculate how much tax you owe on this interest.

- Just to check, were you aware of this before today? IF AWARE: What, specifically was it that made you aware of this? IF RESPONDENT CODED AS "YES, RECEIVED ADVANCE LETTER ON SAMPLE", AND IF NOT EMERGED ALREADY: Just to check, how clear was it from this letter [BRIEFLY HOLD UP ADVANCE LETTER ("PAYING THE RIGHT TAX ON YOUR SAVINGS INTEREST")] that this was the case? Why?
- KEY QUESTION: How clear or unclear was it that the [AS APPLICABLE] change in your tax codes / the amount of tax you'd over or underpaid were/was as a direct result of HMRC being given, and reviewing, information on the amount of interest that you have earned on your bank or building society savings? Why?
- How do you think other people would respond receiving the same kind of letter(s)? Why?

ASK ALL

- Knowing this now, how do you feel you will respond to HMRC communications about your tax codes or the amount of tax you've over or underpaid in future? Will you do anything differently? IF SO: What? Why?
- PROBE: To what extent will you check the information on these? Why? Do you have any concerns about being able to check this? IF SO: What?
 - IF THEY WILL CHECK: How will you go about checking this?
- PROBE: What, if any, other differences will it make to how you respond to:
 - Future information on your tax codes? Why?
 - Future information on the amount of tax you've over or underpaid? Why?
 - To other communication from HMRC? Why?
- Do you think receiving letters from HMRC which refers to information provided by a third party would make people more or less likely to...?
 - Provide information / documentation when requested? Why?
 - Respond in a timelier manner to requests for information / documentation? Why?
 - Check for or challenge inaccuracies in the information people (like you) receive from HMRC? Why?
 - More carefully check any information people (like you) are providing? Why?

And to recap, **“Each year HMRC receives details from your bank or building society about taxable interest paid on your savings. They have reviewed this information, along with details of any jobs and pensions you have, to help you pay the right amount of tax.”**

- PROBE: What are your thoughts about HMRC using third party data in this way?
 - How do you feel about HMRC having access to information from your bank or building society specifically? Why?
 - How does this compare with the use of HMRC's own data? Why?
 - Can you identify any benefits to you personally of HMRC doing this? IF SO: What?
 - Is there any other information from third parties that you think HMRC should be able to access to calculate your tax? IF SO: What? Why?
 - What if any concerns do you have?
 - IF HAVE CONCERNS: What, if anything, could HMRC do or say to reassure you about this?

- To what extent do you **trust** / *not trust* HMRC to have access to this information from your bank or building society? Why? IF CONCERNS: What would reassure you (if anything)?

7 Reflections

- Overall, in comparison to last year, do you think this process – i.e. of HMRC including your bank / building society data in your tax calculations – has reduced the burden of fulfilling your tax obligations?
 - IF SO: In what ways?
 - IF NOT: Why not? **PROBE VERY FULLY ON THIS.**
- IF NOT EMERGED ALREADY: Do you think moving forward you will actively change the approach you use to managing your tax affairs?
 - IF SO: In what ways?
 - IF NOT: Why not?
- And reflecting on all of this, who do you feel is responsible for checking that you're paying the right amount of tax on your savings?

PROBE FOR:

- HMRC? Why?
- Bank or building society? Why?
- Your accountant or agent, if you use one? Why?
- And what do you see as your own role in checking this? Why?
- What information would make it easier for you to check that you are paying the right amount of tax on savings in a bank or building society account?
 - PROBE: What do you think would be the best way of making sure that you are paying the right amount of tax on your savings?
- Can I check whether your savings fluctuate - or maybe they have increased or decreased recently - or whether they are *relatively* stable? (IF NECESSARY: we're just interested in whether people with different 'types' of savings have different opinions on dealing with HMRC about their tax payments).
- What advice would you give HMRC about the best way to let people know about the tax they are eligible to pay on savings in a bank or building society account?
 - Why would you say this?
 - How often should people be informed about what they are liable for?

PROBE FOR:

- *Annually?*

- *When their eligibility changes (e.g. income means they are in higher/lower tax band)?*

8 Final wrap up (2-3mins)

- Just to check, is there anything else you'd like to add that hasn't been discussed?
- And would you be happy for us to pass a transcript of this interview to HMRC, on an anonymised basis, i.e. with any identifiers removed?

Yes	
No	

NOTE TO INTERVIEWER: Please record in the box below any comments respondents would like removed from the transcript.

Section or reference point	Text/context:

- IF HMRC ADJUSTED THE TAX CODE OR TAX OWED AFTER YOU CONTACTED THEM, ARE YOU HAPPY FOR US TO PASS YOUR DETAILS BACK TO HMRC, SO THEY CAN INVESTIGATE WHY THE MISTAKE WAS MADE?

Yes	
No	

- And finally, can I just check which charity you would like the £25 donation paid to?

Name to be written on cheque:	
Address cheque to be sent to:	

THANK RESPONDENT AND CLOSE INTERVIEW

I declare that this survey has been carried out under IFF instructions and within the rules of the MRS Code of Conduct.		
Interviewer signature:	Date:	
Finish time:	Interview Length	Min s

11 Appendix 3: Advance (pre-output) letter



REPRINT-REFERENCE--X 999
RECIPIENT NAME LINE 1 ----- X
RECIPIENT NAME LINE 2 ----- X
ADDRESS LINE 1 ----- X
ADDRESS LINE 2 ----- X
ADDRESS LINE 3 ----- X
ADDRESS LINE 4 ----- X
ADDRESS LINE 5 ----- X
POSTCODE-X

Issued by
HM Revenue and Customs
Pay As You Earn and Self Assessment
BX9 1AS

Our reference BBSI
National Insurance number XX_99_99_99_X
www.gov.uk
Date XX XX XXXX

Dear CLAIMANT1_NAME_LINE_1_MAX_35_CHARSX

Paying the right tax on your savings interest

Each year, we receive details from your bank or building society about taxable interest paid on your savings. We review this information along with details of any jobs and pensions you have to help you pay the right amount of tax.

This letter is to inform you that we are checking your savings interest as part of our tax calculations. If you have paid too much or too little tax in the 2014–15 tax year, we will send you a P800 tax calculation in the next two weeks, setting out what you need to do next. If there's a change to your current tax code, you will receive a P2 coding notice in the next few weeks that will explain the change.

If you receive a P800 tax calculation or P2 coding notice from us, please check it carefully and tell us about any changes.

To find out what you can expect from us and what we expect from you, go to www.gov.uk/hmrc/your-charter and have a look at 'Your Charter'.

Yours sincerely

Ruth Owen
Director General, Personal Tax
HMRC

“

IFF Research illuminates the world for organisations businesses and individuals helping them to make better-informed decisions.”

Our Values:

1. Impartiality and independence:

IFF is a research-led organisation which believes in letting the evidence do the talking. We don't undertake projects with a preconception of what “the answer” is, and we don't hide from the truths that research reveals. We are independent, in the research we conduct, of political flavour or dogma. We are open-minded, imaginative and intellectually rigorous.

2. Being human first:

Whether employer or employee, client or collaborator, we are all humans first and foremost. Recognising this essential humanity is central to how we conduct our business, and how we lead our lives. We respect and accommodate each individual's way of thinking, working and communicating, mindful of the fact that each has their own story and means of telling it.

3. Making a difference:

At IFF, we want to make a difference to the clients we work with, and we work with clients who share our ambition for positive change. We expect all IFF staff to take personal responsibility for everything they do at work, which should always be the best they can deliver.



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