



Department  
for Work &  
Pensions



Social Science in Government

# Proactive Use of Part Payment for Child Maintenance Arrears

Trialling proactive use of part payment in full and final satisfaction for arrears owed to parents with care

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December 2017

## **DWP ad hoc research report no. 57**

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# Executive summary

This report presents the findings of a trial to determine whether proactively discussing part payment in full and final settlement with clients is a good tool to recover arrears owed to parents with care.

This trial tested both discussing the option of part payment with non-resident parents first and parents with care first. If the first party called was open to part payment the offer was put to the other party. Offers were passed between parties by the Child Support Agency until an agreement was reached or payment refused.

The trial established that proactive discussions of part payment are not an effective tool for recovering arrears. There was no significant difference in the number of cases with arrears paid, or the average value of arrears paid, between the control group and other cases in the trial. The trial cost £307,000, and therefore proactively discussing part payment is not cost effective.

The low rate of payment was due to a large number of cases being unsuitable for proactive discussions of part payment, unsuccessful contact for many clients, as well as refusal of part payment.

However, in a third of cases where parents with care were called first, the parent with care wanted the arrears owed to them written off, rather than further action taken to attempt to collect the debt.

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# 1. Background

As part of the Government's Welfare Reform agenda a new Child Maintenance Service (CMS) was introduced with all Child Maintenance cases to be governed by the same rules. In order to achieve this all cases with the Child Support Agency (CSA) are being closed.<sup>1</sup> This case closure process is an opportunity to discuss debt collection options with CSA clients and minimise the outstanding debt to be transferred to the CMS computer system. As at March 2017, 805,600 CSA cases have arrears owed and no ongoing Child Maintenance liability.<sup>2</sup>

Regulations were introduced in December 2012 to enable part payment in full and final satisfaction of Child Maintenance arrears owed to parents with care. This means that if both parties agree, a non-resident parent (NRP) can pay a proportion of their debt in a lump sum to the parent with care (PWC), the remainder of the debt is then written off. To date this power has only been used where a client (either a NRP or PWC) has instigated the process. However, stakeholders suggested that clients could benefit if we used this power more widely.

It was therefore proposed that CSA clients with arrears but no ongoing maintenance liability should be contacted and informed about the option of part payment, as this could be a good tool to recover a portion of the debt on these cases and conclude them. This trial was commissioned to investigate if this approach would be successful. Specifically the trial answers the following questions:

- Do clients agree to part payment when it is proactively discussed with them?
- What value of arrears can be collected by proactively discussing part payment?
- Is proactively discussing part payment cost effective?

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<sup>1</sup> For more information see the Child Support Agency case closure experimental statistics: <https://www.gov.uk/government/statistics/child-support-agency-case-closures-june-2014-to-march-2017>

<sup>2</sup> Child Support Agency quarterly summary of statistics: March 2017, Table 3: <https://www.gov.uk/government/statistics/child-support-agency-quarterly-summary-of-statistics-march-2017>

## 2. Methodology

In October 2015 cases that met the criteria discussed below were sampled and split into three groups. Cases were selected at random, and each case had an equal probability of ending up in any of the following groups:

- A group in which the PWC was called first (5,906 cases) herein referred to as the PWC first group.
- A group in which the NRP was called first (6,718 cases) herein referred to as the NRP first group.
- A control group (6,000 cases). No contact was made with these clients outside of normal business. They were not proactively contacted to discuss their arrears or part payment. This group allows us to determine the value of arrears recovered without a proactive discussion of part payment.

CSA cases can be administered in accordance with either the 1993 or 2003 statutory Child Maintenance schemes. Cases under both schemes were included in this trial. The number of cases in each group differs because cases were randomly added until a representative number of cases managed on the 1993 and 2003 statutory Child Maintenance schemes were reached.

Only cases with arrears that did not have on-going Child Maintenance liability (termed arrears only cases), and which were not linked via the NRP to any cases with on-going Child Maintenance liability were selected. This was to avoid perverse behaviour amongst non-resident parents who might become non-compliant in the hope of later paying only part of their arrears in full and final settlement.

Cases can be managed on the 'CS2' or 'CSCS' computer systems, as well as clerically. This trial only included cases on the CS2 system due to the cost of resources required to work across multiple systems. The characteristics of cases differ across the CSCS and CS2 systems (the characteristics of clerical cases cannot be readily compiled). At the time cases were sampled for this trial the age of NRPs and qualifying children was lower on CS2 cases, more NRPs were employed on CS2 cases, and there was a greater proportion of cases with low (£0 - £500) debt, and a lower proportion with high debt (>£2000) debt, on the CS2 system. However, when cases were sampled over 60 per cent of arrears only cases were on the CS2 system. The sample is therefore sufficiently representative of the arrears only CSA caseload as a whole.

Additionally, all sampled cases met the following criteria:

- Arrears owed to the PWC
- No arrears owed to the Secretary of State for Work and Pensions

- No payment had been made on the case for at least 3 months
- Had not been recently used in any other pilot or trial
- No other considerations that meant we should not contact these clients in this way (for example welfare concerns)

Once samples were drawn the trial ran from November 2015 until July 2016. In the first stage of the trial a stable arrears balance was calculated for the cases in the NRP first and PWC first groups. Cases within these groups were then assessed for their suitability for proactive discussions about part payment. Cases were unsuitable if, for example: the NRP was found to now be paying towards their arrears, the stable debt balance was below £50, it was clear one or both parents could not be contacted, or if there were welfare concerns for children involved. Much of this information is not collated centrally, or circumstances had changed since the sample was drawn, meaning these cases could not have been excluded at the sampling stage. See Appendix 1 for a full list of reasons cases were found unsuitable for proactive discussions of part payment.

In the second stage of the trial suitable clients within the NRP first and PWC first groups were called. In the NRP first group the NRP was called and asked to pay 100 per cent of their debt to the PWC. If they refused we asked them what they would be prepared to pay as a lump sum. This offer was then put, by us, to the PWC who could either reject part payment outright, accept the part payment amount offered, or make a counter offer which we would put to the NRP. We made as many calls as necessary to facilitate an agreement. If the NRP stated that they were paying their arrears directly to the PWC the PWC was called and asked to confirm this.

In the PWC first group the PWC was called first and asked if they wanted further action to be taken to attempt to collect the arrears owed to them. They were given independent advice about the CSA's collection powers, further actions that could be taken to attempt to collect the debt, including part payment, and the benefits and risks associated with these actions. If they did not wish for the CSA to take further action they were advised that the debt would be written off. If they did want the CSA to take further action they were asked if they wanted the full amount collected or to pursue part payment. If they agreed to part payment they were asked what amount they would accept as a lump sum in full and final settlement. This offer was then put to the NRP and negotiations conducted as for the NRP first group. In both groups the initial client contacted was advised that there was no guarantee that their part payment offer would be accepted.

When contacting a PWC or an NRP for the first time in the trial three call attempts were made over 48 hours. The responses of NRPs and PWCs when first called, and the final outcome of calling, were clerically recorded by case workers.

In both groups all offers were passed between clients unless they were deemed unreasonable. This was based on case circumstances but, as a guide, offers of less than ten per cent of the arrears total or £100 were deemed unreasonable.

We cannot legally accept part payment by instalments. Therefore, to enter into a part payment agreement the NRP needed to agree to pay a single lump-sum and the PWC agree in writing to the CSA writing off the remaining amount. See Appendix 2 for a summary of the legal requirements of part payment.

Throughout the trial it was possible for NRPs in all three groups to pay towards their arrears as normal. For example, a NRP may have become compliant during the trial period and started paying towards their arrears. Therefore, data was collected on all payments made by NRPs over the course of the trial. All payment data was taken from CSA computer systems.

To assess the effectiveness of this approach to proactive part payment for recovering arrears, the NRP first and PWC first groups were compared to the control group.

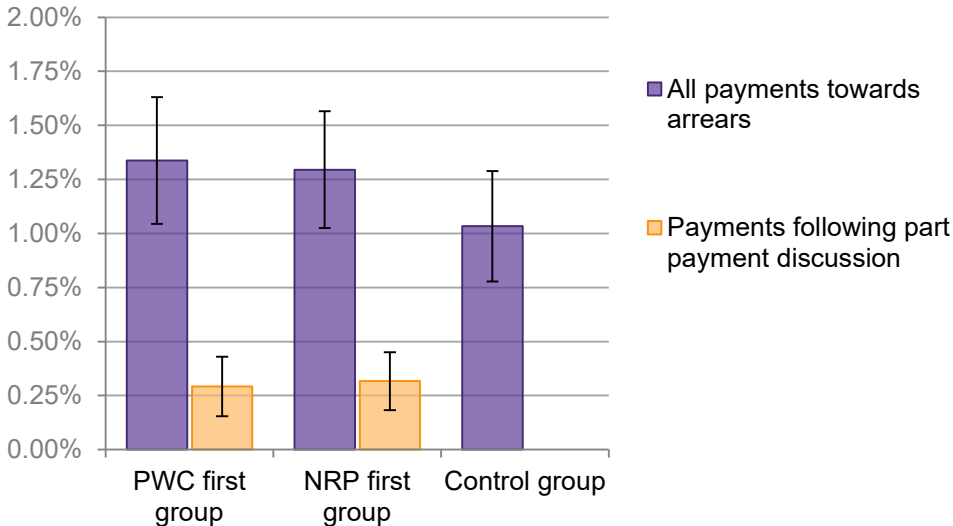


# 3. Findings

## 3.1 Do clients agree to part payment?

Proactively discussing part payment did not result in more payments made than in the control group. The proportion of cases that made payments over the course of the trial was low in all three groups (Figure 1),<sup>3</sup> and there was no significant difference between the number of cases with payments in each group.<sup>4</sup>

**Figure 1. The percentage of each group of cases that had payments made towards their arrears over the course of the trial. Lines on bars show 95% confidence intervals<sup>5</sup>**



Sample size: PWC first group – 5,906; NRP first group – 6,718; Control group – 6,000

<sup>3</sup> PWC first group: 1.34 per cent ± 0.29 per cent; NRP first group 1.30 per cent ± 0.27 per cent; Control group 1.03 per cent ± 0.26 per cent

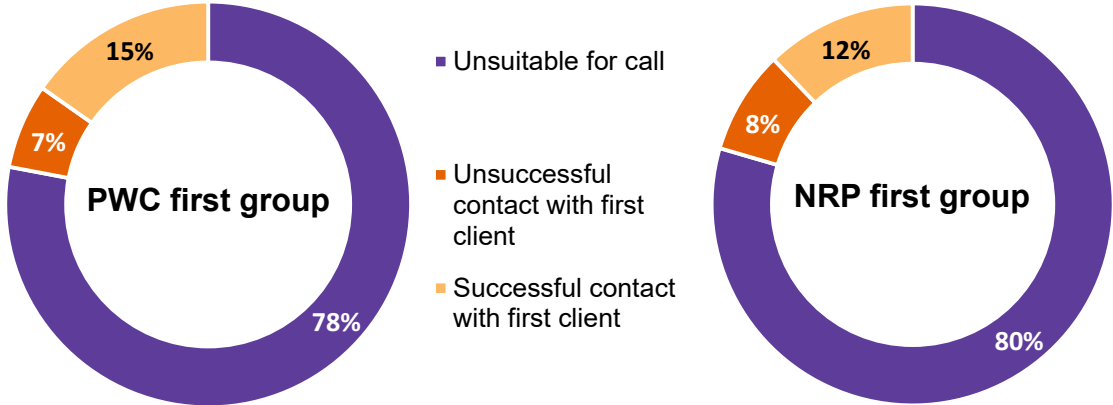
<sup>4</sup> Pearson's chi-squared test:  $\chi^2=2.71$ , 2 d.f.,  $P=0.26$  (See Appendix 3 for details of statistical tests)

<sup>5</sup> The confidence level represents the level of uncertainty around our estimates. For the results presented here we can be 95 per cent certain that the true percentage of the population that would accept part payment when proactively discussed lies within the ranges (confidence intervals) calculated here.

In the two trial groups payments were made as part payment settlements, full payments, and normal payments towards arrears (although the cases in this trial were not paying towards their arrears when selected, NRPs were able to resume payments or make one off payments throughout the trial). Payments made, following proactive calls, either in full or as part payments, only occurred in less than one per cent of cases in each group (Figure 1).<sup>6</sup>

The low rate of payment in the two trial groups wasn't solely due to a refusal to pay, or failure to agree on an acceptable part payment offer. The majority of cases (78 per cent in the PWC first group, and 80 per cent in the NRP first group) were found to be unsuitable for proactive discussions about part payment during the first stage of the trial (Figure 2). The most common reason that cases were found to be unsuitable was that following assessment of the case the stable debt balance was below £50 (21 per cent and 22 per cent of all cases in the PWC and NRP group respectively were unsuitable for this reason). This was not deemed cost effective to collect and left little room for negotiation. See Appendix 1 for a full list of reasons cases were found unsuitable for proactive discussions of part payment.

**Figure 2. The percentage of cases in the PWC and NRP group that were suitable for contact, successfully contacted and unsuccessfully contacted**



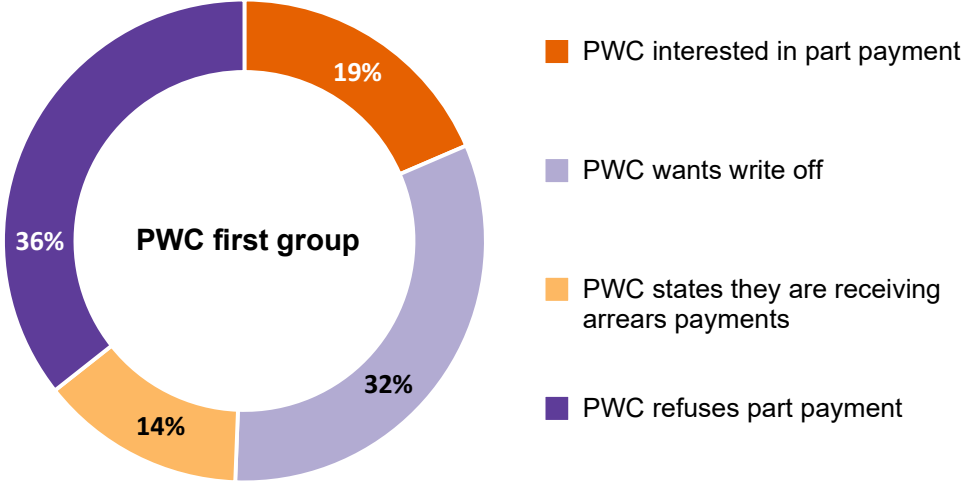
Sample size: PWC first group – 5,906; NRP first group – 6,718

Furthermore, we were not able to contact all suitable clients to discuss part payment. 31 per cent of suitable PWCs in the PWC first group (seven per cent of all cases in the group) were not successfully contacted, and 41 per cent of the suitable NRPs in the NRP first group (eight per cent of all cases in the group) were not successfully contacted (Figure 2). This greatly limits the number of cases that could pay arrears following proactive discussion of part payment, and the value of arrears that could be collected this way.

<sup>6</sup> PWC first group: 0.29 per cent ± 0.14 per cent; NRP first group 0.32 per cent ± 0.13 per cent

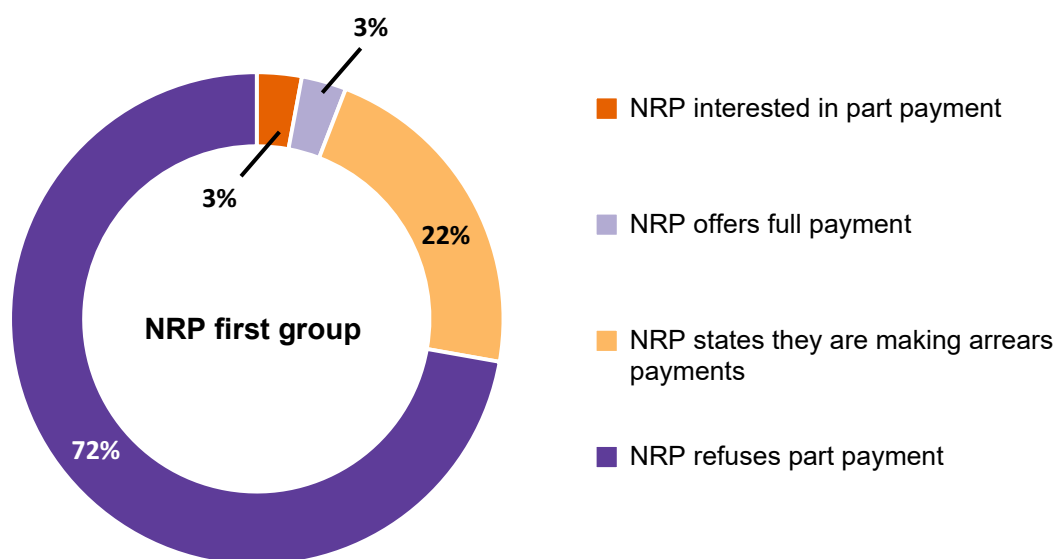
Of those that were contacted more clients were initially open to part payment, than those who ultimately agreed to a part payment settlement. PWCs in the PWC first group were more likely to be open to part payment than NRPs in the NRP first group. In the PWC first group 19 per cent of those successfully contacted (three per cent of all PWCs in the group) initially expressed interest in part payment (Figure 3). In the NRP first group three per cent of those successfully contacted (less than one per cent of NRPs in the group) initially expressed interest in part payment (Figure 4). However, when one client was open to part payment an agreement couldn't always be reached with the other client. This was due to either not being able to successfully contact the other client, or a failure to agree on a part payment offer.

**Figure 3. The initial response of contacted PWCs in the PWC first group when asked about part payment**



Number of PWCs successfully contacted: 901

**Figure 4. The initial response of contacted NRPs in the NRP first group when asked about part payment**



Number of NRPs successfully contacted: 817

### 3.2 What value of arrears can be collected by proactive part payment?

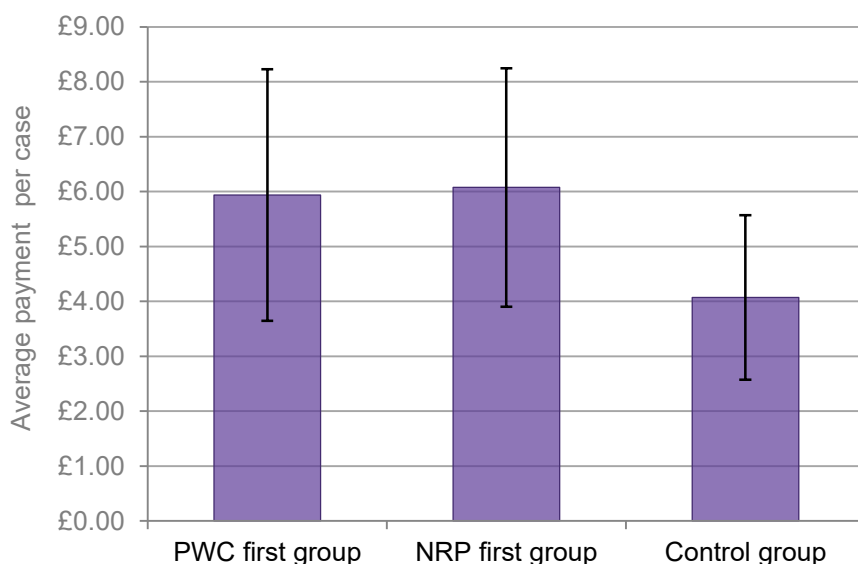
The average payment per case was low in all three groups (Figure 5)<sup>7</sup> and the PWC first, NRP first, and control groups did not significantly differ.<sup>8</sup> Furthermore, at the end of the trial, in both the PWC first group and in the NRP first group less than one per cent of the total arrears balance across cases in each group had been paid.

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<sup>7</sup> PWC first group: £5.94 ± £2.29; NRP first group £6.07 ± £2.17; Control group £4.07 ± £1.50

<sup>8</sup> Kruskal-Wallis test for difference in mean rank:  $H=2.74$ , 2 d.f.,  $P=0.25$  (See Appendix 3 for details of statistical tests)

**Figure 5. The average values of payments per case in each group. Lines on bars show 95% confidence intervals<sup>9</sup>**



Sample size: PWC first group – 5,906; NRP first group – 6,718; Control group – 6,000

Not all the payments that were made following a discussion of part payment were part payments. Less than one percent of NRPs in each group paid their arrears in full (see Appendix 4 for a breakdown of all trial outcomes for the PWC and NRP first groups). This amounted to £890 across three cases in the PWC first group, and £3,580 across 15 cases in the NRP first group

Furthermore, not all PWCs that weren't interested in pursuing part-payment wanted their full arrears collected. In both trial groups more PWCs contacted wanted their arrears written off than were open to part payment. Thirty-two per cent of PWCs in the PWC first group requested that their arrears were written off compared to nineteen per cent that expressed interest in part payment (Figure 3). In the NRP first group thirty-one per cent of contacted PWCs requested that their arrears were written off (see Appendix 4 for a breakdown of all trial outcomes for the PWC and NRP first groups)).

### 3.3 Is proactive part payment cost effective?

This trial ran for eight months from November 2015 until July 2016. CSA case workers were required to determine a stable arrears balance, assess cases for their suitability for proactive part payment discussions, contact clients, and negotiate part-payment. The cost of employing case workers to conduct this work over this time was £152,000 for the PWC first group and £156,500 for the NRP first group. Each

additional pound collected (over that collected in the control group) following proactively discussing part payment cost £14 to collect in the PWC first group, and £12 in the NRP first group. Proactive discussions of part payment are therefore not a cost effective method to recover PWC arrears.

## 4. Conclusion

The approach taken here to proactively discuss with clients the option of part payment in full and final settlement is not an efficient method to recover arrears on CSA cases. There was no significant difference in either the number of cases with payments, or the amount paid per case, between cases that were in the part payment groups (PWC first and NRP first groups) and the control group. Assessing cases for their suitability for part payment and attempting to contact suitable clients to discuss part payment is therefore not cost effective.

# 5. Abbreviations

**CMS** – Child Maintenance Service

**CSA** – Child Support Agency

**NRP** – Non-resident parent

**PWC** – Parent with care



## 6. Appendix 1: Reasons cases were unsuitable for proactive discussions about part payment

- Arrears paid via Maintenance Direct
- Case linked to other cases
- Debt now less than £50
- Insufficient contact details held for PWC or NRP
- Invalid/uncollectable debt
- NRP abroad
- NRP now compliant
- PWC, NRP or qualifying child deceased
- PWC previously agreed to full write off
- PWC-NRP role reversal
- System defect
- Welfare concerns
- Other reasons

## 7. Appendix 2: Legal requirements

Section 41D of the Child Support Act gives us the power to accept part payment of arrears in full and final satisfaction.

Part payment arrangements require appropriate consent. Appropriate consent is defined as the written consent of the parent with care (PWC), or if relevant Child in Scotland.

Regulation 13D of the Child Support Management of Payments of Arrears Regulations 2009 provides that we must prepare an agreement which cannot take effect until the NRP has agreed its terms in writing, and the 'appropriate parent' has given their consent in writing.

Where we require the PWC (and if necessary the child in Scotland) to provide consent to the agreement, we also have a legal obligation to provide advice and information as appropriate to help that parent decide whether to give consent.

We cannot legally accept part payment by instalments. We will only accept instalments if the NRP is going to pay the full amount of the debt with no discount. In order to enter a part payment agreement they need to pay a single lump sum and then we will write off the agreed remaining amount.

## 8. Appendix 3: Details of statistical tests

### 8.1 Pearson's chi-squared test

This was used to test for an association between group (PWC first, NRP first, and the control group) and the outcome of the trial (payment/s or no payment/s), that is to test if the number of cases with payments differed between groups.

The trial outcomes for each group were compared to the numbers expected if there is no association between group and outcome. The test produces a test statistic ( $\chi^2$ ) that is used to obtain a *p*-value. The *p*-value gives the probability of finding the observed, or more extreme, results when there is no difference between groups. Here, a *p*-value of 0.05 or less is deemed significant. This means that there is a one in 20, or more, chance of finding these results if there is no difference between groups.

### 8.2 Kruskal-Wallis test for difference in mean rank

This test was used to test for a difference between groups in the value of arrears paid, more specifically that the mean ranks of groups did not differ.

For the research here this means that if the value of arrears paid on each case over the course of the trial, across all groups, was ranked from lowest to highest, with equal values given the average rank, there would be no difference between each group in the average rank. The test produces a test statistic (*H*) that is used to obtain a *p*-value. The *p*-value is interpreted as for the Pearson's chi-squared test described above.

# 9. Appendix 4: Trial outcomes

Figure 6. Percentage of cases meeting each trial outcome

