



HM Revenue  
& Customs

**Research report 516**

# **Drivers of Customer Complaints**

Customer views on making a complaint to HMRC

July 2018

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## 1. Executive Summary

- HMRC commissioned Ipsos MORI to undertake qualitative research to provide insight into the customer experience of making a complaint. The research explored the drivers behind customer complaints and why some customers take matters further, with a focus on customer emotions. In total 45 in-depth interviews were conducted face-to-face with a mix of PAYE and Self Assessment (SA) customers.
- Six customer profiles were identified in our sample including: 'Professional', 'Young Employee', 'Starting in business', 'Everyday Worker', 'Overwhelmed', and 'Retired'. How customers engaged with HMRC and their experience of the process varied according to their customer profile; specifically, whether the complaint was emotionally driven or approached more pragmatically. Differences in customer profiles were underpinned by confidence in managing finances and tax, experience of interacting with HMRC and personal circumstances such as life-stage, health and type of work.
- The circumstances leading to a complaint are important and create a customer mind-set which impacts on how customers approach and manage the complaints process and what they want to achieve from it. When reflecting on their experience customers focussed foremost on the events leading up to the complaint and noted opportunities to improve customer experience earlier in the process.
- The decision to make a complaint was either an 'active' decision or a 'means to an end'. Customers made an *active* decision when they were dissatisfied with the service and wanted to highlight their grievance, improve the service for others or receive an apology, acknowledgement or recompense. Where the complaint was made as a *means to an end*, customers initiated the complaint to resolve an ongoing tax issue when other routes had been exhausted. Understanding customers' aims and expectations when making the complaint is important in ensuring a satisfactory resolution.
- The complaints process was viewed positively overall and often marked a step-change in the customer experience which had a positive effect on customers' emotions. Customer emotions improved when they felt HMRC took ownership of the complaint, offered a named contact and provided relevant and detailed information in response.
- Customers decided to escalate their complaint when the outcome did not meet their expectations. There were examples of customers entering the complaints process with the intention of reaching the Adjudicator, but this was exceptional. When making the decision to escalate their complaint further, customers also weighed up the likelihood of a change in outcome against the possible emotional and practical impacts of continuing and there were examples of customers choosing not to escalate as a result.

## 2. Introduction

### 2.1 Background

HMRC is committed to providing a helpful, professional and efficient service to its 45 million individual and 5.4 million business customers. As part of this service HMRC ensures there is an accessible and effective complaints procedure in place for customers to follow. The HMRC complaints process comprises two stages. At Tier 1 customers raise a complaint to HMRC in writing, by telephone, or digitally through email or an online complaints form (iForm) for HMRC to investigate. If a customer disagrees with the outcome decision, they can escalate their complaint to Tier 2. Following Tier 2, if a customer remains dissatisfied with the outcome, they have the option of referring their complaint to the Adjudicator's Office, which offers an independent review of the complaint.

### 2.2 Research Aims

The research explored the drivers of customer complaints made by individuals and micro businesses, and the reasons for escalating complaints with a focus on customers' emotions. Specifically, it aimed to:

- Explore the drivers behind the customer decision to initiate a complaint to HMRC and their complaint past Tier 1.
- Develop an understanding of customers' emotions and the extent to which these lead to complaints and decisions to take the process beyond Tier 1.
- Understand how the customer experience could be improved and how HMRC can reduce the need to make a complaint in the first instance.
- Understand how the handling of complaints could be improved to reduce the number of complaints escalated to Tier 2 and beyond.

### 2.3 Method

A total of 45 face-to-face qualitative interviews were conducted with a mix of PAYE and Self Assessment (SA) customers who had made a complaint to HMRC which had since been closed. Qualitative research aims to explore experiences in depth and to understand how and why issues occur and does not seek to be statistically representative. Research participants were recruited by specialist recruiters from a sample provided by HMRC of customers who had made a complaint. Participants were recruited to include a mix of the following characteristics: the stage they had reached in the complaints process; the outcome of the complaint – whether it was upheld in the customers favour or not; the tax the complaint was about; reasons for making the complaint; and the channel used to initiate the complaint. The sample also included a mix of age, gender and ethnicity. A breakdown of the interviews completed can be found in Appendix A.

### 2.3.1 Fieldwork

Each interview lasted 60 minutes and was conducted by an Ipsos MORI researcher using a discussion guide agreed with HMRC. Fieldwork was conducted in the customer’s home between 27 November and 23 December 2017.

### 2.3.2 Analysis

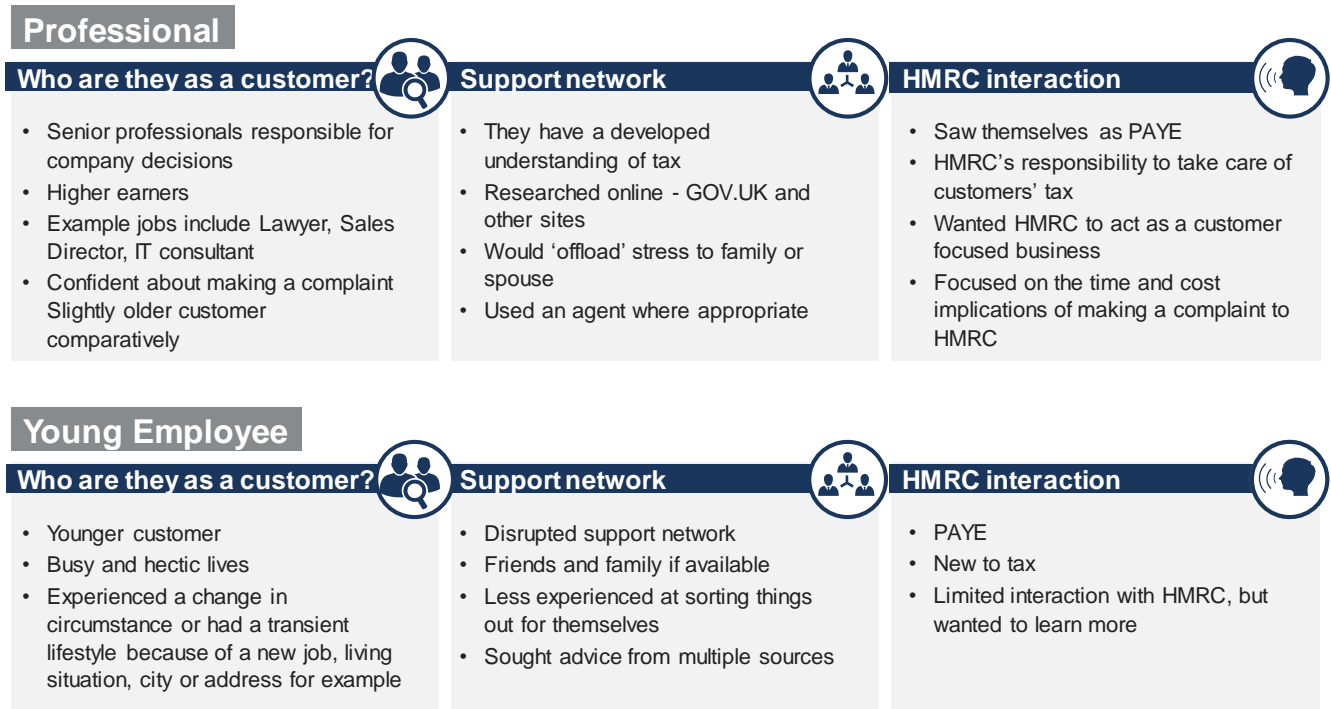
The interview data was fully analysed using a robust inductive framework approach, as part of which the data was synthesised thematically and interrogated for patterns and relationships.

## 3. Findings

### 3.1 Customer Profiles

Six customer profiles were identified in our sample including: ‘Professional’, ‘Young Employee’, ‘Starting in business’, ‘Everyday Worker’, ‘Overwhelmed’, and ‘Retired’. Differences in customer profiles were underpinned by employment and tax status, previous interaction with HMRC, life-stage, support network, and personal circumstances. The characteristics of these customer types are summarised below.

Figure 3.1



### Starting in business

#### Who are they as a customer?



- Recently started a new business, changed previous business commitments, or received a second income through renting for example
- Steady lifestyle comparatively
- High earner through second income

#### Support network



- Family and friends
- Researched online including GOV.UK
- Sought advice from Agents where necessary and friends who had their own business

#### HMRC interaction



- Basic understanding PAYE and getting used to SA
- Interacted with HMRC more given their SA obligations
- Looked to HMRC for guidance

### Everyday Worker

#### Who are they as a customer?



- Full time workers
- Experienced no major change or disruption
- Lacked interest or desire to manage their own finances

#### Support network



- Looked to their employer and HR for guidance
- Family and friends
- Online resources including GOV.UK

#### HMRC interaction



- No previous issues
- Passive view towards tax and HMRC
- Actively contact HMRC but expected HMRC to be proactive

### Overwhelmed

#### Who are they as a customer?



- Multiple events caused disruption to personal life and change in circumstance – including health issues (pregnancy, alcohol/drug), work issues (unemployment, previous convictions), and life changes (immigration, separation from spouse)
- Customers felt overwhelmed when trying to keep life and work steady
- Struggled to keep everything under control and HMRC was seen as another thing to manage

#### Support network



- Looked to get help from a range of sources both formal and informal
- Advice organisations i.e. Citizens Advice Bureau
- Friends offer financial support if possible

#### HMRC interaction



- Limited knowledge of tax
- Issues intertwined with other benefits claimed
- Multiple government agencies involved
- Customers felt HMRC looked down on them

### Retired

#### Who are they as a customer?



- Retired from professional career and now had more spare time/ time for hobbies
- Learning to live on a fixed income from their pension
- Appreciated rules and not afraid to make a complaint
- Felt more confident in voicing opinions as they got older

#### Support network



- Reduced network/no longer connected to work and family/friends
- Researched online including Martin Lewis and GOV.UK

#### HMRC interaction

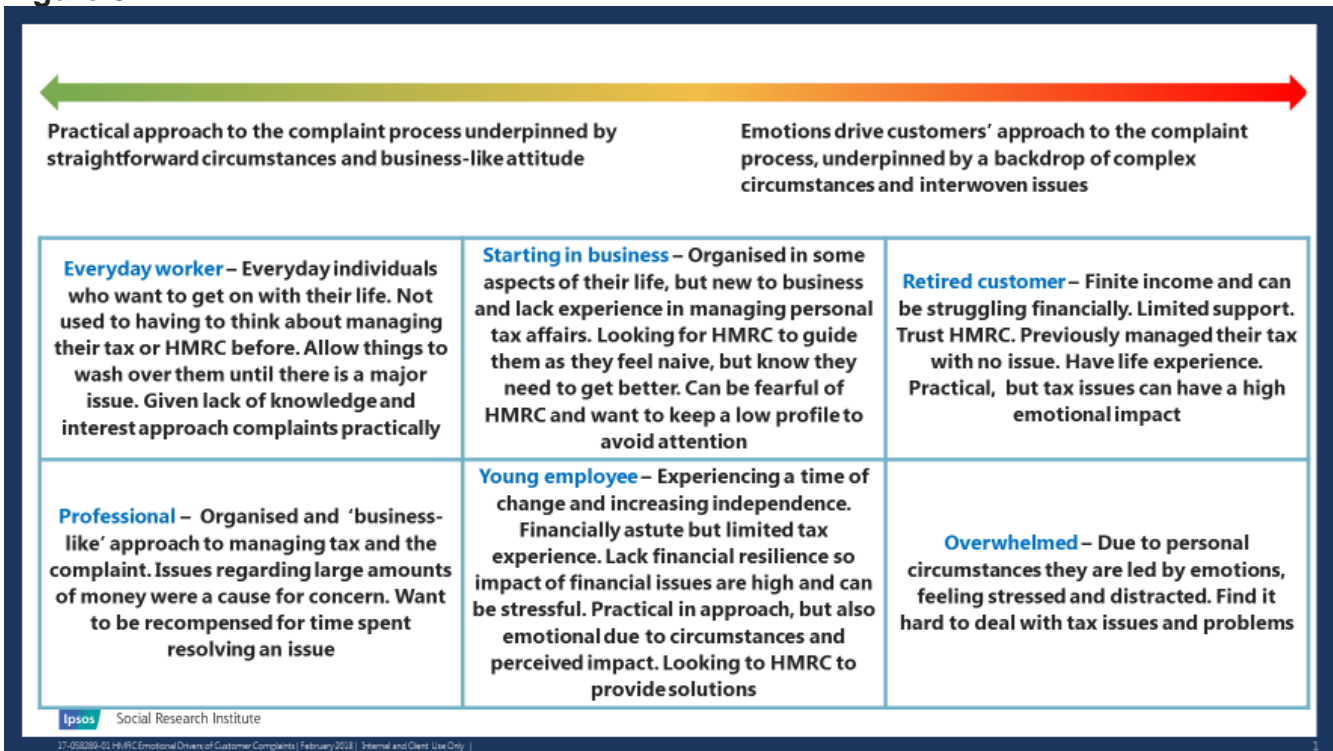


- Little interaction with HMRC previously
- HMRC seen as an institution to be respected
- Experienced dealing with financial issues, but not in regards to pensions

### 3.2 The customer profile and their approach to making a complaint

How customers engaged with HMRC and the complaints process varied according to their customer profile. The difference in approach was underpinned by a customer’s confidence managing finances and tax, their experience interacting with HMRC and their personal circumstances, such as life-stage, health, and work. Importantly, these characteristics affected how customers approached the complaint on an emotional level. For some the complaints process was emotionally driven with a backdrop of complex circumstances and interwoven personal issues. This was the case for customers who were ‘Overwhelmed’, ‘Retired’ or a ‘Young Employee’. In contrast, other customers had more straight-forward circumstances and adopted a more pragmatic ‘business-like’ approach. This approach included the ‘Professional’, ‘Everyday Worker’ and ‘Starting in business’ customer. Examples are outlined in figure 3.2.

Figure 3.2



Customer emotions were noted to change as a customer progressed through their complaint journey because of their personal circumstances and experiences, including how the tax issue being disputed impacted on their day to day life and the service they received from HMRC.

### 3.3 Circumstances leading to a complaint

Customer experiences and interactions with HMRC prior to making the complaint remained ‘top of mind’ and this affected the mind-set of customers throughout the complaints process. When asked to reflect on their complaint experience customers focussed foremost on the



events leading up to the complaint rather than the HMRC complaints process itself, demonstrating the importance of the pre-complaint service to them.

Across customer profiles, participants tended not to distinguish between their pre-complaint experience and the complaint itself and reflected on it as one experience. Customers were also often unclear about the stages of the complaints process and could be unaware they were moving from Tier 1 to Tier 2 for example. Customers reported that events leading up to the complaint often felt lengthy and protracted and could involve multiple interactions with HMRC and other government agencies. The longer the pre-complaint process continued the more customers felt stuck or lost in the system and a resolution further away, resulting in feelings of helplessness and frustration.

Customer emotions leading up to the complaint were driven by two factors:

- **Initial tax issue** - for example, under or over payment of tax, incorrect tax codes or incomplete account details. This made customers feel worried or panicked about their finances or curious and concerned regarding how the issue had occurred. There were also examples of customers experiencing financial issues as a result, which was stressful and upsetting.
- **The pre-complaint customer service** – perceptions of the service affected customers' emotions. For example, customers noted feeling angry and confused when they were not treated in the way they expected, when they felt that their complaint was not taken seriously, or when HMRC staff were unable to provide them with an answer to their query. Specifically, customers were unhappy when they felt HMRC required them to lead on resolving the tax issue. For example, gathering additional information from their employer or searching their records. This resulted in customers feeling overwhelmed, inadequate and indignant as they did not feel they had the financial capability or time to resolve the issue and importantly did not see it as their responsibility to do so.

Customers noted a range of emotions at the pre-complaint stage that were common across customer types, including anger, confusion, frustration, stress, annoyance and worry. There were also differences (see figure 3.3). 'Professionals' and those 'Starting in Business' were often curious about how the tax issue had occurred; 'Starting in Business' also described feeling worried, nervous and daunted, as did 'Young Employees'; and 'Overwhelmed' and 'Retired' were more likely to feel powerless, isolated and hard done by. Identifying customer emotions at the pre-complaint stage is an important step in understanding how customers enter the complaint process, what they want to achieve from it and how their emotions can be managed effectively going forward.

Figure 3.3: Customers' mind-set and emotions before making a complaint

Professional	Young Employee	Starting in business	Everyday Worker	Overwhelmed	Retired
— Angry	— Angry	— Annoyed	— Annoyed	— Anxious	— Apprehensive
— Curious	— Confused	— Confused	— Confused	— Exhausted	— Fearful
— Determined	— Frustrated	— Curious	— Panicked	— Frustrated	— Hard done by
— Embarrassed	— Stressed	— Daunted	— Reluctant	— Furious	— Isolated
— Incensed	— Unfocussed	— Frustrated	— Shocked	— Powerless	— Responsible
— Indignant	— Worried	— Nervous	— Surprised	— Stressed	— Trusting
— Resigned		— Worried		— Undervalued	— Worried
— Self-assured					

*“[My] complaint was about nobody taking my case and understanding what was happening”*  
Overwhelmed, SA, Female, 26-39, Tier 1 – upheld in the customer’s favour

### 3.3.1 The decision to complain

The decision to make a complaint was either an ‘active choice’ or as a ‘means to an end’. When customers made an *active choice* to complain they were usually dissatisfied with the HMRC service received and wanted to make a complaint to let this be known. Active decisions were driven by: customers’ perceptions of the service experienced; a desire to improve the service for others; to make a point about their experience and the impact it had; or to receive an apology, acknowledgement, or recompense. In these cases, customers often continued to work to resolve the initial issue with HMRC whilst pursuing the complaint in parallel. Emotions described during the lead up to making this type of complaint included anger, rage, disgust, disbelief and disapproval and these were important in driving the decision. Importantly, these customers are unlikely to complain if their needs are met earlier in their journey.

*“Nobody would listen to me...it was almost like they were following a script and it was so complicated that they didn't know where to go”*  
Retired, SA, Female, 40+, Tier 2 – partially upheld in the customer’s favour

Where the complaint was made as a *means to an end*, customers were trying to resolve their issue and had exhausted all other options available to them. Making a complaint was felt to be a logical next step in the customer journey as they sought to understand how or why the initial issue had occurred or they were looking for a practical outcome, such as a change in tax code or reimbursement. In these cases, customer felt they were continuing in their journey rather than initiating a new process. As with customers making an active choice, these customers also expressed dissatisfaction as a result of their experience, but in addition expressed strong feelings of frustration, hopelessness, desperation and confusion in being unable to progress or resolve their issue.

*“First of all I was confused, because my colleagues had got it [higher rate laundry allowance] ...and I had worded it exactly the same as everyone else...I wasn't angry, I wasn't annoyed, I was confused.*

*'I was getting more and more frustrated because as it went on it was [clear HMRC were saying] ‘we don't know what we are doing’”*

Everyday Worker, PAYE, Male, 40+, Tier 2 – not upheld in the customer's favour

Regardless of how a customer decided to make a complaint to HMRC, customers thought there were missed opportunities for the issue to be resolved earlier in the process. This made customers frustrated and angry as they felt the time, energy and financial costs (in relation to time or penalties for example) could have been avoided. The missed opportunities linked to perceptions that HMRC had not taken the time earlier during the pre-complaint stage, to understand the issue from the customer's perspective, to do all they could to help and find a resolution and to provide a clear explanation.

### 3.4 The complaint process: Tier 1 and Tier 2

Once customers initiated the complaints process they wanted a resolution as quickly as possible and were focused on the outcome rather than the process. As such, customers were not always able to recall the complaint Tier they reached or when/how they moved from one Tier to the next when they escalated. Customers who were unfamiliar with the complaints process looked to HMRC to guide them through the process.

Reflecting our sample design, customers initiated the complaint process by phone, letter or iForm:

- **Phone** - customers interacting with HMRC on the phone generally triggered the complaint whilst speaking to HMRC. This was common where the decision to complain was a means to an end. The benefits of making a complaint over the phone focused on the personal nature of the interaction with HMRC and the ability to outline the issue and express their feelings easily.
- **iForm** - where complaints were made via an iForm or email the customer had usually made an active choice to complain. Rather than having prior knowledge of the iForm, customers tended to find the form in a generic internet search. The iForm was said to enable customers to provide a detailed account to HMRC in an agile, quick and convenient way. Although some issues were noted with functionality.
- **Letter** - complaints submitted via letter were made as both an active choice and as a means to an end. Writing a letter enabled customers to consider their thoughts fully and provide a formally recorded and detailed account. However, the process could be slow and was thought to elongate the process overall.

The complaints process was viewed positively overall and often marked a step-change in the customer experience and the emotions felt, although variations were noted. Importantly, the complaints process itself was described as relatively quick and easy to manage, particularly in

comparison to the length of time they had already spent dealing with HMRC prior to the complaint. Customers noted a positive shift in their experience and emotions and described feeling happy overall. They felt relieved, positively surprised at the difference in service, reassured, unburdened and confident in HMRC's ability to resolve their issue. This was recognised regardless of the outcome of the complaint.

A positive complaint experience was characterised by:

- HMRC **engaging with and listening** to customers, meaning customers felt *happy* and *reassured* their issue was being taken seriously and they were no longer being passed around.
- HMRC providing a **single point of contact**, meaning customers felt *confident* in who to contact and *unburdened* by the complaints process.
- HMRC **clearly defining next steps and timelines** and following these through, meaning customers felt *reassured* they knew what to expect and could *let go* and *relax* as a result.
- HMRC **acknowledging prior events** and communication with customers allowing customers to feel they could *trust* HMRC.
- Customers **giving information once** and this being repeated back and kept on file, meaning customers felt *listened to*.
- **Receiving clear and meaningful information.** HMRC provided a full explanation of the errors made and ensured customers felt they had received a suitable explanation. This made them feel *satisfied*, *reassured* and more *optimistic* about their future interactions with HMRC.

When customers felt they had received a good customer complaints service, they were more likely to interact with HMRC positively, view HMRC as a supportive organisation, and were less likely to escalate their complaint. Where this was not the case the opposite was true. A good complaints service made customers feel reassured and confident that HMRC was working with them, or on their behalf to find a resolution. Customers could feel unburdened as they no longer needed to push their complaint forward. This made customers feel relieved, happy to move on and went some way to counter the negative emotions they previously experienced.

*"In any business lack of communication causes so many arguments, so many complaints, so many issues... Suddenly someone was telling me they would sort it. I could have had a drink to celebrate... It was just great; I now have someone to talk to if I need to. I have just let them get on with their job, they can deal with it on their own time. They are there to sort these matters out; I don't have to chase anyone up. I just let them get on with it, and sure enough in 2 weeks I had a reply explaining the whole thing, with all the records, all sorted out. It was one of those yes! moments."*

Professional, PAYE and SA, Female, 40+, Tier 1 – Upheld in the customer's favour

*"Instantly I could trust her, very empathetic and didn't imply I was stupid to act on the pop up and understood that people do that. She saw my point of view and was very patient in*

*explaining it was my husband's tax affairs causing the issue and that she could get the authority if needed to look into this, but she was good at explaining there wasn't a need"*  
Retired, PAYE, Female, 40+, Tier 1 – upheld in the customer's favour

Given the step-change in HMRC service, customers who experienced a particularly lengthy back and forth process prior to making a complaint, felt annoyed that they had to make a complaint to see an improvement in the service and would have expected this at an earlier stage.

*"They obviously had [a complaint] procedure in place to deal with high level complaints but no procedures in place for dealing with simple queries"*  
Professional, PAYE and SA, Male, 40+, Tier 1 – Upheld in the customer's favour

Although customers noted a broadly positive experience of the complaints process, there were some variations noted. Examples of a less positive complaint experience included not being able to access a customer's previous account history, HMRC missing a deadline to get back to a customer or HMRC appearing not to understand the customer's perspective. When customers noted a poor customer experience they were less likely to engage with HMRC positively, they were more likely to escalate their complaint and this led to a perception of HMRC being an unhelpful and difficult organisation. The emotions noted in these cases included disappointment, frustration and anger.

### **3.5 Customer experience of escalating a complaint**

Customers decided to escalate their complaint when the outcome did not meet their initial expectation. Importantly, expectations depended on whether they had made an *active choice* to complain or it was a *means to an end*. Customers who had made an active choice to complain decided to escalate when they felt their issue was not fully acknowledged in the response by HMRC, they did not receive an apology or could not see how the issue would be prevented in the future. Whilst those who had initiated a complaint as a means to an end decided to escalate when they felt they had not received a resolution that was sufficient or that addressed their questions.

Decisions to escalate were also influenced by perceptions of the customer service received during the complaints process. For example, where customers had not seen a step-change in the service, as previously described, after making the complaint.

Customers' emotions also played a part in decision making and there were examples of customers choosing not to escalate because they wanted to move past the negative experience and focus on other events in their life or because they lacked the confidence or energy to continue. This was more likely when customers felt they were unlikely to see a change in the outcome and they weighed this up against the possible emotional and practical impacts of continuing, such as how it would make them feel, the time it would take and the cost. These customers felt relieved that they could leave the complaint process and were happy to move forward and feel positive.

*“I am busy with life and with work. I need to be positive with my life and it [the complaint] is a negative. You just want to get the negative out of your life, I want to be positive and happy”*  
Professional, PAYE and SA, Male, 40+, Tier 1 – not upheld in the customer’s favour

There were examples, albeit exceptional, of customers entering the complaint process with the intention of reaching the highest level possible and committed to reaching the Adjudicator. These customers felt determined and remained resilient in continuing through the different Tiers in the absence of what they considered to be a satisfactory resolution.

Overall the way in which the outcome was communicated to customers was important and either provided closure for customers or motivated them to continue their complaint. Customers reacted positively where a detailed explanation was given; when the outcome was provided in the timeline specified, where the outcome letter looked bespoke rather than automated and was written in plain English; and a named follow-up contact was provided. This was particularly true for those cases where the complaint was upheld but also softened the disappointment when the customer’s case was not upheld. When receiving this type of service, customers felt relieved and respected by HMRC and more positive overall. This was regardless of whether their complaint was upheld or not.

The decision to escalate was usually made as soon as they had received the outcome, although some took longer to reflect. Customers tended to make the decision to escalate themselves. There were limited examples of customers consulting their family and friends when deciding to escalate but were likely to share their frustration to those closest to them. Agents were consulted if the complaint was more technical or they had supported the customer throughout.

## 4. Appendix A

**Table 1: Achieved interviews by Tier**

	Tier 1	Tier 2	Adjudicator
<b>Complaint outcome</b>			
Upheld	7	5	
Partially upheld	2	6	
Not upheld	9	7	9
<b>Customer type</b>			
PAYE	6	6	5
Self-Assessment	6	6	
PAYE and Self-Assessment	6	6	4
<b>Reason for complaint</b>			
Mistakes or errors	9	9	7
Complaints about processes / systems	9	9	2
<b>Channel first contacted HMRC by<sup>1</sup></b>			
Telephone	4	7	
Letter	5	9	
Email/ iForm	9	2	9

Throughout the report, anonymised verbatim quotes are included to illustrate opinions mentioned in the interviews. These are attributed by customer type, age, gender, complaint Tier reached and outcome.

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<sup>1</sup> Note that this refers to the channel through which complaints were **first** made to HMRC, and not the channel used to escalate to this Tier. It is not possible to contact the Adjudicator by email/ iForm, and so escalations to the Adjudicator will have been made in writing.