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Fraud and Error in the Benefit System: Preliminary 2013/14 Estimates (Great Britain)

Estimates of the levels of loss to the benefit system in Great Britain are published today. These are available on the GOV.UK website at:
<https://www.gov.uk/government/collections/fraud-and-error-in-the-benefit-system>

This publication presents the preliminary 2013/14 estimates of total percentage of expenditure overpaid and underpaid across the benefit system in Great Britain. This release also covers individual preliminary estimates for Income Support, Jobseeker's Allowance, Employment and Support Allowance, Pension Credit and Housing Benefit for 2013/14. Employment and Support Allowance is published for the first time today.

The estimates are used in the Department for Work and Pensions Annual Report to measure overall performance on incorrect payments.

These results are based on a sample of cases and so are subject to sampling error. 95% confidence intervals are calculated and presented in the accompanying tables. Any statistically significant changes are marked in the document and the tables.

Key Points

Latest estimates show £3,300m of benefit was overpaid due to claimant error, fraud or official error in 2013/14. This is 2% of benefit expenditure. The rate has been between 2% and 2.2% since 2005/06 with no statistically significant changes. The small fall from 2.1% last year is caused by the removal of Council Tax Benefit from DWP's expenditure.

The loss to the department will be less than £3,300m because overpayments can be recovered. DWP and local authorities expect to recover around £900m for 2013/14.



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Overpayments on all benefits by type of error



Over two thirds of overpayments are caused by error, under one third because of fraud.

Claimant error is the main cause of overpayments, and since 2007/08 it rose to a peak last year. Most claimant error relates to income and savings. Fraud is the next largest component and has been between 0.6% and 0.8% of expenditure for nine years. Official error is estimated to be at its lowest reported rate this year, 0.4%, continuing the long-term downward trend.

Housing Benefit is the largest contributor to overpayments: over 40% of the total or £1,400m. This percentage has been increasing each year since 2007/08. Pension Credit has the next largest overpayment in monetary terms.

Underpayments are estimated to be £1,400m in 2013/14 and have remained stable at under 1% of expenditure since 2005/06. Claimant error causes the majority of underpayments, usually caused by unreported changes in income or who lives in the claimant's house. Official error accounts for £500m.

Disability Living Allowance causes around a quarter of the total underpayments, as does Housing Benefit. HB underpayments are mainly caused by claimants not telling local authorities that their income has reduced.

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This report is available on the internet at:

<https://www.gov.uk/government/publications/fraud-and-error-in-the-benefit-system-statistics-proposed-changes>

Further information about the background and methodology can be found at:

<https://www.gov.uk/government/collections/fraud-and-error-in-the-benefit-system>

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Background

This report provides estimates of fraud and error for benefits whose expenditure is administered by the Department for Work and Pensions (DWP). This includes a range of benefits for which we derive estimates using different methods, as detailed in 'Our Measurement System' below. For further details on which benefits are included in the total fraud and error estimates please see our [Background and Methodology document](#). For more information on the benefit system and how DWP benefits are administered please see <https://www.gov.uk/browse/benefits>.

Key Terms

The figures presented in this report estimate fraud, claimant error and official error.

Fraud: Cases where the following three conditions apply:

- the basic conditions for receipt of benefit, or the rate of benefit in payment, are not being met;
- the claimant can reasonably be expected to be aware of the effect on entitlement;
- benefit stops or reduces as a result of the review.

Claimant Error: The claimant has provided inaccurate or incomplete information, or failed to report a change in their circumstances, but there is no fraudulent intent on the claimant's part.

Official Error: Benefit has been paid incorrectly due to inaction, delay or a mistaken assessment by the DWP, a Local Authority or Her Majesty's Revenue and Customs.

For more information on the methods used to produce these estimates and how they are quality assured please refer to the document below published in "Quality methods" at: <https://www.gov.uk/government/publications/fraud-and-error-in-the-benefit-system-supporting-documents-for-statistical-reports>

Working with the Fraud and Error Estimates

Significance

Because our estimates are based on a sample of cases, choosing a different sample may have given us a different result. We calculate 95% confidence intervals around the estimates: if we did 100 samples, the result of 95 of them would lie within the confidence intervals. The confidence intervals are presented alongside the central estimates in our tables.

A result seeing a "Statistically significant" change from one year to the next means we consider this to be a true change in the trend, not just caused by sampling variation. This can be estimated by checking whether the confidence intervals around both year's results overlap.

None of the changes in this release are statistically significant unless specifically stated. Results that are not statistically significant can still provide the indication of a trend of rising or falling results.

National Statistics

The estimates being published are National Statistics and as such are produced to the high professional standards set out in the National Statistics Code of Practice. These estimates have regular quality assurance reviews to ensure that they continue to meet customer needs.

The fraud and error estimates are included in the department's Annual Report and Accounts, which are scrutinised by the National Audit Office, the Government's spending watchdog.

Our measurement system

Estimates of fraud and error for various benefits have been derived using three different methods.

Continuously reviewed benefits

Fraud, claimant error and official error for Income Support, Jobseeker's Allowance, Employment and Support Allowance, Pension Credit and Housing Benefit are measured on a continuous basis by interviewing a sample of benefit claimants. Expenditure on these benefits accounts for 30% of all benefit spend. Official error is also measured continuously for State Pension which accounts for 51% of benefit expenditure, therefore meaning that 81% of all expenditure is measured for official error on a continuous basis.

Occasionally reviewed benefits

Since 1995, the Department has carried out National Benefit Reviews (NBRs) for various benefits to estimate the level of fraud and error in a particular financial year following the same process as the continuously reviewed benefits. These benefits cover 61% of total expenditure. Please see the methodology document for details of benefits covered by occasional reviews.

Unreviewed benefits

The remaining benefits, which account for around 9% of total benefit expenditure, have never been subject to a specific review. These benefits tend to have relatively low expenditure which means it is not cost effective to undertake a review. For these benefits the estimates are based on assumptions about the likely level of fraud and error.

For some of these benefits the estimates of fraud and error are based on comparable measured benefits. Severe Disablement Allowance, for example, has many similarities to Employment and Support Allowance (ESA), both in terms of entitlement and its administration. Therefore, the estimate of fraud and error in Severe Disablement Allowance is based on the results of measurement of ESA.

Where there is no similar measured benefit it is assumed that fraud and error is equal to the average estimate of fraud and error across all measured benefits.

Where to find more data

Tables and charts that detail all of the results included in this document can be found at:

<https://www.gov.uk/government/publications/fraud-and-error-in-the-benefit-system-statistics-proposed-changes>

Sources for each chart in this release reference these tables.

Table 1 OPs	Overpayment time series for all benefit expenditure: 2005/06 – 2013/14 Preliminary
Table 2 OPs	Overpayments for IS, JSA, ESA, PC and HB by error type and error code: 2013/14 Preliminary
Table 3 OPs	Overpayment Incorrectness for IS, JSA, ESA, PC and HB by error type: 2013/14 Preliminary
Table 4 OPs	Overpayments for IS, JSA, ESA, PC and HB by error type, claimant age and gender: 2013/14 Preliminary
Table 1 UPs	Underpayment time series for all benefit expenditure: 2005/06 – 2013/14 Preliminary
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Table 4 UPs	Underpayments for IS, JSA, ESA, PC and HB by error type, claimant age and gender: 2013/14 Preliminary

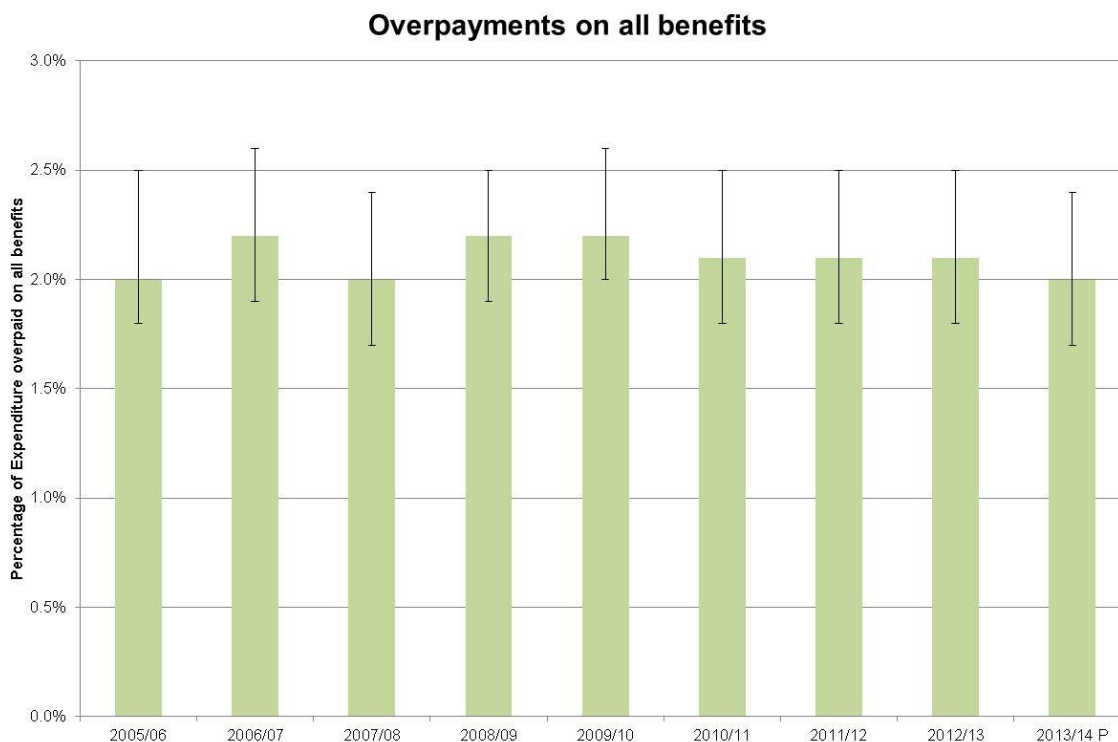
Overpayments

Overpayments are estimated to account for 2.0% of benefit expenditure in 2013/14. The rate has been between 2.0% and 2.2% since 2005/06.

The fall from 2.1% last year has been caused by the removal of Council Tax Benefit from DWP's expenditure and is not statistically significant. A time series of fraud and error rates with Council Tax Benefit removed can be found in Annex 6 of the [Background and Methodology document](#), to enable direct comparison of the trend.

Overpayments equate to £3,300m of the £163,900m spent on benefits.

Net loss to DWP is anticipated to be less than £3,300m as DWP and Local Authorities expect to identify and recover around £900m for 2013/14. Because overpayments can take many years to discover, recovered money for 2013/14 will continue to return to the department in years to come, giving rise to this uncertainty.



[Source: Table 1OPs](#)

None of the year-on-year changes have been significant, as indicated by the overlapping confidence intervals (black lines on the chart).

Over one third of loss to the benefit system is caused by fraud and error in Housing Benefit. State Pension accounts for just 10% of overpayment, even though it is nearly half of the benefit bill.

Overpayments since 2005/06

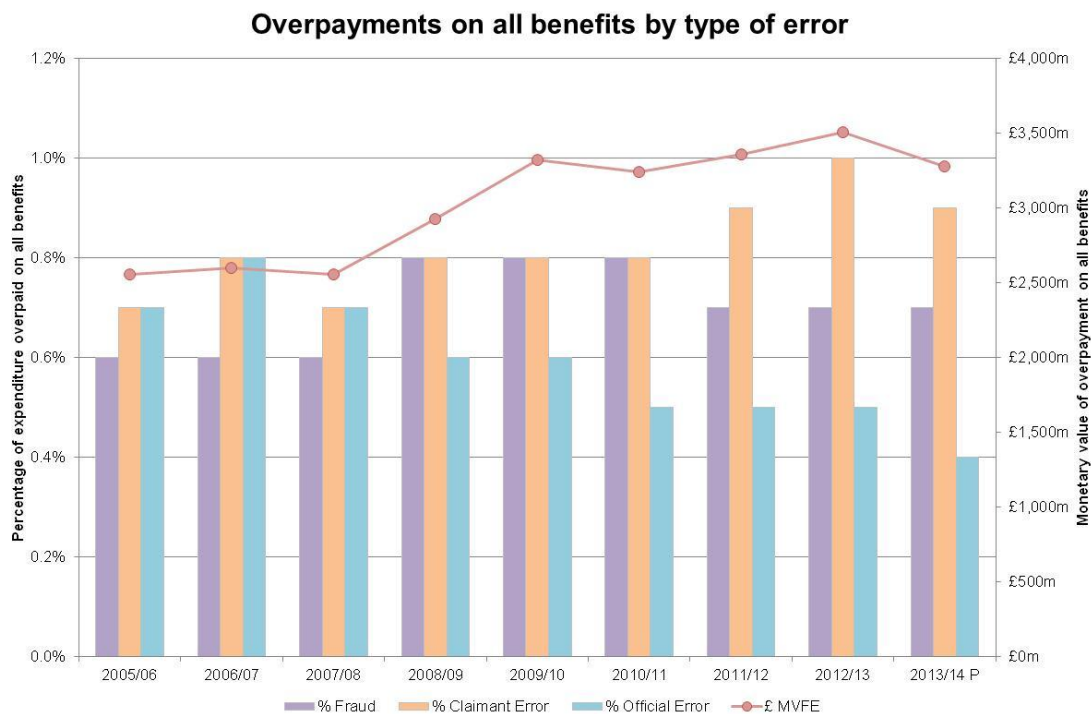
Year	Fraud		Claimant Error		Official Error		Fraud and Error (Confidence Interval)					
	%	£bn	%	£bn	%	£bn	%	(L, U)	£bn	(L, U)		
2005/06	0.6%	£0.6bn	0.8%	£1.0bn	0.7%	£0.9bn	2.1%	(1.8, 2.5)	£2.5bn	(2.1, 2.9)		
2006/07	0.6%	£0.8bn	0.8%	£0.9bn	0.8%	£0.9bn	2.2%	(1.9, 2.6)	£2.6bn	(2.3, 3.1)		
2007/08	0.6%	£0.8bn	0.7%	£0.8bn	0.7%	£0.9bn	2.0%	(1.7, 2.4)	£2.6bn	(2.1, 3.0)		
2008/09	0.8%	£1.0bn	0.8%	£1.1bn	0.6%	£0.8bn	2.2%	(1.9, 2.5)	£2.9bn	(2.6, 3.5)		
2009/10	0.8%	£1.1bn	0.8%	£1.2bn	0.6%	£1.0bn	2.2%	(2.0, 2.6)	£3.3bn	(2.9, 3.9)		
2010/11	0.8%	£1.2bn	0.8%	£1.3bn	0.5%	£0.8bn	2.1%	(1.8, 2.5)	£3.2bn	(2.8, 3.8)		
2011/12	0.7%	£1.2bn	0.9%	£1.4bn	0.5%	£0.8bn	2.1%	(1.8, 2.5)	£3.4bn	(2.9, 3.9)		
2012/13	0.7%	£1.2bn	1.0%	£1.6bn	0.5%	£0.8bn	2.1%	(1.8, 2.5)	£3.5bn	(3.0, 4.2)		
2013/14P	0.7%	£1.1bn	0.9%	£1.5bn	0.4%	£0.7bn	2.0%	(1.7, 2.4)	£3.3bn	(2.8, 3.9)		

There have been no significant changes in the level of fraud, level of claimant error or level of official error since 2005/06.

Fraud has remained between 0.6% and 0.8% during this time.

Claimant error has reduced in 2013/14 from its peak of 1.0% in 2012/13.

Official error has been slowly reducing since 2006/07, because of reductions in Pension Credit, Income Support and Jobseeker's Allowance official error.



[Source: Table 1 OPs](#)

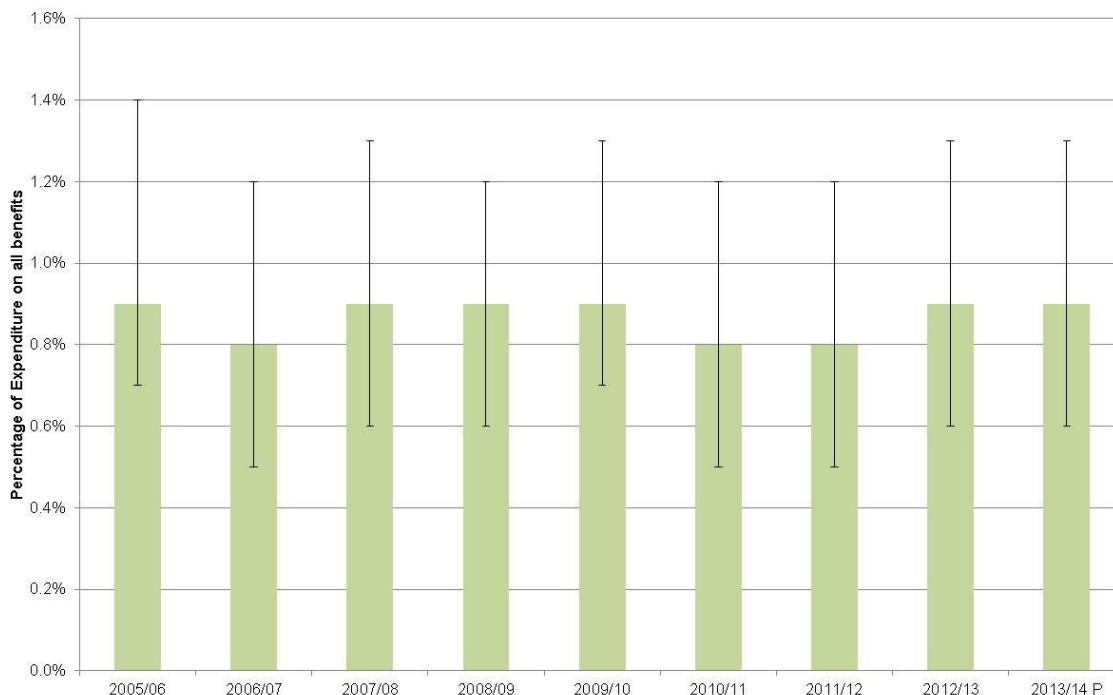
Claimant error is the largest of the three types of loss to the benefit system.

Underpayments

0.9% of the benefit bill is underpaid. An underpayment is where a claimant is not receiving as much money as they should be.

The estimated percentage underpaid has remained between 0.8% and 0.9% since 2005/06.

Underpayments on all benefits



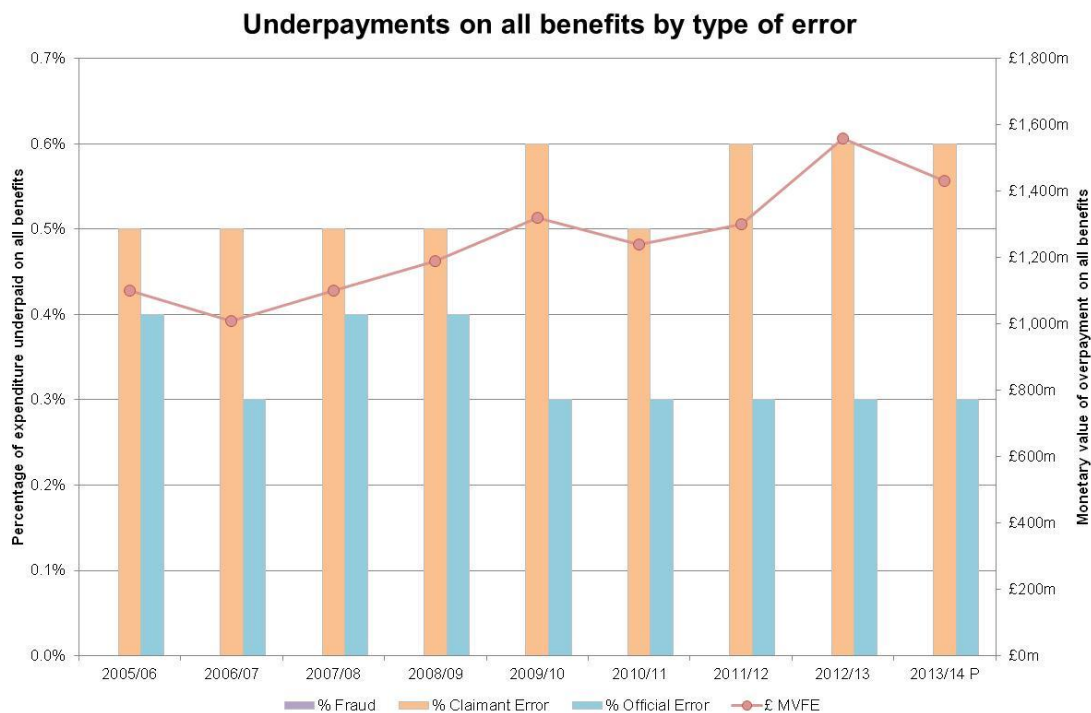
[Source: Table 1 UPs](#)

There have been no statistically significant changes in the rate of underpayments.

Claimant error underpayments are now nearly twice the amount of official error underpayments.

Underpayments since 2005/06

Year	Fraud		Claimant Error		Official Error		Fraud and Error (Confidence Interval)					
	Percentage	£bn	Percentage	£bn	Percentage	£bn	Percentage	Lower CI	Upper CI	£bn	Lower CI	Upper CI
2005/06	0.0%	£0.0bn	0.5%	£0.5bn	0.4%	£0.4bn	0.8%	(0.6,	1.1)	£1.0bn	(0.7,	1.2)
2006/07	0.0%	£0.0bn	0.5%	£0.6bn	0.3%	£0.4bn	0.8%	(0.6,	1.1)	£1.0bn	(0.7,	1.4)
2007/08	0.0%	£0.0bn	0.5%	£0.6bn	0.4%	£0.4bn	0.9%	(0.6,	1.2)	£1.1bn	(0.8,	1.5)
2008/09	0.0%	£0.0bn	0.5%	£0.7bn	0.4%	£0.5bn	0.9%	(0.6,	1.2)	£1.2bn	(0.9,	1.6)
2009/10	0.0%	£0.0bn	0.6%	£0.8bn	0.3%	£0.5bn	0.9%	(0.7,	1.2)	£1.3bn	(1.0,	1.7)
2010/11	0.0%	£0.0bn	0.5%	£0.8bn	0.3%	£0.4bn	0.8%	(0.6,	1.1)	£1.2bn	(0.9,	1.6)
2011/12	0.0%	£0.0bn	0.6%	£0.9bn	0.3%	£0.4bn	0.8%	(0.6,	1.1)	£1.3bn	(0.9,	1.7)
2012/13	0.0%	£0.0bn	0.6%	£1.0bn	0.3%	£0.5bn	0.9%	(0.7,	1.2)	£1.6bn	(1.2,	2.0)
2013/14P	0.0%	£0.0bn	0.6%	£0.9bn	0.3%	£0.5bn	0.9%	(0.6,	1.2)	£1.4bn	(1.1,	1.9)



[Source: Table 1 UPs](#)

Underpayments are more evenly spread between the benefits than overpayments, Housing Benefit and Disability Living Allowance each accounting for around one quarter of the total. Employment and Support Allowance underpayments are caused mainly by official error.

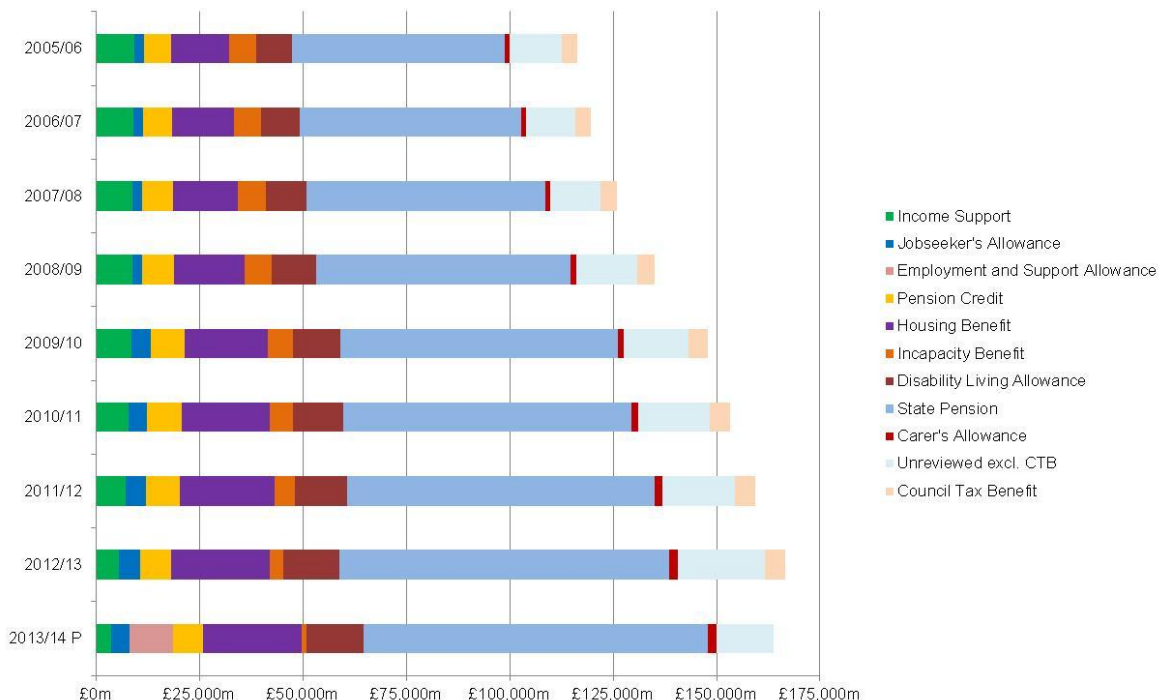
DWP benefit expenditure over time

DWP benefit expenditure increased both in nominal terms (actual cash paid out) and real terms (adjusted for inflation) each year between 2005/06 and 2012/13. 2013/14 saw the first reduction in expenditure because:

- Council Tax Benefit ceased to be administered by DWP;
- The amount spent on Pension Credit, Jobseeker's Allowance, Income Support and Incapacity Benefit fell;

	Nominal Expenditure	Real Expenditure (based on 2013/14 prices)
2005/06	£116.3bn	£135.5bn
2006/07	£119.9bn	£136.1bn
2007/08	£126.1bn	£139.7bn
2008/09	£135.9bn	£146.5bn
2009/10	£148.2bn	£157.4bn
2010/11	£153.5bn	£158.7bn
2011/12	£159.2bn	£161.2bn
2012/13	£166.6bn	£169.6bn
2013/14P	£163.9bn	£163.9bn

Expenditure 2005/06 - 2013/14 (nominal)



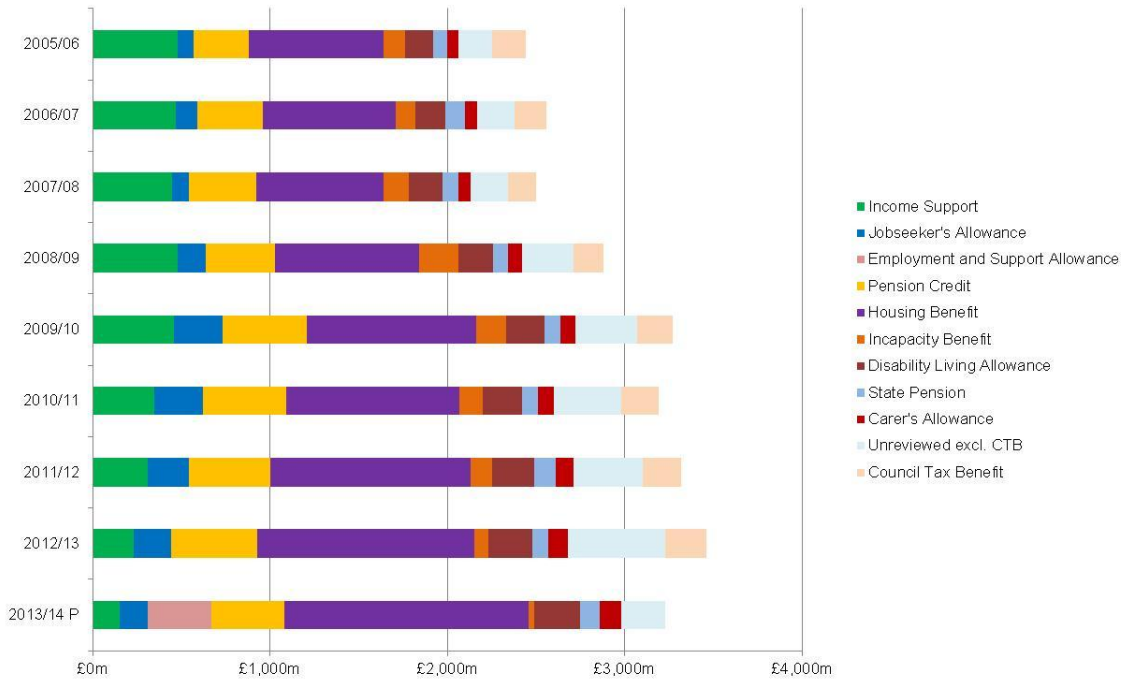
[Source: Table 1 OPs](#)

Employment and Support Allowance is included in the “Unreviewed Benefits” section until 2013/14 when it was first measured for fraud and error.

Comparison between over and under payments

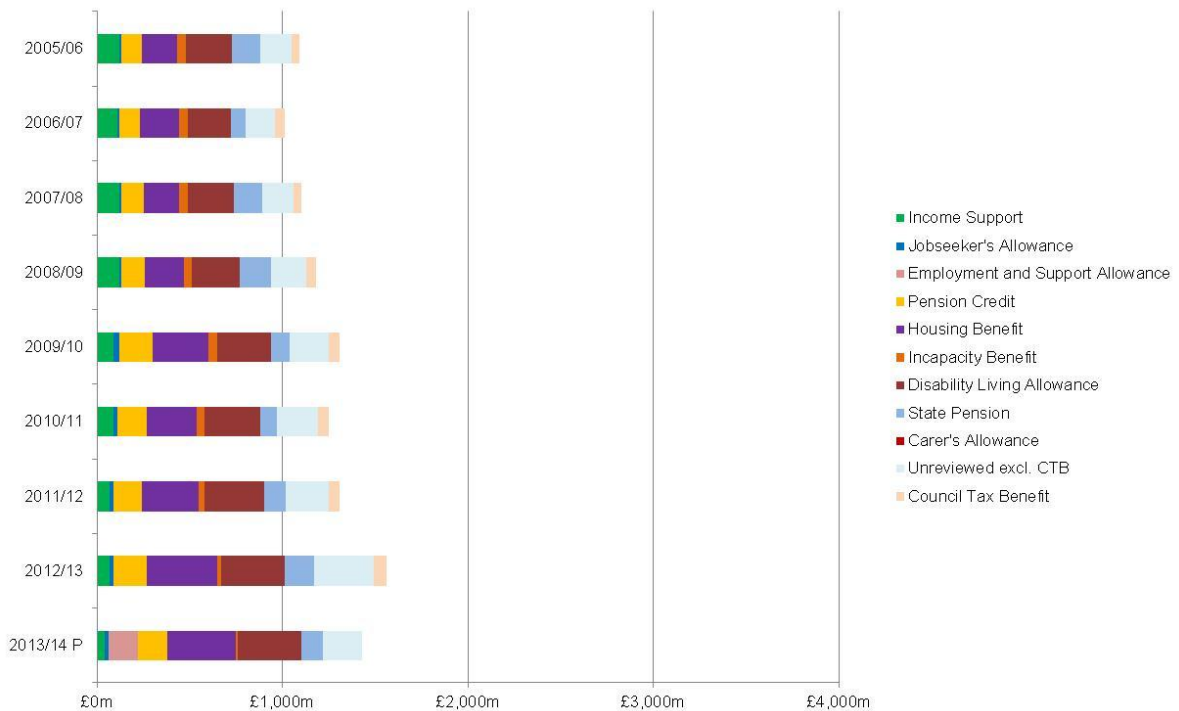
The following charts compare the distribution of overpayments and underpayments. We see that, although State Pension is around half of the total amount paid out in benefits (from the chart above) it is Housing Benefit that accounts for the largest amount of overpayment and around one quarter of underpayments.

Overpayments 2005/06 - 2013/14



[Source: Table 1 OPs](#)

Underpayments 2005/06 - 2013/14



[Source: Table 1 UPs](#)

The monetary value of Income Support overpayments have been decreasing since 2007/08, as has the expenditure and underpayments have been falling since 2008/09.

Pension Credit overpayments have been quite stable as a percentage of the total, accounting for 12%-15% since 2005/06. PC underpayments have been similarly, stable, between 11% and 14% of the total over the same time period.

Underpayments on Disability Living Allowance are larger than overpayments. Fraud and error rates for Disability Living Allowance were last measured in 2004/05. This means that the reported rates then are applied to the relevant expenditure each year. DLA expenditure has risen each year from £8,700m to £13,800m in 2013/14 so the monetary amount of overpayments and underpayments changes each year.

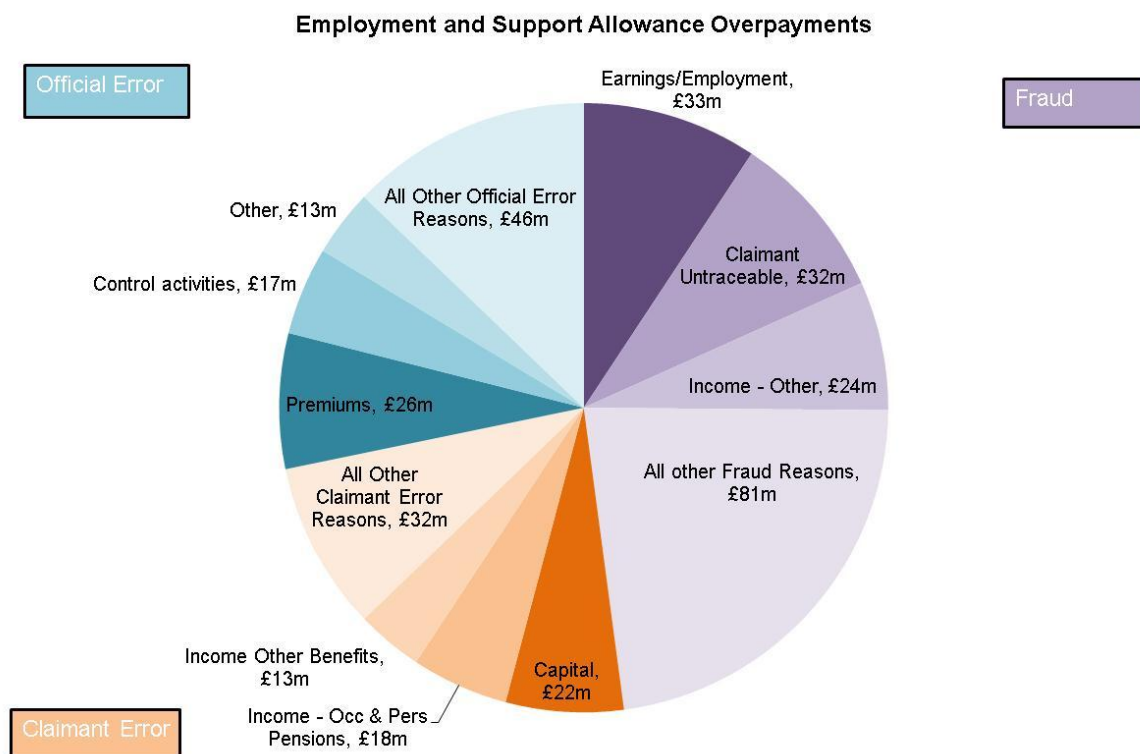
Employment and Support Allowance

Estimates of overpayments and underpayments on Employment and Support Allowance are published for the first time today.

Overpayments:

- Fraud is 1.6% of ESA expenditure, or £170m;
- Claimant error is 0.8% of expenditure, or £90m
- Official error is 1.0% of expenditure, £100m;
- Total fraud and error on ESA is 3.4% of expenditure, or £340m.

The top three causes of fraud, claimant error and official error are charted below, along with the total of the rest of the categories.



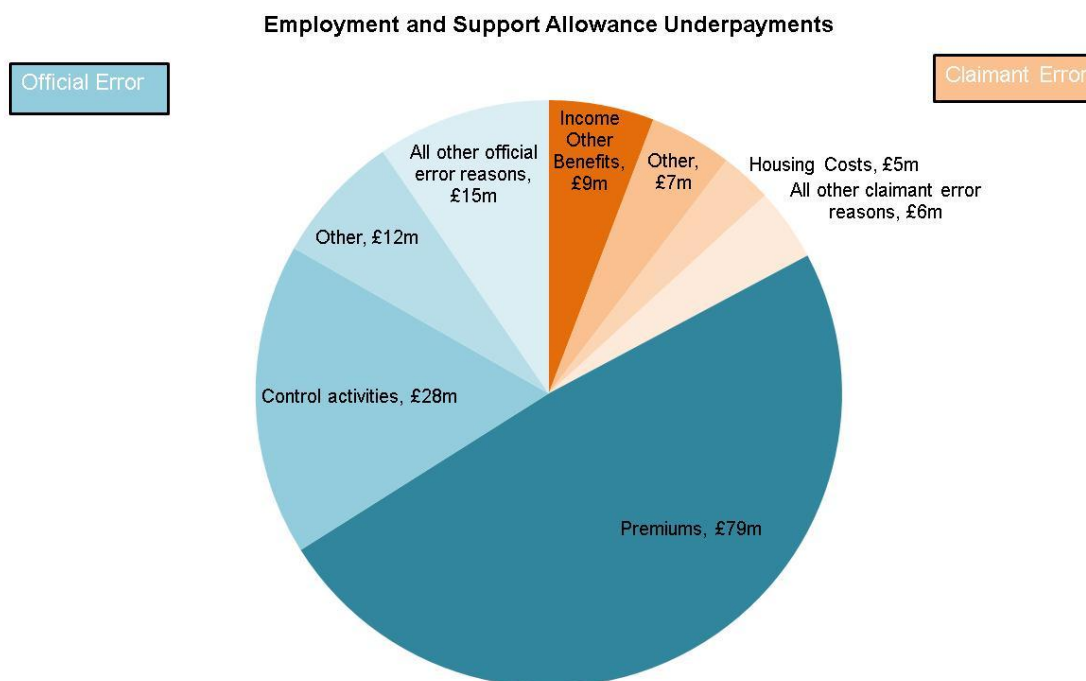
[Source: Table 2 OPs](#)

Employment and Support Allowance has a means tested element: the income, capital (e.g. savings) and earnings of claimants are taken account in the calculation of how much benefit should be paid to them. ESA claimants can be in part-time work for up to 16 hours a week whilst claiming benefit.

Overpayments and underpayments on ESA can happen when a claimant deliberately or accidentally fails to report their earnings, part-time hours, income or capital or when an official mistake in the recording of these has taken place.

Errors relating to capital, income, earnings and employment account for nearly half of ESA overpayments. This is to be expected on a benefit with a means tested element.

The total amount underpaid to benefit claimants for Employment and Support Allowance is £160m or 1.5% of its expenditure.



[Source: Table 2 UPs](#)

Just under half of the total underpayments are because of official errors on premiums. These were caused when some cases were migrated from Income Support or Incapacity Benefit and were not dealt with correctly.

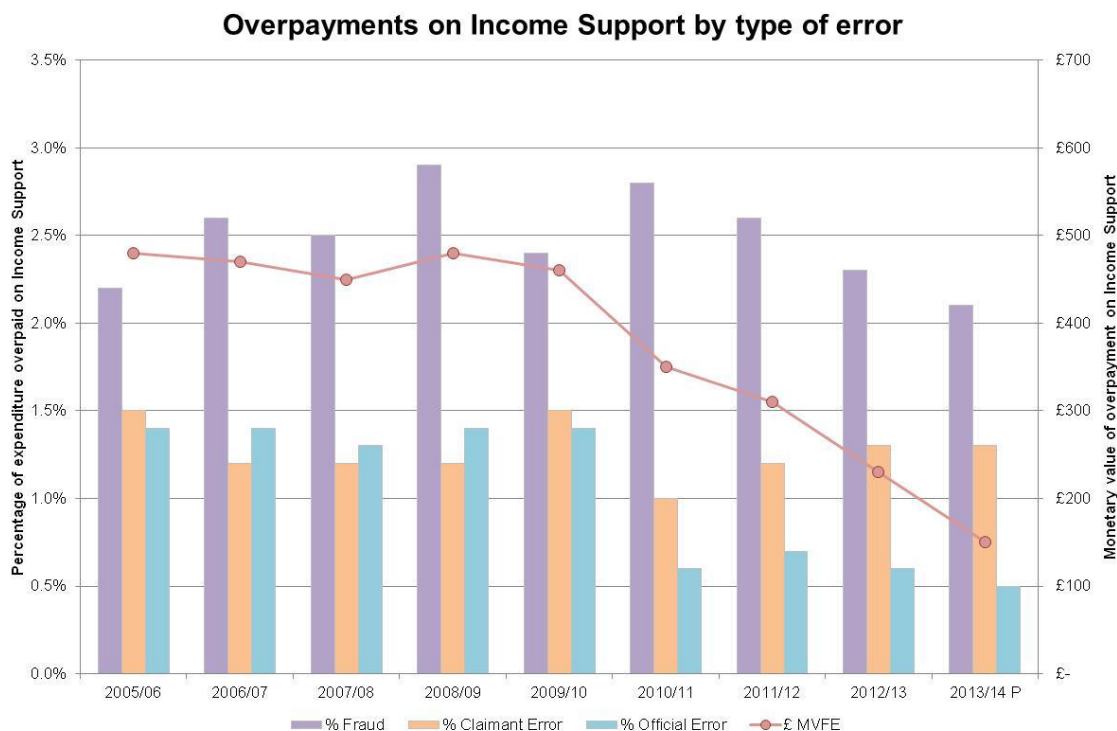
More information on what the different categories mean can be found in our [Background and Methodology document](#).

Income Support

The total overpayment rate is 4.0%. This is the lowest level since 2005/06 and is broken down into:

- Fraud has fallen to its lowest reported level of 2.1% of expenditure;
- Claimant error fell to 1.3%;
- Official error also fell to its lowest reported level, 0.5%.

None of these decreases are statistically significant.



[Source: Table 1 OPs](#)

Claimants of Income Support are being moved onto Employment and Support Allowance and Jobseeker's Allowance under certain criteria, meaning that Income Support expenditure is falling.

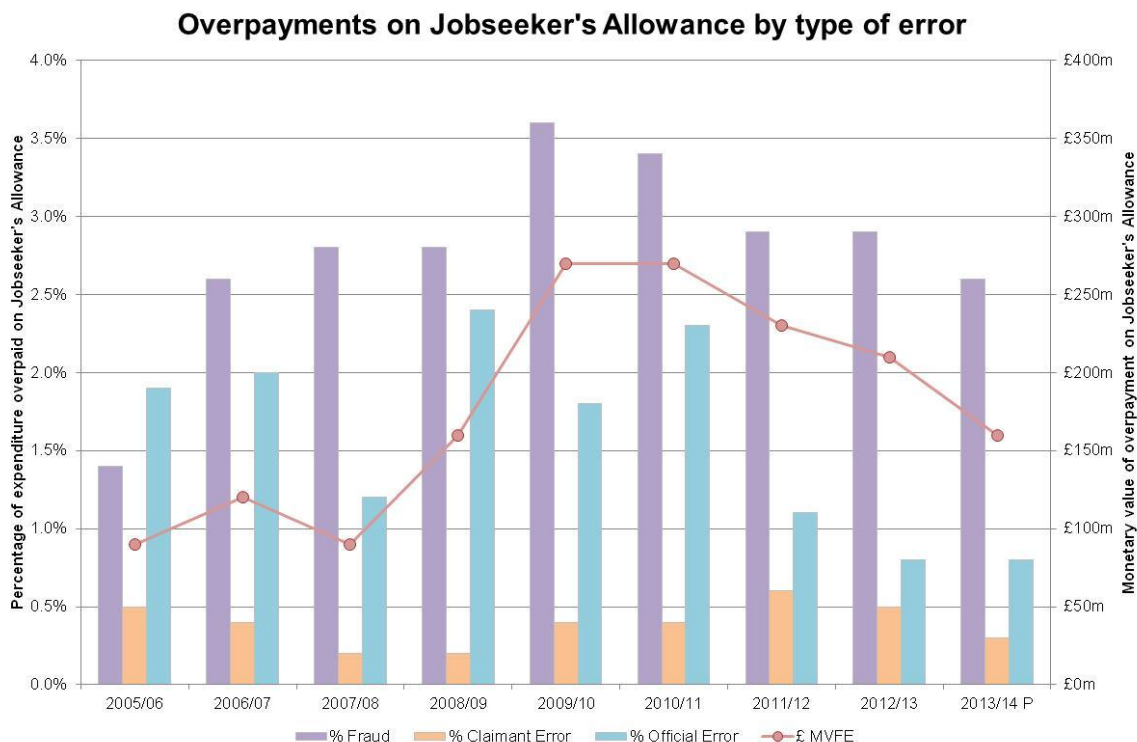
This also means the Monetary Value of Fraud and Error falls because it is calculated as:

Percentage of Overpayment multiplied by Benefit Expenditure

Income Support underpayments are far lower than overpayments, at 1.0% of expenditure; £40m.

Jobseeker's Allowance

JSA overpayments have seen the decreasing trend continue in 2013/14, the fraud and error rate being the lowest ever reported at 3.7% of expenditure.



[Source: Table 1 OPs](#)

The expenditure on JSA fell this year after a peak in 2012/13. The amount paid out more than doubled between 2008/09 and 2009/10 in the worst recession since the second world war.

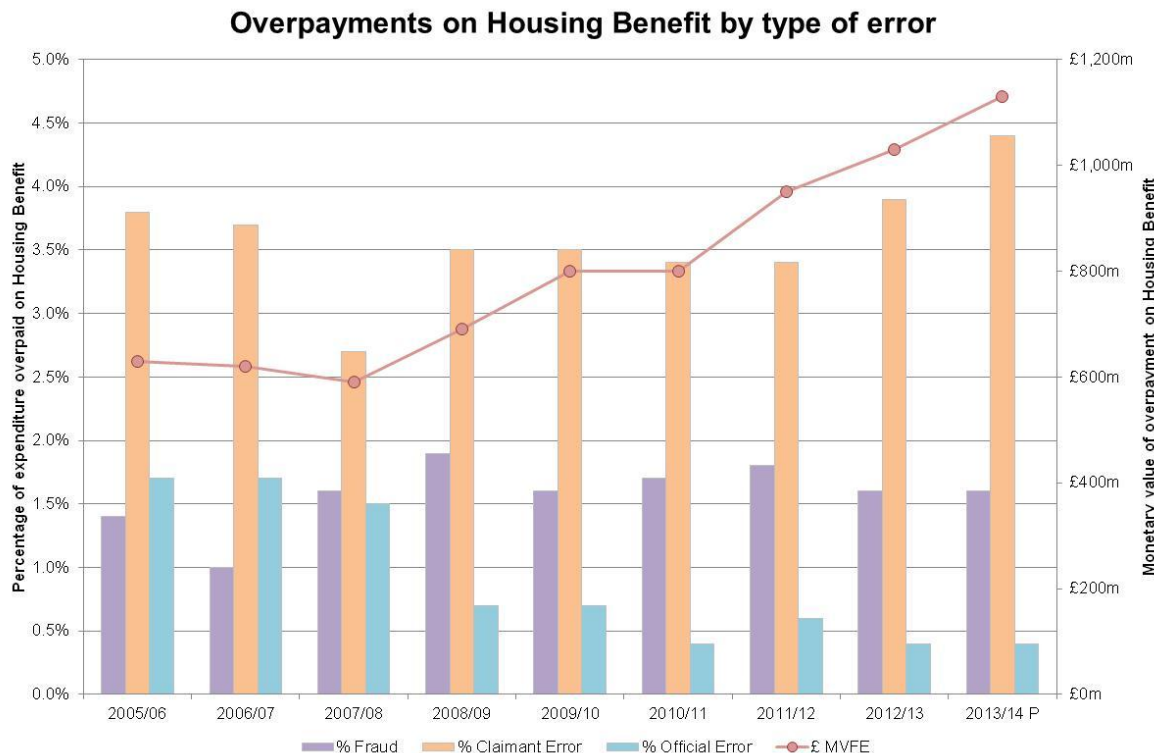
Claimant error remains a very small component of JSA loss with fraud being the highest at around 75% of the total. Men are overpaid slightly more than women, with the 50-54 age group having the lowest average overpayment rate ([Source: Table 4 OPs](#))

JSA underpayments are extremely low at just 0.4% of expenditure.

Housing Benefit

Housing Benefit fraud and error is the highest out of all benefits: it accounts for around 30% of the total loss across the department.

This year it is at £1,380m or 5.8% of its expenditure. This is the highest reported rate since comparable measurement began but the rise this year is not statistically significant.



[Source: Table 1 OPs](#)

Claimant error is by far the worst contributor to loss from Housing Benefit and it rose to its highest level of 3.8% or £900m in 2013/14.

Housing Benefit can be paid to people on social security benefits and to those with low incomes not on benefit. Of the £1,380m overpaid on HB, 60% is overpaid to cases that are not on another social security benefit.

Housing Benefit underpays a total of £370m or 1.6% of expenditure. Men are affected slightly worse than women, the 50-54 age group having the highest rate at 2.8% ([Source: Table 4 UPs](#))

Cases that have overpayments make up over 18% of the benefit caseload for HB – this includes cases that may only be wrong by just pennies per week. Slightly more working age cases are incorrect (19.1%) than pension age cases (16.5%) ([Source: Table 3 OPs](#)).

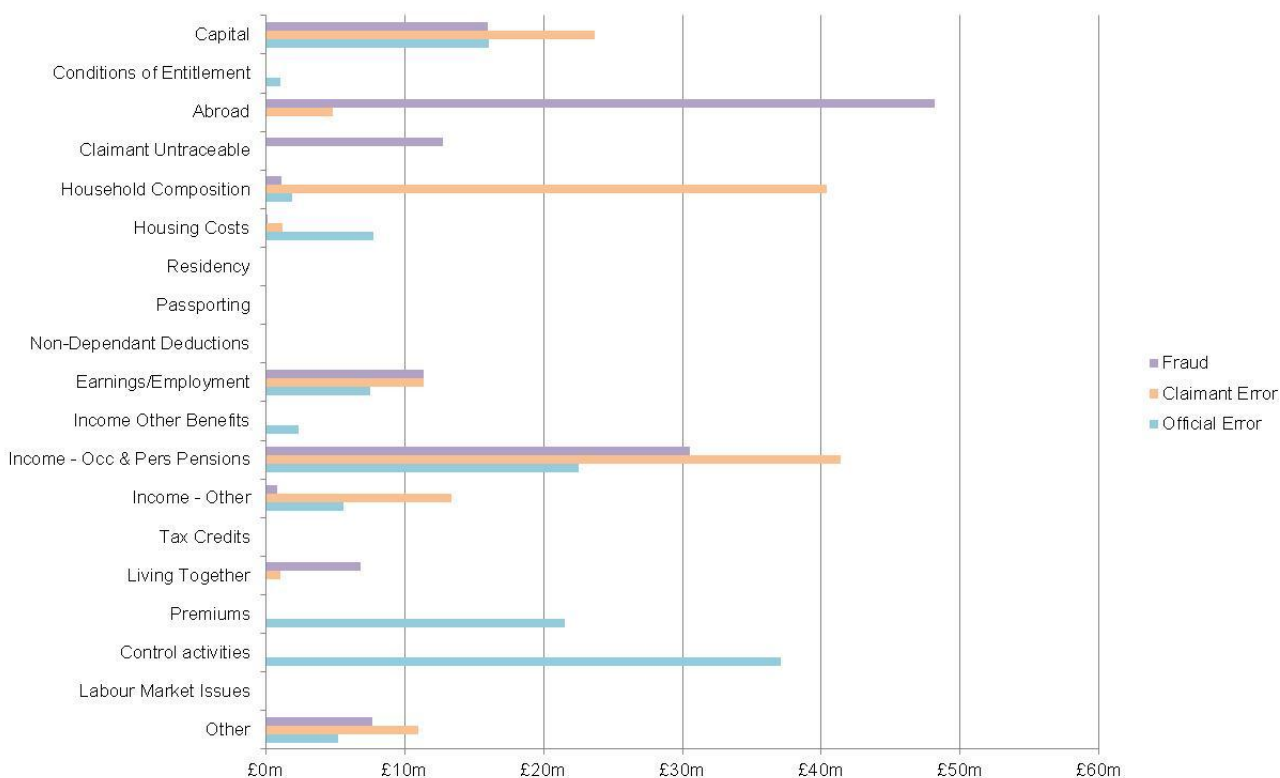
Pension Credit

Pension Credit overpayments are quite evenly spread across fraud, claimant error and official error and the total accounts for £410m or 5.7%.

Abroad fraud remains the largest single category – when claimants are living abroad or have stayed away for longer than allowed whilst still getting benefit.

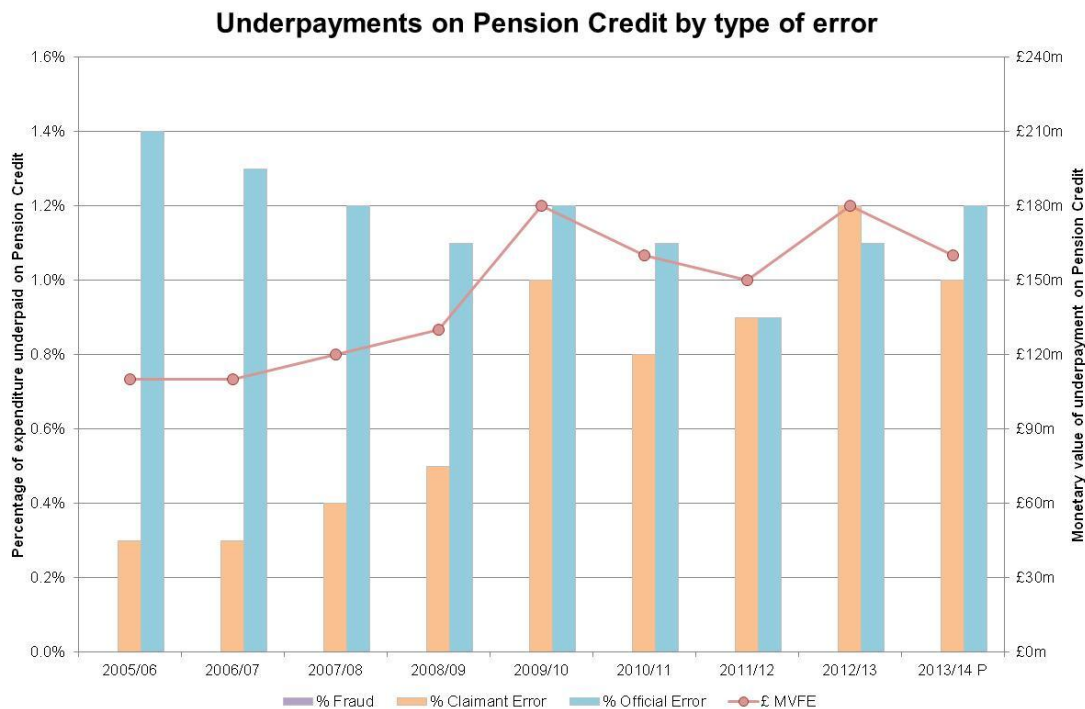
Pension Credit official error is at the lowest reported rate this year, 1.8% of expenditure. “Control Activities” official errors reduced by more than one half this year.

Pension Credit Overpayments by type and category: 2013/14 P



[Source: Table 2 OPs](#)

Pension Credit underpayments are at the highest rate out of IS, JSA, ESA, HB and PC; at 2.2% of expenditure. The rate fell slightly from the peak of 2.3% in 2012/13. In general, claimant error has been rising since 2005/06.



Source: Table 1 UPs

The main reason for underpayments on Pension Credit is official errors relating to Premiums.

Almost one quarter of Pension Credit claimants are being paid too much benefit each week. This is almost double the percentage of cases that are not getting paid as much as they should be (*Source: Table 3 OPs and Table 3 UPs*)

This report is available on the internet at:

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