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Research with Voluntary and Community Sector (VCS) Partners

Qualitative research to explore how VCS organisations currently work with HMRC customers

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1. Introduction

1.1. Background

HMRC provides funding or support to a small number of Voluntary and Community Sector (VCS) organisations, to enable these organisations to support HMRC customers with their tax affairs. In 2017/18, VCS organisations supported c.48,000 customers. The majority of customers were helped through phone calls, while others were helped through workshops, face-to-face sessions or via email.

1.2. Research Aims

HMRC is developing a new approach to support its vulnerable customers and required research to better understand how the current arrangement with VCS organisations was working, to inform the new strategy. The study aimed to:

- Explore the main reasons why customers use VCS organisations;
- Explore why these customers do not deal directly with HMRC;
- Identify what VCS organisations do for these customers;
- Explore what VCS organisations could do differently in the future;
- Understand the impact of VCS organisations not offering these services.

Please note that the term ‘vulnerable customer’ has been used as an umbrella term that encompasses the different types of people who seek support from Voluntary and Community Sector organisations. The use of this term has been explored in the research.

1.3. When the research took place

The research was designed and carried out between September to October 2018. Fieldwork took place between 19th September and 18th October 2018.

1.4. Who did the work

The research was undertaken by the Employment Welfare and Skills (EWS) team within Ipsos MORI’s Social Research Institute.

1.5. Method, Data and Tools used, Sample

The study comprised a total of 16 in-depth interviews with representatives from VCS organisations, including those that were currently receiving funding support from HMRC. A census approach to recruitment was taken, using email and telephone recruitment methods to contact all 21 organisations from a sample identified by HMRC. Interviews lasted between 45-60 minutes on average and were conducted by members of the Ipsos MORI research team.

2. Main Findings

The main findings from this research are outlined below. The views presented in this report are the VCS organisations' own, and do not necessarily reflect those of the customers that they support.

2.1. What makes a customer vulnerable?

VCS organisations provided tax-related support services to a range of individuals, including those with disabilities, mental health or learning difficulties; those on low income; older people; migrants; and carers.

According to VCS organisations, vulnerability was complex and customers could move in or out of it, typically with age or when they experienced difficult life events (such as debt, bereavement, illness or domestic violence). Some customers also faced multiple vulnerabilities. Examples of this included: individuals suffering from debt who experienced depression and anxiety; or individuals losing their sight as they grew older who also experienced cognitive decline. It was possible to move out of vulnerability too, once the life event had passed (for example, once an individual began to cope with a bereavement).

At a broad level, VCS organisations stated that their customers faced three distinct challenges when interacting with HMRC:

- a) **Being unable to access HMRC information/services.** Individuals who had disabilities or were digitally excluded felt unable to access HMRC services. An example of this could be a deaf person being unable to use the HMRC telephone helpline.
- b) **Being unable to understand HMRC information/services.** This included those who did not speak English as a first language, those with learning difficulties and those who simply found the information they received too complex.
- c) **Being unable to act on HMRC information/services.** This included individuals with mental health issues or facing difficult life events (such as debt or illness) who struggled to keep on top of their tax affairs, and those who simply did not know how to sort out a tax issue with HMRC. VCS organisations felt that these customers were typically fearful of HMRC, and so communication from HMRC tended to be met with anxiety, which prevented action.

These three challenges shaped the types of barriers that vulnerable customers faced when managing their tax affairs, and drove their support needs.

2.2. Accessing HMRC information/services

Customers who struggled to access HMRC information and services often faced physical barriers which prevented them from receiving information and being able to communicate back. This included not being able to use the HMRC helpline due to hearing difficulties, or not

being able to navigate HMRC switchboards because of difficulties seeing a telephone keypad. The digitally excluded also faced access barriers or lacked confidence in using digital systems, and so found it difficult to navigate and use their online tax accounts. These customers required support in alternative formats (such as face-to-face support or information in large print) and needed to be able to manage their tax affairs offline.

“You cannot pick up the phone and call the Needs Enhanced Team (NES) team if you're deaf - or any of the helplines.”

2.3. Understanding HMRC information/services

Customers who struggled to understand HMRC information and services tended to have low levels of literacy and numeracy, or faced language barriers. This meant that they often found the information in letters or on the GOV.UK website to be confusing or complex. This barrier was escalated by a general lack of familiarity about tax, which they found complicated and difficult to understand. VCS organisations had worked with customers who had contacted HMRC first to resolve a query, but found that the information given to them was unclear, and they were unsure of what specific steps they needed to take to resolve their issue. Therefore, these customers required information and step-by-step guidance in plain English or in their native language. There was also a need for upskilling or training on tax, such as around how to complete a self-assessment, or which tax code to use.

“Often English is their second language or they have confidence or skills issues which makes it difficult to engage with letters sent by HMRC. They want a third party to explain the problem to them and support them through it.”

2.4. Acting on HMRC information/services

According to VCS organisations, customers who felt unable to respond to HMRC information and services tended to face more emotive barriers. They often perceived HMRC to be an authoritative body, and therefore did not find it easy to talk to HMRC staff. This was often linked to perceptions of HMRC as the ‘taxman’, rather than perceiving it as an organisation that supports people to get their tax right. Customers were keen to get their tax right, but worried about making mistakes that could lead to penalties. This caused anxiety and prevented action, as customers feared getting themselves into a worse situation (for example, receiving a large penalty whilst in debt).

They needed verification that they were ‘doing it right’ and HMRC was rarely the first port of call to do this. Others who were experiencing traumatic life events such as domestic violence tended to put off dealing with their tax issues because of competing priorities on their time and minds. This meant they avoided dealing with tax issues until they became more problematic. Therefore, these customers required support from an organisation that was easy to talk to, could help them to resolve their tax issues, and provide verification that they were ‘doing it right’. There was also a need for tax to be less of a time or emotional burden.

"[Their vulnerability] means their tax gets ignored in a lot of cases. It's not until it gets to the very late stage of the problem that they tend to seek help. Often they don't tackle a problem because they have got other things that are going on, like domestic violence or debt."

2.5. Vulnerability

While VCS organisations supported their customers to overcome significant challenges in managing their tax, they often described their customers as being very capable in managing other areas of their lives. Therefore, they saw vulnerability as more of a transient life phase rather than a static label. This meant there was a need for additional support from HMRC when designing policy and materials, and a need to become more understanding of the language that customers used, and the transient impact of their life events.

"They live their lives well and don't have any other problems. They work, run their households, and pay their bills. They come to me because HMRC has not provided adequate or clear information. That does not make them vulnerable."

"Looking for information and support about an extremely complex area like tax does not make someone vulnerable, it just means they are in need of additional support."

2.6. The relationship between HMRC, VCS organisations and customers

VCS organisations who received funding tended to have the most contact with HMRC. These organisations described having a good working relationship - both with the organisation itself and with its staff. VCSs described building these relationships over time and valued having long-term contacts. Examples of the types of contact VCSs had were consultation groups, HMRC forums and face-to-face conversations.

Non-funded organisations tended to have limited contact with HMRC, however they were generally keen to grow and develop their dialogue with HMRC. They recognised the value in being able to get reliable and trustworthy information or advice which they could pass onto their clients with confidence.

"Currently [the relationship] is good, but it wasn't always that way. We've spent a lot of time telling them [HMRC] why a deaf person may not find their services accessible."

Having a good relationship with HMRC meant that VCS organisations better understood HMRC and their processes, and helped them to deliver support to customers on a number of different tax related issues, such as Self-Assessment or PAYE, tax and child tax credit. It also enabled VCS organisations to familiarise themselves with general HMRC communications, meaning they could better help a customer understand a letter or aid customers in using the GOV.UK website. For some customers, this help was sought before any contact was made with HMRC, helping them gain access to information and services.

Other customers needed support after hearing from HMRC, and VCSs would then support them with understanding the communication and discuss or advise on next steps. Customers

who attempted to resolve the issue with HMRC before contacting a VCS organisation, were generally asking for clarity and reassurance on how they had responded as well as for advice on claims and disputes.

2.7. The support that VCS organisations provide to customers

The support that VCSs provided to HMRC customers was delivered through three main channels: workshops (either face-to-face or online), helplines and home visits. Not all VCSs provided every channel of support; some specialised in helplines, whereas others delivered a mix of channels.

The most common channel for providing support was helplines. These allowed VCSs to provide customers with quick and accessible advice and information. VCSs used trained advisors who had experience and expertise in both the customer group and the tax issue being discussed. Some VCSs specialised in providing case work support over the phone, and would act as advocates for the customer by dealing directly with HMRC.

VCSs ran workshops with tailored support to help either customers within a specific group or with a specific HMRC system or process (for example, aiding deaf people in accessing and contacting HMRC, or helping customers complete a Self-Assessment form). Workshops were a good way for customers to overcome some of the barriers they experienced in dealing with HMRC, but the classroom setting was not suitable for everyone. Certain physical and emotional barriers limited how accessible these workshops were. For these customers, one-to-one case work or helpline support was the more suitable option.

“If someone was to become self-employed for example, we would help them set up the accounts, tell them how to record income coming in, what expenditure is going in. Doing it in a very simple way which they can understand and manage so they can provide that information to HMRC.”

Some organisations also provided home visit support for customers who required face-to-face contact. This channel of support mainly focussed on case work, for example help with designing a debt repayment plan or completing a Self-Assessment.

Customers looked to VCSs for this support for a number of reasons:

1. **Trust** - VCSs were seen as a trustworthy source of information and support. VCSs said that often, customers approached them to verify information provided by HMRC as they did not always trust it. Sometimes these queries were as simple as wanting to check that they were on the correct tax code.

“Some people just need a third party to interact with. So it doesn’t matter how good HMRC are, some people will struggle to engage with them because they are HMRC”

2. **Getting things right** - Customers believed that VCSs would be more likely to work in their best interest and would have the knowledge to help them get things right when dealing with HMRC.

“The most typical request is 'how do I keep my accounts so I don't get this wrong with HMRC'. You know most people are terrified of HMRC, they don't want to expose their degree of lack of understanding.”

3. **Understanding customers' needs** - VCSs felt that they had a better understanding of the specific needs and experiences of their customer group, compared to what HMRC was able to offer. This included knowledge of a disability and how this might affect access and communication needs, as well as knowledge of common tax issues for people in particular circumstances, for example, those going through a divorce.
4. **Being unable to resolve an issue with HMRC** – some customers had attempted to deal with HMRC directly but had not been able to resolve their problem. They approached a VCS organisation with advice or support in how to communicate with HMRC which was often as simple as knowing what question to ask when calling an HMRC helpline.

2.8. The support that HMRC provides to customers

HMRC also provides support through a number of channels, most notably through the Needs Enhanced Service (NES) which was seen as an important service. Most VCSs were aware of NES and spoke positively about it, especially the level of training given to the advisors and the decision to provide support without time constraints. Concerns about NES were associated with customer's low awareness of it and VCSs felt that more should be done to promote it to customers. Further, VCSs were concerned that the service was not reaching the people who needed it because helpline staff sometimes missed the signs of vulnerability which should prompt a referral to NES. The concern that NES was not reaching the right people led some VCSs to question the strategic thinking behind it and whether HMRC was doing enough to meet people's needs.

"We hear very positive feedback but the problem with it is it relies on the contact centre staff to identify a problem or one of the drivers of need, and then referring that person into NES. And I think the public are not aware of that. Sometimes it is not always obvious if someone has a problem...it can be hard for HMRC to identify who these people are."

"HMRC have always been quite reluctant to advertise specialist services for people who have issues like debt problems or low income. There has been some hesitation in making a big public fanfare of them because of opening the flood gates, so generally the people coming to us know very little about their options"

Low awareness was also attributed to other HMRC services, such as the ready reckoner or webinars. According to VCS organisation, customers were only aware of the standard helpline services that HMRC provides.

2.9. The impact VCS organisations had on customers

VCS organisations believed they had a big impact on the customers they supported. For customers who cannot access information and services provided by HMRC, VCSs provided essential support for them, for example translating information into British Sign Language or providing access to those who cannot access online resources.

“Because most of them have very low self-confidence, many have no literacy or numeracy levels, many don't interact with IT well, many find particularly HMRC that the language used and the form filling is too difficult and that is even before you get anywhere near people who need adaptive equipment.”

VCS organisations provided a vital service by supporting and helping customers understand HMRC communications and information and advising them how to act upon it. VCSs acted as an important third party to help customers prevent an issue occurring or escalating further with HMRC, and they were successful in doing so.

“I think we have high impact because they will have a better understanding of the system and have confidence in using and accessing the service”

VCS organisations also helped customers to build their confidence and empowered them to deal with HMRC directly. This was achieved with customers who moved in and out of vulnerabilities. Building confidence stemmed from simplifying language and terminologies, working with customers on and off digital platforms, using workshops to teach customers tools or techniques on how to manage their debt or tax account, and providing step-by-step guidance on how to deal with HMRC in the future. Some more complex customer needs, however, mean that VCS organisations will continue to provide ongoing support to access HMRC services and information.

“Empowerment is really important because it makes people far more confident in being able to deal with HMRC.”

“Having the right information or support can make customers more confident about managing an issue themselves but often there is an access barrier which information will not overcome.”

2.10. Delivering support in the future

VCS organisations expected there to be a rise in the demand for their services and some changes in customer needs in the short-term future. In the next five years, they expected:

- to provide additional support to customers around new (or newly changed) tax areas and policies, including Making Tax Digital and Help to Save;
- to provide continued support around old policies, such as tax credits. While Universal Credit was gradually being implemented to replace tax credits, VCS organisations had

continued to provide support on the old system, and did not expect this to change in the near future;

"We are not finding that there has been a decrease in the need for providing tax credits help for customers at all. There are still large groups of customers who are still on tax credits, and are still able to claim tax credits."

- an increase in demand from customers. This might be driven by a general increase in awareness of their organisation and services, either through promotional activity or word of mouth from customers who had positive experiences;
- to provide support to new types of customers. VCS organisations were expecting significant changes, particularly in the labour market, to the types of customers they were used to working with. This view was particularly prevalent among VCSs who expected a rise in low income earners that were agency workers or worked in the gig economy.

VCS organisations anticipated they would require more staff and would need to conduct more face-to-face visits in order to respond to these changes and deliver support to those who needed it. They also required additional time and resources to keep up to date with new changes in policy and tax rules, and to test new digital systems so that they could provide practical support on these. VCS organisations felt limited in their ability to respond to such changes, however, mainly due to limitations in the funding they received, or because funding was often provided annually with no guarantee for the next year. This was a particular risk for organisations who received funding from one main source, rather than for those who sought funding from multiple bodies.

" It would be dependent on HMRC funding that the service can continue in its current form."

VCS organisations felt that certain types of customers – particularly those who feared interacting with HMRC – would always seek third party support, and that HMRC would not be able to provide support on all issues that customers needed help on. An example of this would be HMRC not being able to provide support to customers around disputes for penalties it had issued. Therefore, they saw the support they provided to customers as vital. This stemmed from a perception that they were best placed to understand the support needs of these customers, and could deliver this support locally or more effectively than HMRC could, and at a lower cost.

"There are some things HMRC just can't do, some issues that HMRC really can't support people with, and some people who just won't interact with HMRC, because they are not independent. In those sorts of areas, that's where organisations like ours will have a role to play."

"It is better to support the providers because they have a better, stronger and more effective relationship with the communities and work much for effectively."

“HMRC will never be able to help everybody. There will always be a role for charities which can provide support much more effectively than HMRC, and can provide real value for money. Organisations like ours can act as an early warning radar for HMRC by being a critical friend who recognises when issues are developing.”

Despite this, they spoke highly of HMRC’s efforts to consider the issues that vulnerable customers faced, and were keen to work more closely with HMRC to improve support services.

“I think HMRC are the most responsive funders we have. They listen to our concerns around process and when we give feedback, they do listen.”