



HM Revenue  
& Customs

*Research report 552*

# Tax Credits Proliferation Research

Customer views on reminders received during the  
tax credit renewal process

January 2018

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HMRC Tax Credit Proliferation

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HMRC Tax Credit Proliferation

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HMRC Tax Credit Proliferation

***Research requirement (background to the project)***

The Benefits and Credits team within HMRC are responsible for delivering tax credit payments. It is their responsibility to ensure customers receive their correct entitlement at the right time.

Tax Credits are administered by HM Revenue and Customs and consist of Working Tax Credit and Child Tax Credit. Customers could be eligible for Working Tax Credit if they are aged between 16-24 and have a child or qualifying disability, or aged over 25 with or without children. Child Tax Credit may be claimed by customers who are responsible for children either age 16 or under or under 20 and in eligible education or training. To qualify customers must work a certain number of hours a week, get paid for the work they do and have an income below a certain level.

Tax credits claimants are required to renew their tax credits annually. HMRC send a paper renewals pack between April and June each year and claimants are required to complete their renewal by the 31<sup>st</sup> July. Throughout July, HMRC send SMS reminders to customers to encourage timely renewal.

This research aimed to understand the customer experience of receiving SMS reminder messages and how customers could be encouraged to renew before the deadline.

Specifically, the aims of this study were to:

- Understand how customers feel about receiving SMS reminders and how this could impact on their relationship with HMRC
- Understand customer reactions to the volume of reminders
- Explore customer needs and preferences from reminder messages
- Explore customer motivations and actions upon receipt of the renewal reminders
- Understand what might encourage customers to renew before the deadline

***When the research took place***

The research was designed and conducted between August and November 2017. The fieldwork took place between and 5 October and 16 October 2017.

***Who did the work (research agency)***

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

***Method, Data and Tools used, Sample***

A qualitative approach was utilised for this study, which consisted of seven depth interviews and seven focus groups with tax credit claimants. Focus groups took place in London, Birmingham and Leeds and lasted 90 minutes. Depth interviews were conducted via telephone and lasted up to 60 minutes. All interviews were moderated by a member of the Ipsos MORI research team.

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All participants were recruited by specialist recruiters. A purposive sampling approach was adopted whereby key quotas were set and participants were recruited according to these using a screening document. HMRC provided the sample from which the participants were recruited.

Participants were recruited to have received a mix of number of reminders. Quotas were set to ensure that within each group there was a mix of:

- Age
- Gender
- Single and joint claimants
- Working tax credit (WTC) and child tax credit (CTC) customers
- Familiarity with the renewal process

Self-assessment customers were also included.

Participants were reassured that their responses would remain confidential and anonymous and that no identifying information would be passed back to HMRC by Ipsos MORI.

A topic guide was used in all sessions, drafted by Ipsos MORI and approved by HMRC. The interview data was then fully analysed using a robust inductive approach, as part of which the data was synthesised thematically and interrogated for patterns and relationships.

### **Main Findings**

The main findings from this research are outlined below.

#### **Customer attitudes to renewing their tax credits**

Customers started thinking about their tax credits renewal when they received their renewal pack in the post.

*“It is basically when I receive the pack [that I start thinking about renewing]. You know you have to fill in the form and by when.”* Male, CTC, four reminders

Whilst all tax credit claimants had a high awareness of the need to renew their tax credits and the deadline for doing so, there were three broad ways in which they approached the renewal process:

- **Early birds:** These customers completed their tax credit renewal early in July. This approach gave them peace of mind as it meant they avoided being in a rush at the last minute and allowed enough time for any errors to be resolved. These customers found the renewals process quite straightforward and this perception worked as an additional motivation for them to complete the renewal early. These customers were likely be

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claiming only Working Tax Credits which may have contributed to their perception that the renewal process was straightforward.

*"[I renew early] because ... I've had my payments stopped so as soon as it comes around it's up there at the top"* Female, CTC, three reminders

- **Procrastinators:** These customers renewed in the week before the deadline, or even after it had passed. They completed their renewal closer to the deadline when it was more of a necessity as they felt that they were intrinsically people who did things at the last minute and so they approached their tax credits renewal in the same way. Procrastinators lacked motivation to renew their claim early in the renewals period as they knew from previous experience that their tax credit payments could be backdated and so felt that there wasn't any financial penalty for renewing late. These customers felt that the renewal process was a hassle, which contributed to their lack of motivation to renew their claim early.

*"Human beings are lazy; we don't act straightaway. We usually see the deadline and wait. I do it a week or so after. There is a reason for the deadline."* Male, CTC, four reminders

- **Head in the sand:** These customers intended to renew early in the process but felt that the process was too daunting. They felt that they had to collect a lot of information and therefore put it off. As a result, these customers renewed close to or after the deadline and relied on renewing over the telephone so that an HMRC colleague could help them.

*"I dread having to get all my wage slips and so I put it off for that reason. This year I changed jobs and didn't have everything in one place, which was difficult."* Female, CTC, two reminders

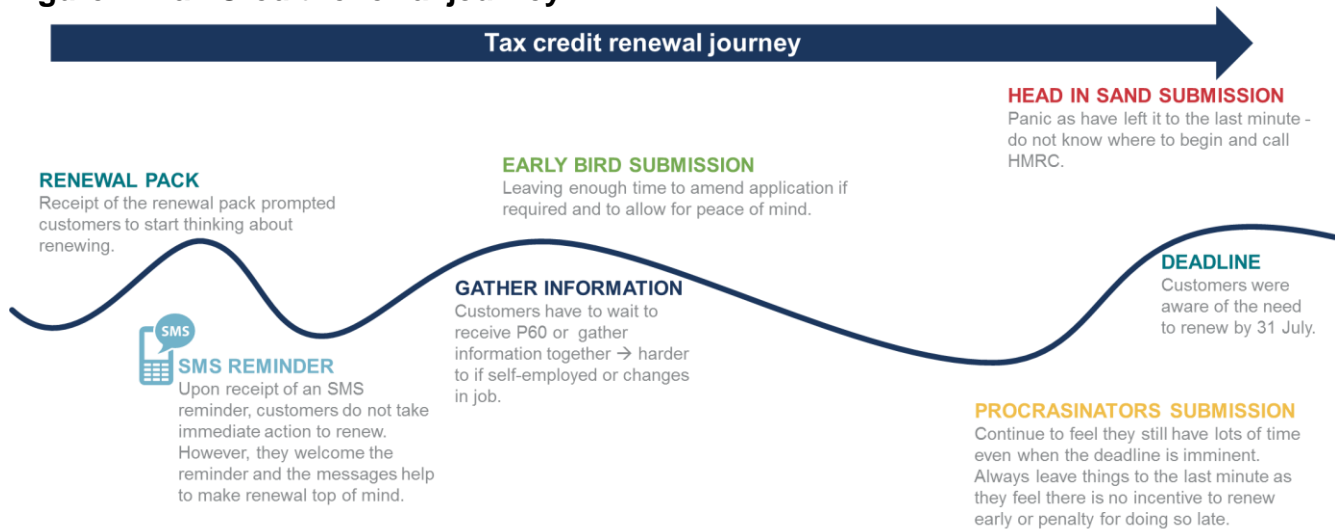
*"As soon as they start asking me to get my childcare bits and bobs out, I think ohh I'll come back to it"* Female, CTC, six reminders

Regardless of their different attitudes towards renewal, customers had a broadly similar journey to renewal, as outlined below:

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Figure 1: Tax Credit renewal journey



### Customer experience of receiving reminders

The SMS reminders acted as a prompt, pushing the tax credits renewal up the customers list of priorities, rather than an immediate call to complete their renewal.

Nevertheless, it was seen as important for HMRC to send tax credits customers reminders during the renewal period. Reminders reflected positively on HMRC as caring about claimants getting their renewal in on time.

Customers remembered receiving SMS reminders and that they had received multiple reminders. Customers were unable to recall the specific content of reminders beyond that they were about completing their tax credits renewal but were left with a sense that the tone of the reminder text was threatening and demanding.

*“They always make me feel like I’m doing something wrong, its blunt”* Female, WTC and CTC, two reminders

As the SMS reminders did not contain external links or ask customers to provide personal information customers did not report having any concerns over legitimacy of the reminder. Customers who had received other SMS messages from HMRC were familiar with the tone and style used, and were confident that they were genuine messages given that they were familiar with the tone and style used in other communications such as letters from HMRC. Self-assessment customers saw self-assessment as being very distinct from tax credits renewal. They viewed them separately as they are two separate processes with different outcomes for the customer. Customers recognised that they would receive a penalty

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if they did not complete their SA and so saw this as being more important than their tax credit renewal. In addition, the deadline for the two tasks are quite far apart in the year, so the reminder periods do not overlap. As such, there was no issue with being sent reminders for both and customers did not feel overwhelmed by communication from HMRC.

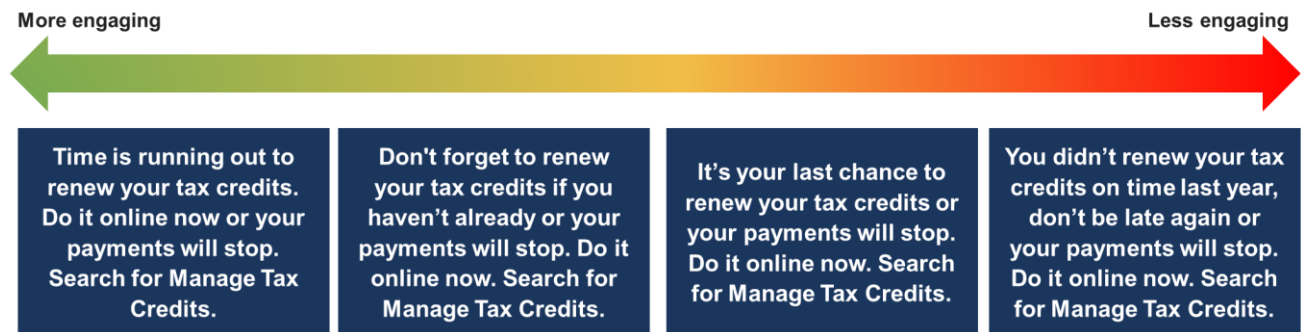
### Customer response to SMS wording

Four different SMS reminders were tested:

- Don't forget to renew your tax credits if you haven't already or your payments will stop. Do it online now. Search for Manage Tax Credits.
- You didn't renew your tax credits on time last year, don't be late again or your payments will stop. Do it online now. Search for Manage Tax Credits.
- Time is running out to renew your tax credits. Do it online now or your payments will stop. Search for Manage Tax Credits.
- It's your last chance to renew your tax credits or your payments will stop. Do it online now. Search for Manage Tax Credits.

The different SMS message wording tested varied in its ability to engage the audience, as shown in the figure below.

**Figure 2: Text message wording tested**



Customer responses to the different message wording were as follows:

- **Time is running out to renew your tax credits. Do it online now or your payments will stop. Search for Manage Tax Credits.** This reminder wording was seen as an effective way of telling customers that the deadline was approaching. The phrase 'time is running out' was seen as friendly in tone and therefore likely to encourage engagement and action. It was expected that this message would be sent about two weeks before the deadline as otherwise the reference to time running out would be inaccurate and its impact would be lost.



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- **Don't forget to renew your tax credits if you haven't already or your payments will stop. Do it online now. Search for Manage Tax Credits.** This tone and language of this reminder felt like a friendly prompt to encourage customers to start thinking about renewing. However, as the text did not make reference to the renewal timeframe it lacked a sense of urgency and it was expected that this would be sent early in the renewals period.
- **It's your last chance to renew your tax credits or your payments will stop. Do it online now. Search for Manage Tax Credits.** By emphasising that it was their 'last chance' this reminder add urgency to completing the renewal. Procrastinators found this reminder particularly engaging as they were likely to leave renewing to the last minute and this made them realise that now was the time to act. This reminder should be sent in the last week before the renewal deadline to ensure that the reference to the last chance to renew was accurate, otherwise it would lack impact.
- **You didn't renew your tax credits on time last year, don't be late again or your payments will stop. Do it online now. Search for Manage Tax Credits.** Customers reacted negatively to this reminder. They did not appreciate being reminded that they had renewed late last year. This message was seen as implying that HMRC had a negative impression of them and assumed that they would repeat this behaviour. Customers suggested that, rather than simply reminding them that they had been late in the past, HMRC should offer help to customers who had previously filed late to prevent it happening again. The tone was seen as being cold and unfriendly which did not engage customers.

*"I think it's rude, why not ask me why I struggled last year, if there was a problem, if they can give any assistance"* Female, CTC, three reminders

The phrase **'Do it online now or your payments will stop'** was used across all SMS reminders. Customers reacted negatively to this statement and it dominated recall of the messages. It was perceived to be demanding and threatening and created a negative, unfriendly tone. Telling customers to 'do it online now' was not sufficient to encourage them to change their behaviour away from renewing via post or telephone as it did not address their barriers to renewing their tax credits online, nor emphasise the benefits of doing so.

*"My mum does it online, for the first time last time, updated her [account] and submitted it and it was done. For her it was so easy and quicker than by post"*  
Female, CTC, four reminders

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Customers found the inclusion of the phrase 'search for manage tax credits' in the SMS reminders useful: Most would use Google or another search engine to locate the correct page.

Receiving the same message twice was seen as acceptable if the tone and call to action were both relevant to that point in the renewal period. However, customers were more likely to ignore a reminder if the content was repeated and so varying the message would be more impactful and help to keep customers engaged with the reminders.

### **Optimising HMRC renewal reminders**

#### **Channel**

SMS was seen as a suitable communication channel for reminders as customers would usually have their mobile phone to hand. Each SMS reminder acted as an individual prompt for customers to renew but their potential impact was strengthened as customers would see the reminder again when they received another SMS. As customers received a high volume of emails they felt that reminders sent through this channel could more easily go unnoticed.

*'The text message I appreciate. You can't miss anything on your phone. It is always in your hand. If a text message comes through you look for who it is from. A letter you put it on a pile with others'* Male, CTC, four reminders

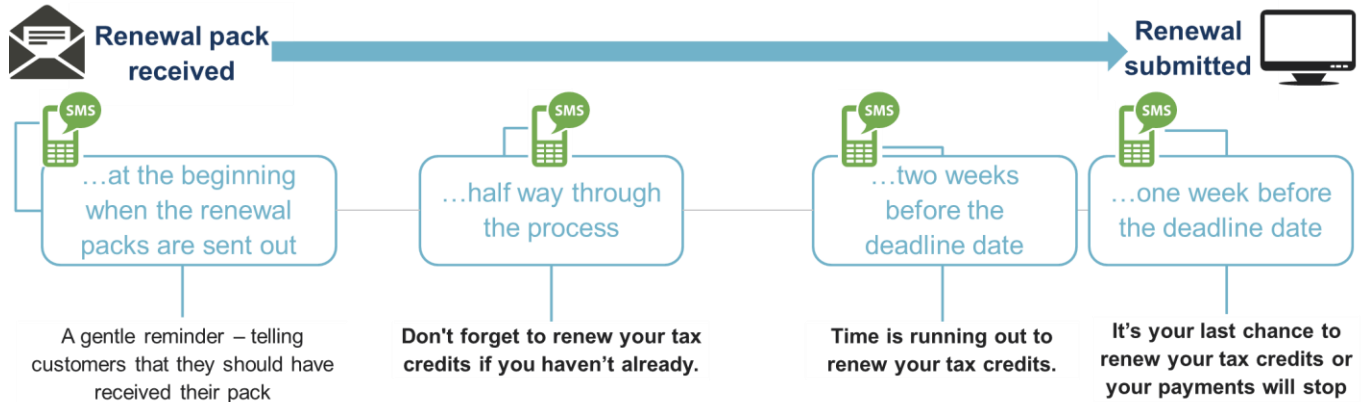
#### **Frequency**

Customers felt that the optimum number of SMS reminders was three or four. This was because reminders acted as a prompt, bringing the tax credits renewal back up customer's priority list, rather than as an immediate spur to action. As such, a number of reminders, sent throughout the renewal period, was required to have a cumulative effect and influence customers to renew.

Sending three or four reminders would allow for reminders to be sent at key points in the renewals process, as outlined below:

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Figure 3: Tax credits renewal reminder suggested customer journey



**Message content and timing during the renewal period**

Across all messages the tone should be friendly, positive and engaging. This was seen as helping to engage audiences with the SMS reminders and reflecting positively on HMRC as being an approachable organisation.

Customers felt that the different reminders could fulfil distinct roles throughout the renewals period:

- **Reminder 1: Initial reminder to coincide with receipt of tax credits renewal pack.** Customers were prompted to start thinking about renewing their tax credits upon receipt of their renewal pack. Customers felt that it would be beneficial for them if HMRC were to send an SMS reminder at around the same time as the packs were received. This would prompt customers who had not received their pack to contact HMRC to request a new one.
- **Reminder 2: Half-way through the renewals process.** Customers felt that a reminder half-way through the renewal period would raise the saliency of renewing and help prompt them to start gathering the information needed. At this point however, it was not felt to be appropriate to emphasise the urgency of renewing as there was still a way to go before the deadline.

**Reminder 3: Two weeks before deadline.** Customers felt it was important to receive reminders as the deadline approached to make sure that the renewal was top of mind. Whilst customers were aware of the renewal deadline they felt that including this in SMS messages sent around this time would emphasise how little time they had left and that they needed to act quickly.

- **Reminder 4: One week before deadline.** Customers felt that it would be important to send a final reminder a week before the deadline to drive action.

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The SMS message reminders could also be used to address the barriers to renewing online, by stating that it is quick and easy and that customers get an instant confirmation that their renewal has been processed.

### **Day and time for messages to be received**

Customer attitudes towards an appropriate day and time for messages to be received were driven by their association with work, as tax credits are an additional income stream. This meant that customers wanted to deal with their tax credits renewal during core working hours and they expressed a preference to receive SMS reminders during this time as well. As such, Monday to Thursday were the preferred days of the week for receiving a reminder. Friday to Sunday was seen as being the weekend and time away from work.

In line with this, core working hours and outside of school pick up times, between around 11am and 2pm, was seen as the optimum time for customers to receive an SMS reminder.

Sending SMS reminders outside of these days and times was seen as increasing the risk that they would be ignored, as the customer would be busy or not in the right mind-set to think about their tax credit renewal. Late at night, and particularly Friday to Sunday, were seen as the most inappropriate times to send SMS reminders. There was a risk that messages sent at these times could be seen as intrusive and an indication that HMRC did not understand their customers.

### **Reminders sent after renewal**

It was seen as important that reminders were only sent before the customer completed their renewal. If they received an SMS message after renewing customers would assume that their renewal had not been received which would prompt them to call HMRC. Messages sent after renewal negatively impacted customer perceptions of HMRC and diminished trust in the organisation's ability to get things right first time.

*"[If I received a reminder after submitting my renewal] I would call straight away and ask what's going on. I would think there's a problem."* Female, CTC, two reminders

## **Conclusions**

### **Customer Experience of Tax Credits Renewal:**

- Customers are prompted to start thinking about renewing their claim by the arrival of the renewal pack.
- There was strong awareness of the tax credits renewal deadline and customer approaches to renewal were driven by their personal attitudes. Customer approaches to renewal can be broadly grouped as:

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- Early Birds: Customers who complete their renewal early to avoid a last minute rush.
- Procrastinators: Customers who put off their renewal to the last minute but see this as part of their personality and so are unlikely to change.
- Heads in the sand: Customers who see their tax credits renewal as being too overwhelming and so put off completing it.

#### **Customer Experience of Tax Credits Reminders:**

- Reminders act to make the renewal top of mind for customers rather than acting as a spur to complete the renewal immediately.
- Customers remember receiving SMS reminders from HMRC and sending them reflects positively on HMRC as caring about customers and wanting to make sure they renew on time.
- Customers had a stronger recall of the tone of messages than the exact content.
- Self-assessment and Tax Credit customers see these processes as being distinct and so do not mind receiving multiple reminders for each separate stream.

#### **Optimising HMRC renewal reminder – frequency, date and time:**

- SMS was seen as an appropriate channel for sending reminders as customers can be reached wherever they are.
- Three to four reminders will keep the renewal process top of mind without overwhelming customers with too many messages.
- Customers want to hear from HMRC at the beginning of the process, to confirm they have received their renewal pack; half-way through; two weeks before the deadline and a week before the deadline.
- Customers felt that the best time to receive a reminder was Monday to Thursday daytime and early evening.

#### **Optimising HMRC renewal reminder wording:**

- Using a warmer, more positive tone could help empower customers to complete their renewal and leave them with a positive feeling about doing so.
- Message wording should become stronger throughout the renewal process. Towards the end of the period including the deadline date could help to create a greater sense of urgency – though this should only be included when the renewal period is nearly over.

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- The messages can also be used to address customer barriers to completing their renewal online, by explaining that this is quick and easy and that customers get an instant confirmation that this has been received.