

# Enablers for and barriers to customer take up of digital tax credits

HM Revenue & Customs Research Report 407



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# 1. Key Findings

## Background to the project

- As a leading part of the Government's Digital Strategy implementation, HMRC are keen to ensure that customers who would be well served by its digital services move to this channel, instead of using more resource-intensive postal and telephone services.
- In 2014, HMRC introduced a digital service for tax credits customers. Initially serving the most straightforward renewals claims – i.e. renewals from individuals with no change of circumstance to report – the service now enables online renewals for all tax credits customers. In the future, the online service will also allow for change of circumstances reporting outside the yearly renewals period.
- Previous research (both by TNS BMRB and by HMRC more widely) suggested that the tax credits audience presents a difficult challenge for the Digital Strategy agenda – presenting a 'perfect storm' in terms of barriers to change. Customers are likely to be more **fearful** of trying new channels when they perceive that interactions are potentially complex or difficult; if they expect that the 'penalty' around getting things wrong to be high; when the task at hand is infrequent (i.e., yearly reporting) versus routine or commonplace; and when they are otherwise feeling more vulnerable or concerned.
- This project used our iterative understanding of what drives, enables, or inhibits digital channel shift to explore solutions for the tax credits audience specifically. This project explored the triggers and barriers to the use of this service among digitally confident tax credits customers – excluding the 'Assisted Digital' or 'Digitally Excluded' audience and focusing on those who could, in theory, make a change more easily.

## Triggers and barriers to use of tax credits digital services

- A key barrier to change in the tax credits audience is the perceived safety of known interaction channels – for most, the telephone and postal channels. This project confirmed that decisions about the channel used to complete a tax credit transaction are driven by **engrained habitual behaviour**. After successfully completing a transaction once, customers tend to rely on the same channel for future transactions – including both renewals and change of circumstances notifications.
- However, **existing channel habits and behaviours around postal and face-to-face services are not always efficient or fit-for-purpose**. Many customers may find that their reliance on these channels is inconvenient – e.g. requiring customers to take the time to go to the post office to post materials via recorded delivery, or requiring them to engage with HMRC during working hours (via the telephone support line). These 'pain points' offer the potential for a shift in habits if online channels can be shown to better meet customers' needs.
- When they are actively considering the possibility of a new channel, customers need to know that it will meet their key needs. This includes both **practical needs** (e.g., the need for convenience; the need for a speedy transaction; the need for a clear resolution; the need for information tailored to their situation) and **emotional needs** (e.g., the need to feel secure; the need for reassurance and validation; the need for simplicity; the need to feel in control).

- Initially, many **customers fear that a digital service will fail to meet some of their key needs – particularly more emotional needs**. Without knowing exactly what the service will be like, they fear that a digital service will not offer reassurance and fail to provide validation that they are doing the 'right thing' – needs which they feel are being met through their current channels (particularly telephone support). Combined with habitual use of other channels, these negative expectations inhibit use of the tax credits digital service.
- However, this research suggests that experience of **online renewals experiences have actually been quite positive**, typically meeting customers' practical needs better than telephone and postal services. Many of the customers who made the transition to digital channel use did so following pressure to meet deadlines for renewal of tax credits, fearing that a postal or phone application would not be completed in time. Despite this being a fairly high-pressure situation, customers found that using the online service to renew their claim was easier and faster than expected. They understood what they needed to do; found it easy to complete the transaction online and felt confident that they had completed it correctly; and were able to complete the transaction quickly and at a time and place of their choosing.

### **Encouraging uptake of tax credits digital services**

- Firstly, a **'hard push' is required to disrupt customers' habits from dictating channel choice**. Currently, customers perceive the annual renewals process to be a postal or telephone exercise. This positions paper and telephone as the general channel for tax credits interactions – influencing behaviour around change of circumstances notifications as well. Although the online renewals option is noted in the paper renewals pack, this piece of education is largely 'lost' on customers; mere mention does not provide customers with sufficient reason to consider a change in habit.
- **Modifying the information pack** that is sent to customers would have a positive and strong disruptive effect on initial habit formation. Whilst paper notices may still need to be sent – given customers expect this yearly point of contact with HMRC, and may otherwise miss their renewals deadline – it should not include a postal 'pack' for renewals response. Customers should instead be directed online to complete their renewal and/or to request a paper pack be sent, to 1) prompt consideration of channel change, and 2) begin to familiarise customers with the online service.
- Alongside this 'hard push', customers will be more likely to consider and use the online service if reassurance can be provided that it will meet their needs, and if the online service can be positioned as offering something that customers value. In this case, customers need to know that 1) negative expectations of the online channel are unfounded, and 2) that online offers real benefits for them over telephone and postal services. Using statistics and case studies around the positive experiences of online interaction (e.g., around speed, convenience and ease of use) may be useful to provide reassurance. Providing a 'sneak peek' of what the service will look like will also help make it more familiar and less intimidating.
- HMRC should invest in helping customers have positive online transaction experiences at point of renewal. These positive experiences will help breed new habits around using the online service generally, both for future renewals transactions and other, more complex transactions such as change of circumstances.

## 2. Introduction & Background

### 2.1 Background

In 2014, HMRC introduced a digital tax credits service and there is a stream of ongoing work to revise communications and guidance to support this new channel. Introduction of the digital tax credit service is part of HMRC's commitment to the Government's Digital Strategy. The strategy seeks to enable government departments to deliver more services online and to make online channels of communication and transaction more useful for and used by customers.

Initially, the digital tax credits service allowed customers to complete a renewal of their tax credits online, providing they had no change of circumstances to report. The digital tax credits service is under continuing development – for example, during 2014 the digital renewal service was enhanced by allowing all customers to renew online.

Previous research<sup>1</sup> on the use of Government digital services indicates that customers face multiple barriers when switching to a digital channel. Existing insights suggest:

- Confidence is a key determinant in customer channel choice when interacting with Government services. This encompasses both digital confidence to undertake tasks online as well as familiarity with the specific subject or transaction.
- Negative expectations of government digital services can dissuade customers from trying online channels. Many assume the process will be complicated, unwelcoming, lacking in reassurance and support, and will inflict severe penalties for error.
- People will often remain with the channel they are most comfortable with when faced with time pressures or other stresses.
- If a transaction is completed infrequently, it is more daunting for customers to complete it using a new and unfamiliar channel. The first time an online transaction is completed is often felt to be the most difficult.

However, previous research conducted by HMRC suggests that tax credits customers have the capacity to move online, with 97% having access to the internet, and 85% defining themselves as confident internet users<sup>2</sup>. However, capacity alone is not always sufficient to overcome the previously identified habitual factors, a finding that also emerged from HMRC's Panel Study of tax credits customers. Furthermore, since the tax credits online system is engaged with infrequently by customers who are often under time pressures, the service has the potential to trigger several barriers to trying something new – i.e., using a digital service.

### 2.2 Aims and objectives

This research builds on previous research conducted by HMRC regarding how best to encourage customers to make use of digital services in order to complete their transactions. This project focused on the tax credits population and the context in which these customers

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<sup>1</sup> Previous research by TNS BMRB into triggers and barriers to use of digital channels includes HMRC Assisted Digital Customers (2015); HMRC Digital Services Development (2014); Insolvency Service – Digital Information Needs (2014); HMRC Transferrable Tax Allowance (2014)

<sup>2</sup> HMRC Panel Study of Tax Credits customers (2014)

approach and interact with HMRC's digital services. It explored how and why customers use the channels that they do, rather than focusing on channel experience.

This research aimed to provide specific insight into this varied customer group and detail the steps that can be taken to maximise their take-up of the online tax credits service. Specifically, this research sought to provide HMRC with:

- A more nuanced understanding of the triggers to and enablers of customer take-up for digital tax credits;
- A better understanding of the barriers to take-up for confident internet users;
- Insight into the ways in which barriers for take-up may be overcome and the triggers leveraged;
- An assessment of what additional support mechanisms will be needed to facilitate take-up (thereby reducing contact with offline HMRC services); and
- Implications for the ways in which services and communications can best be structured to support customers to engage and actively manage their tax credits online.

### 3. Sampling & Methodology

In order to understand how to support customers in changing their channel choice, we conducted **40 in-depth face-to-face interviews** (60 minutes each in length) with tax credits customers at a location that was convenient for them, including:

- An initial wave of 9 interviews with customers who had already used HMRC's digital tax credits service – exploring triggers for uptake, how customers overcame any barriers, and actual experiences of the online service.
- A second wave of 31 interviews with customers who were aware of HMRC's digital tax credits services but had not yet made use of them. This wave of interviews concentrated on mapping tax credit interaction 'journeys' to identify specific triggers and barriers, and any enabling communications or supports that might have helped overcome barriers to use of the digital service.

We adopted a depth interview approach because it offered:

- Flexibility: allowing adjustments to be made in light of the diverse customer base and emerging findings over the course of research;
- A safe space: for sensitive exploration into the personal finance and household circumstance of individuals; and
- Convenience: helping enable efficient and effective recruitment, and reducing burden on tax credits recipients who wanted to participate.

The two-stage approach to the interviews allowed the research team to draw on insights gained from customers who had engaged with the online tax credits service, whilst also exploring what would likely inhibit or motivate customers who were new to the system. Customers were recruited from a sample provided by HMRC following an opt-out notification.

Additional detail on our approach to sampling – including the final sample tables for both waves of research - is contained in the Appendix. It is important to note that this project was qualitative in nature, and sampling aimed to surface a variety of customer experiences and contexts rather than to be 'representative' in nature. The findings of this report refer to the customers interviewed as part of this project, and should not be extrapolated or generalised as being reflective of all HMRC customers. Our reporting has focused on identifying common themes and different groups across the sample.

Where case study examples have been used to illustrate key findings, these are based on actual participants' stories from research. However, names have been changed to protect confidentiality.



## 4. Main Findings

### 4.1 The role of tax credits in people's lives

The insights emerging from tax credits customers confirm that many of the principles associated with other online government interactions are also relevant to the tax credits process. This research also confirms the heightened anxieties some tax credits customers face given the fundamental role that income plays in personal and family situations. This can mean that customers are more fearful and anxious about changing their behaviour; they are concerned that doing something new means that something might go wrong.

*\_"I think about... [tax credits] all the time. They are part of my weekly income, as well as my wages. People do rely on them." (Non digital customer, CTC, Coventry)*

*"This is money you depend on. If something goes wrong, are you supposed to be without money for 6 to 8 weeks when you have a child?" (Non digital customer, WTC & CTC, London)*

### 4.2 Making and breaking habits

Though tax credits customers have a variety of journeys and complexities of interaction, the strength of habit as a driver of channel choice is consistent. These habits are formed quickly and are difficult to alter. Customers did not describe channel choices which were conscious, considered decisions made each time they needed to contact HMRC.

*"When something changes I just write them a letter...why? Because that's how I always do it...." (Non digital customers, CTC & WTC, London)*

The initial choice of channel is made when first completing a tax credit transaction. Typically the journey consists of the following steps:

- The transaction is attempted using their 'first choice' channel;
- Anxiety, confusion or a 'false start' may prompt a change of channel at this point in the journey;
- Channel choice for subsequent transactions is then most likely to be dictated by the success of channels previously used; and
- Change of circumstance is perceived to be more complicated than renewal, and so the reassurance and ease of using familiar channels becomes even more appealing.

*"I think it's easier to speak to someone for tax credits. I had a lot of messing around when I first claimed about 10 years ago. I've always given them a call since then." (Non digital customers, CTC & WTC, Coventry)*

The annual renewal period represents customers' most regular interaction with HMRC. The paper renewal pack sent ahead of the renewal period provides customers with a reliable and familiar prompt which encourages habitual use of preferred channels. The information provided includes a pre-paid envelope and form for completion as well as details for the tax credits helpline – both of which help guide customers towards these familiar channels.

*"If they're sending out forms and providing an envelope too, it's just intuitive to fill in the form and send it back, rather than getting a laptop out." (Non digital customer, CTC & WTC, Edinburgh)*

Although the pack highlights a number of channel options – e.g., the most recent renewal pack received by customers in 2015 contained a direct reference to the digital tax credits service – customers usually act on 'autopilot', instead of consciously choosing a channel. As the digital tax credits service is relatively new and habits have not yet started to form around its usage, customers tend to stick with the channels they used previously, despite being digitally confident in other spheres of their lives. The following participant stories illustrate this situation.

<b>CASE STUDY 1</b>	
<b>Personal situation</b>	Janet is a single mother who receives Child Tax Credits and is preparing to take up a new job in a few months' time.
<b>Wider digital confidence</b>	Janet is a very confident internet user – she shops online all the time and uses internet banking. She is also happy to use government services online – she began to complete her Self Assessment for HMRC online 4 years ago because completing the task over the phone, as she had always done prior to that, had become too inconvenient and time intensive.
<b>Established tax credits habit</b>	Despite her confidence in completing a Self Assessment return online, she currently renews her tax credit by telephone. She has developed a number of strategies to aid her in completing the transaction this way (for example, storing the number on 'speed dial'). This makes her behaviour around telephone service use even more automatic and harder to shift via information alone (e.g., telling her that a digital service is available).

*"I've always done my tax returns online since I've been self-employed. That's a lot easier to do. Going down to see your local tax office, you just can't get to see anybody. And if you try it on the phone you're just forever on hold."*  
*(Non digital customer, CTC, Coventry)*

## CASE STUDY 2

<b>Personal situation</b>	Carmela started her own business in 2014. Tax credits currently enable her to invest the time and effort required in order for her business to begin to generate profit in the future. Until that point, she will be heavily reliant on the income tax credits provide.
<b>Wider digital confidence</b>	She completes her tax self-assessment online as this is what she first did when she began her business.
<b>Established TC habit</b>	<p>Carmela currently completes tax credits transactions by post and is keen to keep copies of all government correspondence. Her use of the postal service elongates this process considerably because of the need to scan and photocopy additional documents as part of her renewal.</p> <p>Despite the time and effort that she invests in order to transact with HMRC via post, she has no desire to change channel – she doesn't really consider other options, and is pleased that she has found something that 'works'.</p>

*They send you a really thick booklet. It's like repeating your whole life story. It's tedious – giving them all this stuff they already hold. I have to go back to my accounts – why not just show the figure from last year?"*  
*(Non-digital customer, CTC, London)*

Shifting customers away from habitual channel choices requires a disruption of their usual routine. When prompted, participants acknowledged that replacing the full renewal paper pack with reminder messages (sent either by email, text message or post) signposting customers to the online service would have the potential to trigger this disruption. A change of this nature is likely to prevent customers simply 'defaulting' to post or telephone routes. Participants were also mostly receptive to being 'nudged' in this way, as long as the paper pack was still made available to those that really wanted or needed it.

*"If they didn't post out form, but just wrote and said 'you can do this online, but request a form if you want to do it by post' then I would be more likely to do it on line rather than wait for a postal form"* (Non digital customer, CTC & WTC, Edinburgh)

*"As long as I'm getting a reminder by email, text message or post, I don't mind if I get an actual renewal pack or not."* (Non digital customer, CTC & WTC, London)

Likewise, customers who had actually used digital channels generally had their previous habits disrupted in some way. For many, this disruption was due to the pressure of a looming deadline, which forced them to go online to complete their renewals on time – where a postal or telephone service would not have been fast enough.

*"I'm so last minute. I've never got the time. Whenever I get the letter through the door, because it takes so much time, I always just throw it to the side and forget about it. So*

*I always used to do it on the phone but this time I couldn't get through and had to give up. I thought 'I'm not going to get through in time!' Then I saw I can do my tax credits online and it was just so much easier... on the phone it just takes forever."* (Digital customer, CTC & WTC, London)

### 4.3 Meeting emotional and practical needs

Once a customer's existing habits around telephone or postal channel use has been disrupted, they will be more likely to actually use a digital option if they feel it is a safe, easy and comfortable choice. This means that the digital option needs to appear as one that does not present any risks to their personal data, and is not too complicated for them to complete quickly. Customers wanted to be reassured that the digital channel will meet their needs as effectively (if not more so) than the channels they had used before.

*"I know the small print is there already, but if they made it a bit more explicit that you could take a few simple steps to complete your renewal online, I think people would be happy to do it."* (Non digital customer, CTC, Coventry)

Tax credits interactions surface a range of emotional and practical needs, and customers' perceptions of a channel's ability to meet these needs influence their channel choice. The illustration below maps out customer needs in detail.

**Figure 1: Summary 'web' of customer needs**



#### How does the postal tax credits service currently meet needs?

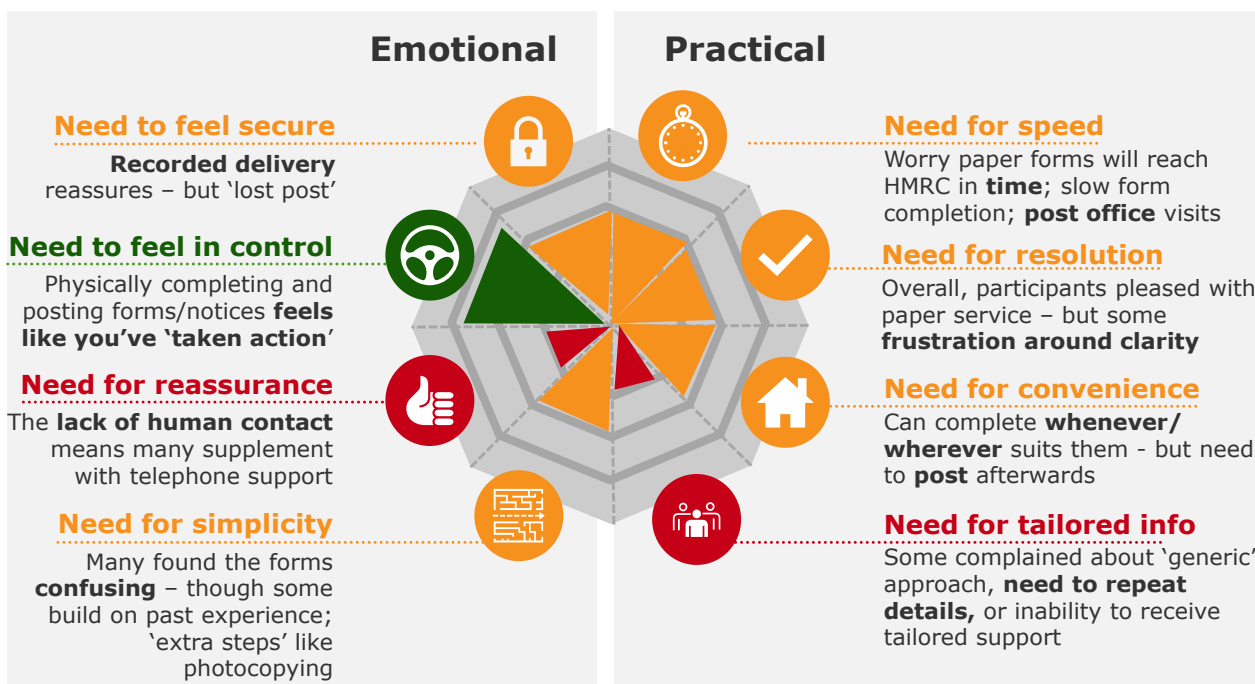
The postal tax credit services currently meet some, but not all, of these customer needs – which means that many people currently relying on these channels might actually be served better by a digital service. However, as discussed previously, most participants were acting on

habit rather than rationally considering the pros and cons of their preferred channel. This offers a key opportunity for the digital service to position itself as genuinely offering a better solution for many tax credits customers.

For example, customers using the postal service had many practical frustrations – e.g., around the time taken to use the channel, the inconvenience of posting paper forms, the difficulty of filling out the form where they found this confusing, and the lack of reassurance and personal contact. In order to meet these practical and emotional needs, many customers thus combined a postal approach with telephone contact with the helpline.

Customers’ experiences of completing tax credits by post, and the gaps in their needs, are specified in the diagram below.

**Figure 2: ‘Web’ illustrating how postal channel currently meets customer needs**



Some participants who habitually used the postal service also expressed fear that the online service might somehow be more ‘permanent’ than the postal transactions they were used to:

*“I’ve probably never just taken the time to read the thing and find out that it would be easier for me to do it online...if I get it wrong on the form, they’ll just send it back to me and tell me to change it, whereas if I do something wrong online, then it’s set in stone.” (Non-digital customer, CTC & WTC, Edinburgh)*

### How does the telephone tax credits service currently meet needs?

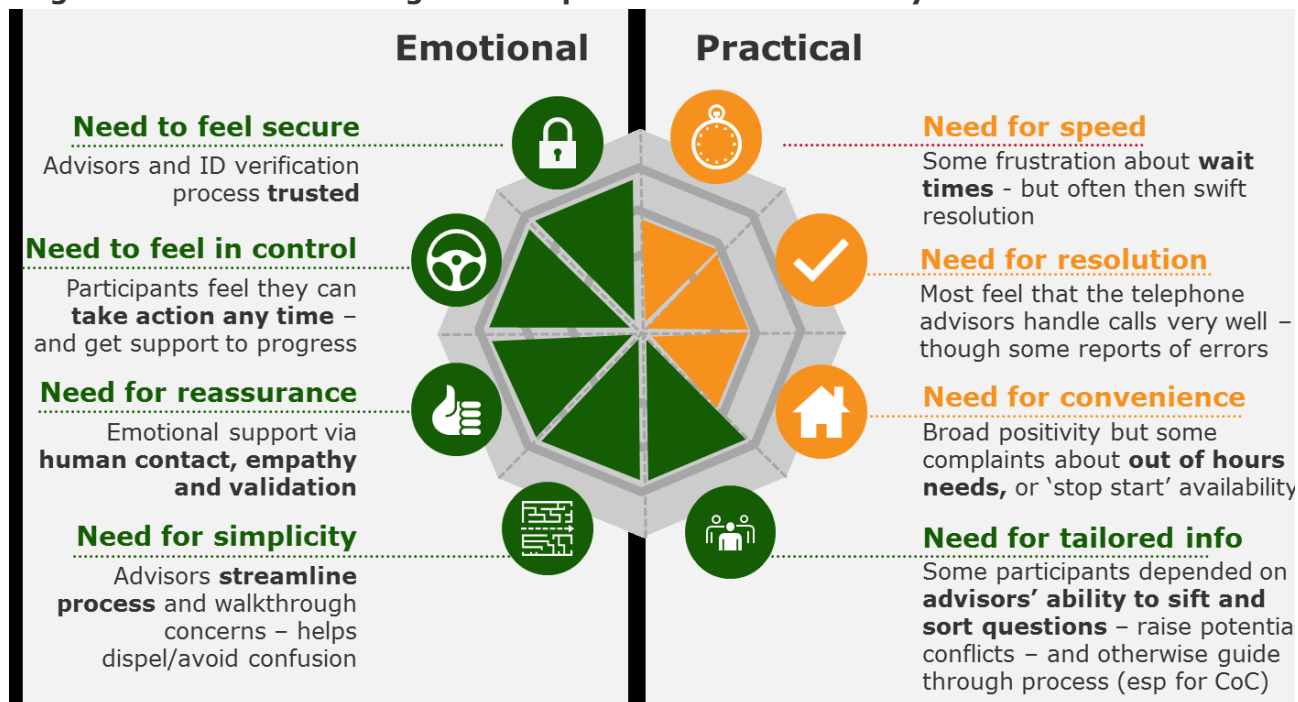
The tax credits telephone service met a range of these customer needs, to a greater extent than the postal channel. In particular, customers identified the tax credits helpline as being successful in meeting their emotional requirements (for example, provision of reassurance and trusted security procedures).

*“I phone because I just want to make sense of everything and it’s much more reassurance when someone else is on the other side of the phone and you can talk to*

*them and they can reassure you...I feel much better talking to someone else.” (Non-digital customer, CTC, Edinburgh)*

However, some practical downsides of this method (mainly around waiting times, a lack of out-of-hours service, and occasional lack of clarity around resolution) could be leveraged to encourage customers to consider a change of channel. These are outlined in the following diagram.

**Figure 3: ‘Web’ illustrating how telephone channel currently meets customer needs**



### Expectations, hopes and fears about the online service

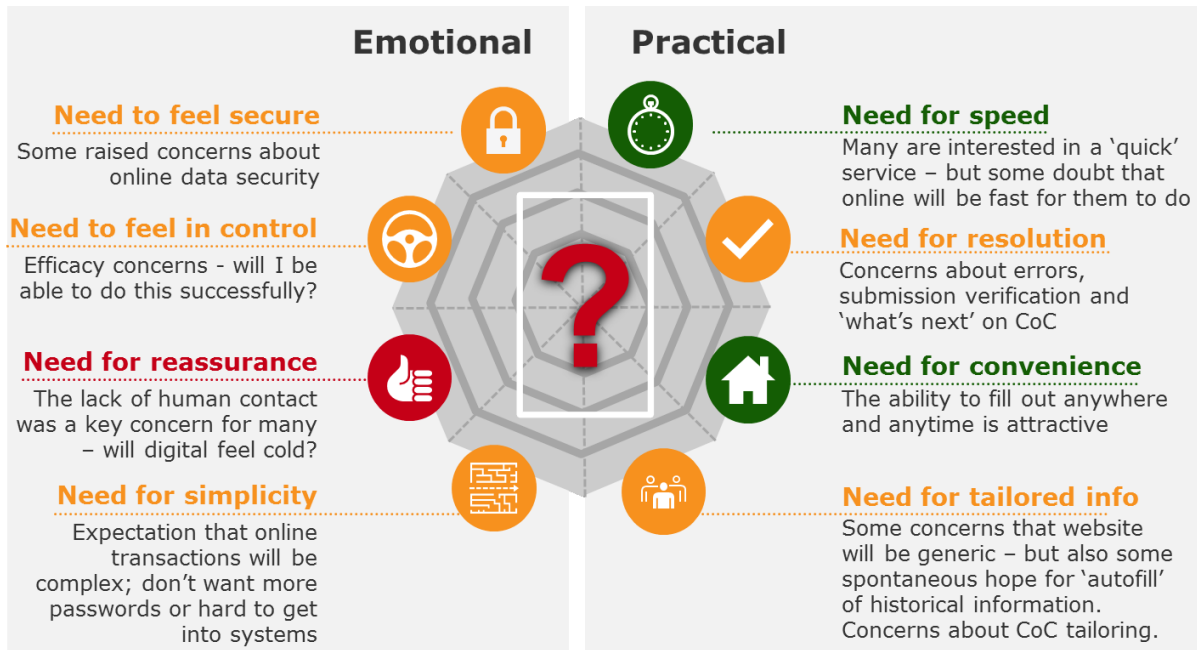
When participants who had previously made use of other channels discussed what they thought a digital tax credits service might look like, their responses were mixed. In some ways an online service was seen in a positive light – some hoped it might be faster and easier than their current channels of habit. However, participants also expressed a range of apprehensions, centring on issues of security, the lack of human reassurance, fears about complexity, and the lack of a tailored service.

*“It’s easier to talk to somebody than deal with a computer. Because sometimes it doesn’t ask you the right questions. Or you want to say something, but you can’t – because you haven’t got a little tick box for that particular answer.” (Non digital customer, WTC & CTC, Coventry)*

*“It’s not that I can’t do it online, it’s just that I hate doing it. I’d rather speak to someone...it’s just all the passwords and then I can never remember the passwords and it just takes one thing to go wrong and I think I will end up messing the whole computer up.” (Non-digital customer, CTC & WTC, Edinburgh)*

How these fears map against customers’ needs is shown in Figure 4.

**Figure 4: 'Web' illustrating customers' expectations and fears about a digital channel**



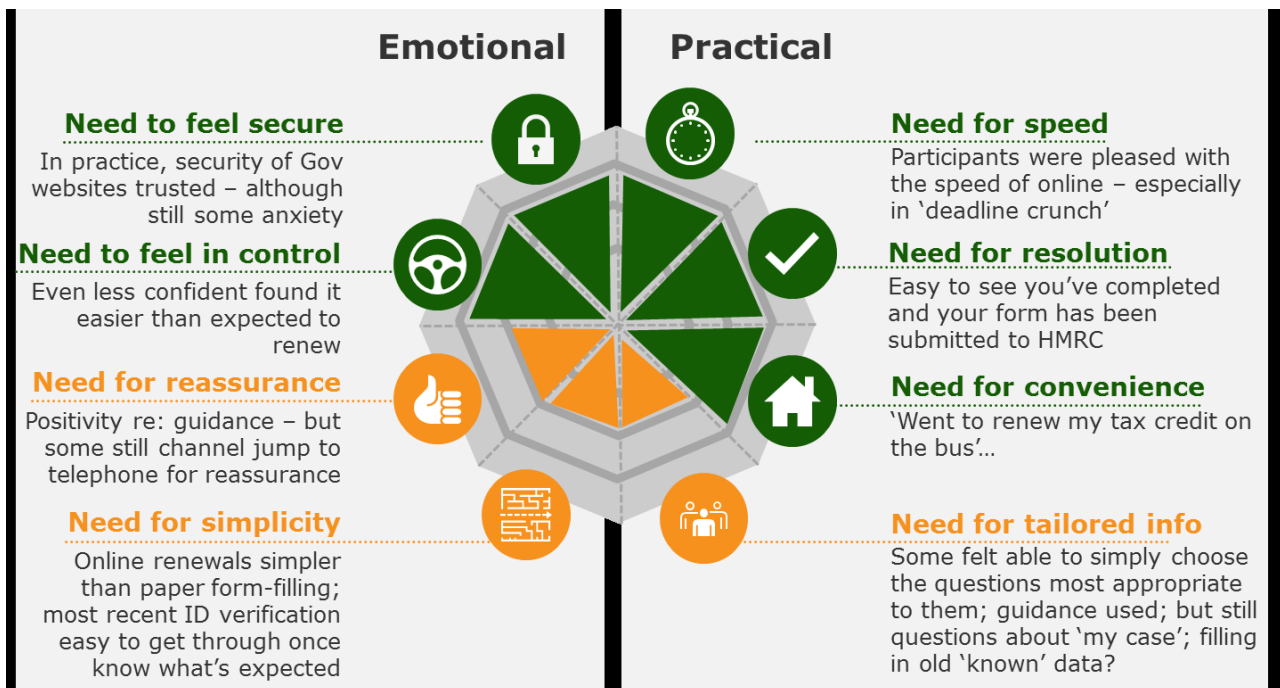
**Negative expectations of an online service do not match reality**

The good news: participants' concerns about online tax credits services are typically based on expectation rather than reality. Actual experiences had been much more positive: participants had found that the service was fast to use, but also fairly simple and not requiring the level of support and reassurance they had feared. This is reflected by the findings of HMRC's customer survey, which found that 93% of tax credits customers who renewed online were satisfied with the overall process.<sup>3</sup> Even for those less digitally confident, the ease with which they were able to use the digital tax credits service was unexpected. The customer needs chart (Figure 5) explains how participants found the online tax credits service in reality.

**Figure 5: 'Web' illustrating how the tax credits digital service currently meets customers' needs**

<sup>3</sup> HMRC Research Report, Tax Credits Customer Survey and Digital Renewals Evaluation (2016)





Participants who had used the online service praised it and were willing to use it again in the future:

*"It's just done straight away. It goes straight through to the system. You ain't gotta be worried about your payments stopping or anything like that."* (Digital customer, CTC & WTC, London)

#### 4.4 Reducing customers' reliance on telephone and paper channels via communications and positive online experiences

##### Digital renewals can be a 'seed' for digital habits

A positive first time experience with the digital service has the potential to generate more confidence using the channel in the future – and ultimately to create new digital tax credit habits. As confidence grows via simpler transactions (such as renewal), this provides a strong prompt to move all types of tax credit transactions online.

*"I do some things online, if someone shows me I'd probably be all right to do it the second time."* (Non digital customer, CTC, Cardiff)

*"It was simple, straightforward, a bit like when you renew your car tax. You type in the code they've given you, you click a button and it's done. The renewals bit I found really easy, it took literally 5 minutes and it's done. That's it! I'd definitely do it again, just open the laptop, type in the number, done!"* (Digital customer, WTC, London)

Participants who had actually used the online service sometimes mentioned that they had discussed their positive impression of the service with others. Their own positive experiences can thus also serve as a seed for *others'* digital channel shift via word of mouth.

##### Communications priority: countering fears and highlighting benefits at point of renewal – alongside a 'hard push' away from the postal and telephone services



Participants suggested that communications would need to play an important role in supporting the move to digital tax credits. The timing of communications, and in particular delivering the right message at an effective point in the tax credits cycle, is likely to be important.

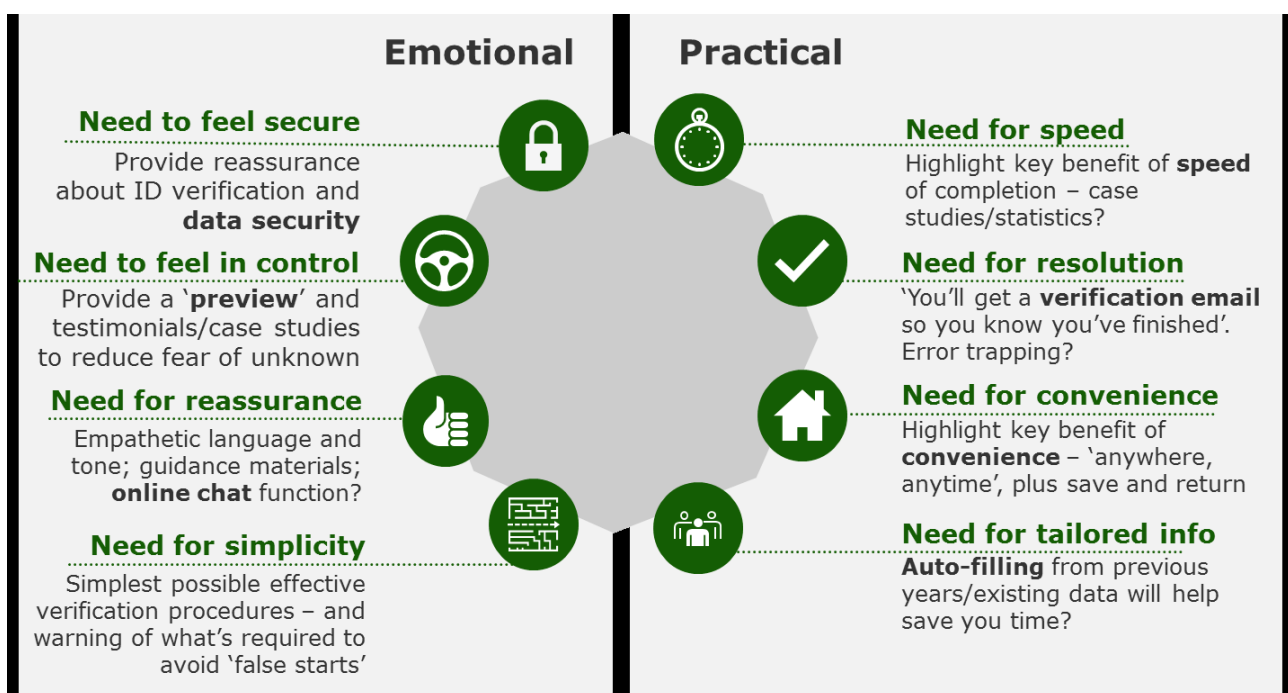
Tax credits **renewal packs** are a consistent point of contact across wide and varied tax credits users – and are therefore a key point for disrupting habits and communicating the support that is available. Participants were very open to the idea of a ‘hard push’ at point of renewal – e.g., receiving a paper notification of the need to renew which directed them online as a first point of call, rather than a full renewals ‘pack’ including a paid-for return envelope. Those that really want or need a paper renewals form could still request one online.

As negativity about digital tax credits interactions are based on expectation rather than reality – the information provided at point of renewal also needs to **counter fears** about digital services, and **highlight benefits** as compared to postal and telephone channels. The online service needs to be framed as an easy and comfortable choice, referencing customer needs and offering tailored reassurance. Above all, customers emphasised that any messages would need to provide reassurance with regards to security, as well as guidance and support. Customers also suggested that communications should continue to raise awareness of the benefits of speed and convenience following the shift to online. **Case studies and testimonials** may be a persuasive way to allay fears.

*“They should put it out there a bit more and let you know how much easier it is. If they told me they were changing things on their website so that I could do everything I currently do with them over the phone, I’d look in to it.” (Non digital customer, CTC, Coventry)*

Figure 6 below summarises potential ‘to-dos’ in terms of communicating about the digital tax credits service, and ensuring that the actual service delivered meets customer needs:

**Figure 6: How a digital service could be designed to meet customers’ needs**



Some customers suggested that communication materials in the renewals pack could also include **screenshots** previewing the design and layout of the online service, in order to familiarise customers with the 'look and feel' of the system and to help them appreciate its usability. Less confident customers suggested that this **visual preview** could also provide extra assurance of the security and authenticity of the website – i.e., by including a screenshot of the identity verification process.

### **Signposting to digital services at other interaction points**

Participants had mixed views about the idea of communications emphasising the availability of the online service at other points of contact – such as when customers contact HMRC via other channels for either renewals or change of circumstances interactions.

Participants who had already committed to their decision to call a helpline, for example, reported that they were generally unlikely to shift channel for the transaction at hand, and some described ignoring advice to do so. However, offering these reminders does have the potential to influence decision making in future transactions of this type by raising the visibility of the digital option, and beginning to signal a shift in norms around what channels to use.

*"Last time I did my renewal over the phone, the woman said to me 'you can do this online, it's easy and it will save you lots of time and money'. And it made me think that I might try it next time." (Non digital customer, WTC and CTC, Coventry)*

*"If I'm informed well ahead of the time that they enable my change of circumstance online, I would definitely give online a try." (Non digital customer, WTC and CTC, London)*

These signposting notices may be particularly important for simple interactions where online experiences are likely to be positive and seed channel changes for other future transactions.

### **Investing in change**

There remain areas of concern for those yet to move online – and early experiences will be critical in terms of whether customers are willing to return to the digital channel in the future.

To ensure that customers feel safe and have positive digital experiences, it is anticipated that support from HMRC will be required during the initial channel change period. For example, it will initially be helpful for HMRC to provide telephone support that is aligned with the changes to postal packs – though there could be justification in reducing phone line resource going forward as people get used to the new channel.

*"[If they said] 'we can see you've done it online and everything is correct' and I had that reassurance then I think I'd be more confident to do it online" (Non digital customers, CTC & WTC, London)*

*"If they just sent me a link, that might actually work [to get me online]. I'd probably have a go at the link first – but I'd want to know the helpline was there." (Non digital customers, WTC, Edinburgh)*

Once customers are online, other forms of reassurance will also be useful. For example, participants expressed interest in the opportunity to chat to an adviser online and ensure the transaction is fully completed.

*"[Web chat] would be good because it's like talking to someone...they would reply back to the exact question that you want answering" (Non digital customer, CTC, London*

However, there is evidence that where levels of anxiety and concern are high amongst customers – particularly those subjected to underpayment or overpayment of tax credits, or in cases where income is particularly volatile – moving online will still be challenging. This is particularly true where complicated transactions are concerned, such as change of circumstances. These customers are likely to require greater support and encouragement, perhaps over a longer period of time, in advance of a shift.

*"I wouldn't give up the phone. It's just so much more reassuring when you can speak to someone." (Non digital customer, WTC, Edinburgh)*

For example, less confident customers suggested that they might need some additional support or guidance for 'first time' online tax credits experiences. Other forms of support (for example, ensuring that intermediary organisations such as the Citizens Advice Bureau are well informed about the coming changes and prepared to assist customers with a digital transaction) would need to be available for these customers if a 'hard push' was used to disrupt habits.

#### **4.5 Optimising a digital service**

Participants – including both those who had successfully transacted with HMRC online already, and those who had not – provided a variety of comments and suggestions about specific features that they would want included in a fully digital tax credit account in the future.

Firstly, there were calls for additional online support to be offered to meet emotional needs – in place of the empathy and reassurance provided currently by the telephone advisors. Suggestions included **guidance notes** available in areas of likely uncertainty; a 'live' **web chat** facility, offering customers the opportunity to discuss queries specific to their circumstances 'there and then'; and an **on-line calculator** to support customers in understanding how much money they will receive if and when their circumstances change.

*"Maybe if they've got the online facility they must have some online guidance – just like the booklet – that's fine. So you have something to refer to." (Non digital customer, CTC & WTC, London)*

*"If you sit down at the end of the day and you're stuck you might not get the chance to call them straight away because the helpline is shut whereas if the person is there chatting with you can get it done there and then." (Non digital customer, CTC, London)*

*"If there was a place I could input my earnings, my nursery fees and it would calculate and if it could give me an estimate at the end that would be perfect. But if I had to do the calculations I might not be that comfortable. Am I doing it right? Did I enter the right figure?" (Non digital customer, CTC, London)*

Customers also hoped that an **online tax credits account** would give them the ability to log on to check the status of their tax credit claim. This was generally requested by those who

were already digitally confident. These participants believed that the system would provide more control over transactions and would potentially save time.

*"If you could go into your own tax credits account online, I would use it all the time! ... It would be a hell of a lot easier than wasting time on the phone, speaking to someone every time just to find out when the next payment is, or has my payment been reduced, or reporting a change of circumstance." (Non digital customer, CTC, Coventry)*

Customers hoped that a digital tax credits service would be kept secure through an appropriately pitched **security and identification process**. Some of those who had already experienced HMRC's digital service had encountered difficulty with the existing identity assurance process – for example, when it unexpectedly required them to locate their passport. Others had simply been asked for a National Insurance Number, and found the process to be less off-putting.

Customers were also interested in the possibility of **pre-populated data** in the online system, to avoid having to fill out information more than once where possible – i.e., the names of their children or other 'profile' detail.

*"You would hope that the profile is set up, that I don't have to put all these details in" (Non digital customer, CTC, London)*

Customers were also clear that they did not wish to see more frequent **reporting requirements**. It was widely felt that more frequent reporting would be very burdensome compared to current requirements and would increase the possibility of error for little benefit.

*"I just think it's really silly. How are you going to monitor it? I don't think circumstances really change month to month or quarter to quarter. The timespan it's on now is a reasonable one. And they make it clear that you need to let them know as and when. It would just be a waste of money because you're sending out more letters and doing more monitoring, for no reason. NO." (Non digital customer, CTC & WTC, London)*

## 5. Conclusions

Current tax credits channel choice is driven largely by established habits. Customers typically seek comfortable and familiar options to complete tax credits tasks in the face of urgency, anxiety, and (sometimes) low confidence.

To shift customers online it will be necessary to:

- Disrupt or prevent habit formation around the use of post/telephone services;
- Meet customers' emotional and practical needs; and
- Deliver a good online experience to encourage continued usage.

A 'hard push' to disrupt habits would be critical to move customers beyond their 'default' channel choice. This can be achieved most easily by disrupting habits at the point of renewal – rather than at the point at which a customer needs to change their circumstances on the system. Renewal is seen to be a simpler transaction and one that is less daunting to attempt completing online.

It would be possible to cause this disruption by:

- Providing 'lighter' paper or email renewal reminder with link directing customers toward the online service; or
- Ceasing to provide a full paper renewal pack as default.

To aid customers' transitions online, the digital offer also needs to feel safe and easy. Customers require reassurance that the channel can meet their practical and emotional needs. Communications should therefore include a short summary of benefits (ideally comparing against other channels) and highlight the support available when using this new channel.

Successful transactions and positive experiences will breed future habitual use. Reassuringly, digital tax credits experiences are largely positive for those who have already engaged with the service. Most were willing to consider a complete shift online once they had completed an initial interaction.

Features to further enhance this positive experience may include chat guidance to provide reassurance, and communications and support materials indicating some of the benefits of transacting online. There is also a role for case studies and testimonials in communication materials. The renewals process is a relatively simple and familiar transaction that all tax credits customers must complete. It therefore presents a clear point of entry for customers to begin using online channel.

Once customers have used online channels once, it will become the 'easy default' option. For many, it is a case of 'Move Once, Stay Later'. Positive experiences may also encourage word of mouth recommendations of the online service. Incentivising customers who have had positive experiences of online renewals to move permanently to the online system will pave the way for more complex transactions (e.g., change of circumstance notifications) further down the line.

## Appendix: Additional sampling detail

A purposive sampling approach was adopted to represent a wide range of tax credits customers. Quotas were set to capture 1) the different levels of complexity of customers' tax credits arrangements, 2) channel habits 3) financial and household situations, and 4) digital confidence. Only those customers with medium to high levels of confidence in using the internet were recruited to ensure that the research focused on customers who were in theory able to use an online service; the 'Assisted Digital' or 'Digitally Excluded' audience were excluded. The final quotas achieved across Wave One and Wave Two are shown below:

Wave One	Tax credit customers currently using digital services to manage claims	Recruited
<b>Form of tax credits</b>	Child tax credits only	4
	Child and working tax credits	4
	Working tax credits only	1
<b>Employment situation</b>	Self-employed	3
	PAYE	3
	Other	3
<b>Type of claim</b>	Single	5
	Joint	4
<b>Household income</b>	Mix of:	
	Under £10,000	3
	Between £10,001 and £20,000	3
	Between £20,001 and £30,000	1
	Don't know	2
<b>Stability of circumstances</b>	Mix of :	
	Changes reported in 2013/14 or 2014/15	8
	No changes reported in 2013/14 or 2014/15	1
<b>Confidence in using the internet</b>	Mixture	
<b>Specific needs</b>	English as a second language	4
	Less confident with complex transactions	2
<b>Geography</b>	England	7
	Scotland	1
	Wales	1
<b>Total</b>		<b>9</b>

Wave Two	Tax credit customers <u>not</u> currently using digital services to manage claims	Recruited
<b>Form of tax credits</b>	Child tax credits only; out of work	4
	Child tax credits only; in work	5
	Child and working tax credits; in work	19
	Working tax credits only	3
<b>Employment situation</b>	Self-employed	7
	PAYE	17
	n/a	7
<b>Type of claim</b>	Single	15
	Joint	16
	Automatic renewals	4
<b>Household income</b>	Mix of:	
	Under £10,000	2
	Between £10,001 and £20,000	14
	Between £20,001 and £30,000	7
	Don't know	8
<b>Stability of circumstances</b>	Mix of:	
	Changes reported in 2013/14 or 2014/15	21
	No changes reported in 2013/14 or 2014/15	10
<b>Confidence in using the internet</b>	Weighted to those with medium-high levels of confidence	
<b>Specific needs</b>	English as a second language	9
	Less confident with complex transactions	5
<b>Geography</b>	England	19
	Scotland	6
	Wales	6
<b>Total</b>		<b>31</b>

## Discussion Guide

### Introductions (2 min)

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**Section aim:** *To provide reassurance around confidentiality, anonymity, and research discussion coverage.*

- Researcher introduction: Name; TNS BMRB is an independent research agency working on behalf of HMRC
- Length of discussion: approximately 60 minutes
- Discussion content: how they manage their tax credit renewals
- Confidentiality and anonymity:
  - participants' views and their involvement in research are kept strictly confidential;
  - participants will not be identified to HMRC;
  - nothing the participant shares will have any bearing on their benefits or their relationship with HMRC;
  - any quotes used would be fully anonymised.
- Permission for recording
- Participant rights re: question refusal/withdrawal

### Background (3 mins)

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**Section aim:** *To ease participants into discussion and build rapport; to provide basic understanding of participants' personal and professional life context; and to provide general context around the importance of tax credits to finance and budgeting*

- Brief general context:
  - Name
  - Household status (e.g., whether they live with partner/children/housemates/alone)
  - Employment status (employed/unemployed/full-time/part-time) and what kind of work they do
- Brief tax credits context:
  - What tax credits they claim (Working/Child/Both)
  - How long they have claimed tax credits
  - Importance of tax credits to personal/family income and finances
  - Have they reported a change of circumstance within the past two years

## Online activity (5 minutes)

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**Section aim:** *To establish general context around current online activity, generally and in relation to Government services specifically. It will be important to understand general participant efficacy and habits around online activity – in terms of general capability, online transactions, and any more complex or financial digital services use. We will also begin to briefly explore social norms around digital services use for the tax credits audience.*

*Across this section: Moderators to move discussion along quite quickly; we only want brief indication of general comfort levels and habits to inform later questioning. Moderator to listen out for any mis-match between 1) general efficacy and habits around digital service use and 2) use of online tax credit renewals specifically, to explore in later sections.*

### Current online activity:

- Briefly explore general digital engagement
  - What kinds of activities they engage in online (e.g. social media, email, information searching)
  - Do they consider themselves more/less digitally savvy than their friends and family

Why do they think they are good / confident internet users?

- Determine current behaviours around online *financial transactions* specifically – *spontaneous, then prompt around experience of:*
  - Basic transactions (e.g., purchasing goods/services online via eBay/Tesco shopping etc.)
  - More complex transactions (e.g., online banking)
- If they complete more complicated transactions online – what are the perceived advantages/disadvantages versus f2f/paper/telephone channels
  - *Spontaneous, but listen out for triggers/barriers around speed and urgency of resolution/efficacy/convenience/reassurance/and so on.*

### Interacting with the Government digital services:

- Familiarity with Government digital services currently available (e.g. DVLA registration; online SA returns; claiming interaction with DWP (e.g. JSA online), etc.)
- Current use of Government websites / social media / online tools



- Briefly establishing range of digital interaction points
- What kinds of concerns do they have about Government digital services versus other channels, if any (*Moderator to listen out for concerns around complexity; urgency; importance of 'getting it right'; difference in past experiences, etc.*)
- What other government services do they use online? What's the best service? Why are they good? What reassurance do they get as part of them? Best government service they've used online (if any)
- What kinds of benefits versus other channels, if any (*Moderator to listen out for benefits around convenience; ease of use; less hassle to avoid personal interaction; speed; etc*)

### **Brief exploration of tax credits behaviours (5 minutes)**

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**Section aim:** *To establish the context of current interactions with HMRC and overall confidence around HMRC interactions generally; to establish whether they have existing habits/preference around digital interaction with HMRC or if their tax credits behaviour is more unusual to explore whether tax credits digital services are a matter of general channel habits.*

#### **Current interactions with HMRC and overall confidence:**

- Briefly establish range of current interactions with HMRC (e.g. tax credits, filing Self-Assessment return, tax rebates, any others);
- Overall confidence in conducting transactions / 'completing tasks' with HMRC
- Is HMRC harder/easier than other Government interactions – and why
- Is this harder/easier than other financial interactions (e.g., paying bills, managing bank account) – and why

#### **Current channel preferences regarding tax credits interactions:**

- Explore what channels they tend to use when communicating with HMRC about tax credits (i.e. paper; online; phone; other), and for which tasks
- Briefly explore current ease of interaction with HMRC about tax credits
  - Any areas where they feel less confident/comfortable
  - Any areas where they feel more confident/comfortable
- Channels of communication and reasons for preference

- Preferred channel overall and reasons for this
- Circumstances in which they use online services – what drives this
- In what circumstances do they use non-digital services – what drives this

### **Tax credits journey map (25 minutes for online service participants; 15 minutes for paper/telephone services)**

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**Section aim:** *To fully explore tax credits experiences – using a mapping exercise to prompt participants’ memories and provide a structure for discussion. We want to understand expectations/hopes/experience around their given channel of use; what if anything were they concerned or nervous about; what problems did they experience; what questions they had; and what could have helped them resolve any concerns or hesitations. Where there is evidence of participant delays in managing their account the reasons for delay need to be explored, using targeted probing to identify potential triggers that could/would have overcome delay.*

#### **Mapping the journey:**

*Work with respondent to begin mapping out their tax credits ‘journey’ with HMRC over the past year – covering transactions around change of circumstances and renewals in detail. Encourage them to note every action and interaction they can think of that relates to tax credits or HMRC on the timeline: communications from HMRC, or from other advisors and influencers; discussions with friends, family or colleagues; interactions with HMRC; information gathering activity (e.g., for the identity assurance process).*

*Work with participants to map out actions in as much detail as possible, and to get specific interaction/activity points in the right order, before exploring each stage in more depth using the prompts below – and generally with the aim of understanding any barriers/triggers for action, and any communications/service design adjustments/supports which might support timely online account management. Discuss general feelings and experiences regarding each action/interaction on the map. Make notes on the map as you go.*

*Stimulus: As useful, use relevant screenshot stimulus as prompts for those who did use the digital service for tax credits renewals as a way to prompt memory.*

#### **Detailing the journey:**

- Their first interaction with HMRC about tax credits in the past year
- Any change of circumstances in the past year
  - What the change was
  - When (if at all) they decided to inform HMRC about the change

- Barriers to reporting the change
- Triggers for reporting the change (at renewal / not at renewal)
- Experience of reporting CoC
  - How easy to understand what to do?
  - What support did they need? Where did they get this support from?
  - Level of reassurance that they need?
- Channel choice for CoC
  - Why did they use the channel they did?
  - Did they think they could report it any other way?
  - [RESEARCHER NOTE: *Ensure that that Change of Circumstances decision making is probed fully – an online option is not yet available, but still interesting to know whether participant considered this option, and why they ended up choosing the channel they did*]
- Decision to act to renew tax credits
  - When they became aware of/remembered requirement to renew
    - Any trigger points? (E.g. adverts, word of mouth, renewal pack, etc)
  - When they decided to act (*Moderator to note any 'false starts' – e.g., 'not getting around to it', waiting for the deadline, concerns around complexity, and understand any barriers around this*)
  - When do they think that HMRC act on their renewal?
    - Does this make any difference to when they renew?
  - Explore barriers to contacting HMRC about renewal
    - Reasons for delay
    - How long tax credits are 'at back of mind' before action taken
  - Any particular prompts/triggers to renew
  - Who they discussed the process with at this point, if anyone
    - Family members / external support / friends
  - Clarity around exactly what they needed to do to renew their claim – any questions around this – any information seeking at this point

- Extent to which they felt they needed to act urgently – why/why not (e.g., around delays)
- At the point I realised/decided it was time to renew, I was worried about...
- Decision about **how** to renew tax credits (i.e. online, telephone, postal, etc.)
  - What channel options for renewal were they aware of at this time – what did they know – and from where
    - PROBE IF NOT MENTIONED: Did digital option come to mind?
    - Any information they remember from the notifications letter/renewal pack about what channel to use
  - What options did they consider for use – why
    - Influence of previous experience – have they always done it a certain way?
    - Did they require any assistance in the past?
  - Did they try to use any other methods – e.g. phoned before using online, tried to use online and then phoned, etc.
  - Who if anyone did they discuss channel options with; did anyone provide advice or speak about their own experience with renewals
  - What time of day they attempted to complete the transaction (*researcher to note if e.g. night-time closure of helpline contributes to driving people online in evening*)
  - Most/least attractive features of tax credits channels overall
    - NOTE TO INTERVIEWER: DO NOT SPEND TOO MUCH TIME ON PHONE SERVICE
  - Most/least attractive features of online renewal specifically
    - Online was best for me/wasn't suited for me because...
    - Thinking about renewing online made me feel...
  - Across the above, moderator to explore what participant expectations were based on (e.g., past experiences; others' experiences; guidance or advice; general channel expectations and preferences; experience with HMRC/Government/other services; etc.)
- Experience of tax credits renewal process [*Moderator to listen out for any 'pain points' in paper/telephone renewals which online renewals could have obviated; for online renewals or*

*online renewal attempts, to understand any perceived benefits and also any concerns that required support/assistance/reassurance or could have gone better.]*

- *(Online renewals only / or attempted to do so)* Awareness of identity assurance process *(Researcher note: IDA has gone through significant changes so experiences may vary between participants)*
  - Did they understand what they would need to do, and what supporting information would be required – if so, how – any concerns or confusion around this
  - Were they aware of what documents they would need? How did they become aware of this?
- *(Online renewals only / or attempted to do so)* Experience of identity assurance process and login
  - When did they actually collect any required information/documents; ease of this
  - Experience of assurance completion; any 'false starts' or problems around this; if so, any information or support seeking
  - Any difficulties with finding/providing log-in details
  - Any accessing of support services, e.g. helpline, to support assurance
- Experience of completing the renewal. *(For individuals completing online renewal, moderator to use screen shots to help participants remember actions taken at this stage)*
  - How easy to understand what was required
  - Any 'false starts' or need for additional information gathering – how easy was this
  - How long this process took
  - The best/worst part about renewing through this channel was...
  - Did they tell anyone about their experience of renewing online?
- Summary discussion on any support needed/received during process
  - What specific questions they had
  - Where did they go
  - Did they use paper guidance notes? How did these help? (EXPLORE IF THEY USED THEM ALONGSIDE ONLINE CHANNEL)

- How easy it was to locate support
- How satisfactory was support given, and any remaining questions or concerns
- Level of support / reassurance that they need
- Any progress chasing or reassurance calls? Why?
- *Particularly for any telephone support used, moderator to explore ways in which this could have been avoided or other ways that key information/reassurance messaging could have been provided*

*By the end of this stage there should be a comprehensive, annotated map of the respondent's recent tax credits journey.*

### **Reflecting on the tax credits journey (10 minutes for online renewals; 20 minutes for paper/telephone renewals)**

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**Section aim:** *Use participants' tax credits experience to prompt discussion around what might work in terms of supporting tax credits customers to use online services as a preferred channel.*

*For individuals already using online services, in this section we will challenge them to consider potential barriers to using this channel (e.g., barriers that they actually experienced, or barriers that friends and family might have). This can be a useful way to a) surface any implicit barriers/triggers not yet discussed, and ways these were overcome, and b) help provide insight around anything that made online renewals easier or more automatic as compared to peers.*

*For individuals who have used paper/telephone channels, in this section we will challenge them to consider how an online service would have worked for them – exploring any barriers and any potential mediating actions; how key needs currently satisfied by paper/telephone methods could have been met online; and any benefits of an online process in the context of their own situation.*

*Stimulus: As necessary, use screenshot stimulus as prompts to with those who did not use tax credits digital service, to indicate what it might potentially look like, and offer point of comparison*

#### **Re-thinking tax credits journeys:**

- *At each point in the journey, including both Change of Circumstances and Renewal, moderator to explore:*

- What concerns or questions people might have about taking an online approach
- How people would feel about trying to complete their tax credits interactions online (including both renewals and reporting change of circumstance)
- What could encourage them to try online
  - IVR promoting it?
  - Website only giving this option?
  - Other communication
- Any unexpected 'stumbling blocks'
- Comparisons around perceived costs/benefits with other channels
- Any other practical barriers (e.g., lacking information required for identity assurance process?)
- Perceived reasons that others might choose not to use tax credits online services
  - What barriers more important for others
  - Any barriers they haven't discussed

**Communications and/or design changes to support online renewals:**

- *At each point of information or support required to help support online channel use, moderator to explore:*
- What key information/reassurance messaging/advice is needed specifically to overcome the specific questions and concerns as outlined above – when would this have been needed – and in what format? *Moderator ideally to ask participants to come up with a 'message' in their own words*
- What benefits around online tax credits digital services might it have been motivating to know about this point (e.g., around speed, lack of 'hassle', etc.)
- Who is best placed to communicate the above – *spontaneous, then probe:*
  - Tax agents / financial advisers
  - Other professionals
  - Government communications (including social media)
  - Other communications sources (e.g. media / social media)
- Any changes to the process that might make renewals easier to use for people like them  
*Spontaneous, then moderator to explore potentials around:*

- Web chat
- Tax credit calculator
- Pop-up guidance
- Would a save and resume feature assist with online renewals?
- Would knowing how long the process would take or the docs needed help?
- Brief online tutorial / guide?
- Do they need a better reminder service (texts or other digital prompts)? Why?
- Summary discussion:
  - Anything from their experience that could be communicated to others to encourage take-up of online services (i.e. things that worked well for them/things that they would have needed)

### **Future use of online service (10 minutes)**

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**Section aim:** *To explore future intended behaviour around tax credits renewals, and to explore responses to proposed changes to the tax credits digital service*

#### **Continued use of tax credits digital services online:**

- Explore willingness to use tax credits digital services in the future
  - Compared with non-digital options, which are they more likely to use next time
  - Any particular factors driving them to use online services
  - Any particular factors driving them to use offline channels
  - [RESEARCHER NOTE: *Please ensure that both Change of Circumstances and Renewals services are covered*]

#### **Future changes to tax credit services:**

- Impact on behaviour if **reporting requirements were more frequent**. You would have to report your circumstances on a quarterly or monthly basis. If you had no changes then you would just confirm your circumstances, if you had changes then you would need to report these.
  - How do you feel about this?



- What impact would this have on you?
- Do you think this would be easy or difficult to do?
  - Why?
    - PROBE ON INCOME / HOURS How does this vary currently?
    - Would it be easy / difficult to report this?
- Would this make it more or less likely for you to report changes?
  - Why do you think this?
  - Thinking about specific changes that you've had, are there any ways this would help or hinder you?
  - Would it help you remember to report any changes?
  - Would you report changes in circumstances quicker?
  - What channel would you use to do this? Online?
  - *[If Online channel would be used]* Would you use the digital service more often?
- Impact on behaviour if **renewal pack was changed**:
  - Renewals being sent out only with a link to the online channel:
    - What would be your reaction to this?
    - What would you do?
    - Would you use online?
- Impact on behaviour if **no renewal pack** was sent – it had to be requested:
  - What would you do?
  - What impact would this have on you?
  - Would it make a difference to how you renewed? What difference?
- Impact on behaviour if **paper and telephone channels were changed**
  - Telephone channel reduced opening hours / or more difficult to get through / longer waiting times / shut altogether
    - What impact would this have for you
    - How long to wait before they would attempt another channel

No paper packs at all – HMRC digital 'account' only

- Any additional features they would like to see as part of tax credits digital service

- Any changes to digital service that could ensure tax credits renewals or changes of circumstance are made on time

### **Final thoughts and close (2 mins)**

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- Their thoughts on key triggers to take-up of tax credits digital services
- Any other comments
- Thank and close