



HM Revenue  
& Customs

## **Research report 626**

# **Supporting customers in financial distress**

**Qualitative research to better understand Self Assessment customers dealing with financial difficulties**

April 2021

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# 1. Executive Summary

HM Revenue and Customs (HMRC) Debt Management Directorate has observed low levels of engagement with its support communications for Self Assessment customers in financial hardship. To understand how best to engage and support this group of customers, HMRC commissioned Kantar Public to undertake exploratory qualitative research. The research aimed to understand the experiences of HMRC customers in relation to debt, barriers preventing engagement with HMRC communications and suggestions for improvement. A total of 15 in-depth telephone interviews were undertaken with Self Assessment customers who were in financial difficulty and had disengaged from HMRC communications.

## 1.1 Views towards debt

Participants shared similar views in relation to debt, including perceptions of the difference between money owed versus debt. Participants did not see themselves as 'debtors' and when thinking of debt, they were more likely to highlight those who owed money to them, such as their business customers. Timing was the key difference between how participants perceived money owed versus debt. With payments not yet due seen as money owed, whilst payments that had become overdue were viewed as debt. The term debt also implied a severity of situation which was associated with additional penalties for not being paid on time.

Participants with multiple debts to different creditors viewed their debts in a hierarchy. The most important debts to pay were said to be those that were a direct threat to their financial and physical security, such as mortgage and utility bills. This was followed by credit card debt which participants relied on in a practical and emotional sense, either for living expenses or because they were fearful of incurring penalties and accruing further debt. The outstanding payment to HMRC was often seen as the least urgent to settle as participants did not perceive HMRC as posing a 'direct' risk to their financial and physical security.<sup>1</sup>

## 1.2 Participants' debt journeys

There were three main ways participants accrued debt to HMRC. These included: a chaotic handling of their finances, administrative errors in completing Self Assessment due to inexperience and a distraction created by events in their personal life. Participants sought help from their friends/family and from charities. There were examples of participants choosing not to seek additional assistance to settle their debts. This was seen where they had an agent, where they felt beyond help, or where they were able to manage the issue themselves.

Generally, participants aimed to clear their debts over an extended period and could not afford to make the payment in a one-off sum. Where participants were able to settle their outstanding debt to HMRC through a one-off payment, this usually involved borrowing money from friends/family or working extended hours to earn more.

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<sup>1</sup> Where customers do not respond to HMRC communications, or refuse to pay, HMRC has debt enforcement powers to help HMRC collect outstanding tax. These powers come with the responsibility to use them carefully and fairly. HMRC takes that responsibility very seriously, and only use enforcement powers as a last resort.

### 1.3 Experiences of receiving debt communications from HMRC

After becoming aware of their debt to HMRC, participants took one of four actions: they phoned HMRC immediately; set up a payment plan with HMRC; contacted their agent; or ignored the communications and did not respond.

Whether participants chose to get in touch with HMRC was dependent on a series of drivers and barriers related to financial capacity, attitudes towards debt and HMRC, and understanding of the process or communication.

The key drivers to action included:

- **Financial capacity:** if participants had the money or access to money, they would pay off their debt. This money came from regular cashflow, cash reserves, and access to funds from friends or family members.
- **Size of the debt:** if the debt amount was small participants were more able to clear the debt.
- **Attitude towards debt:** having an outstanding debt to HMRC was considered stressful and this motivated them to act and resolve the situation if they had the financial means.
- **Confidence to interact with HMRC:** participants who were more financially confident and familiar with their tax affairs felt more able to discuss their debt with HMRC.

The key barriers to action included:

- **Lack of financial capacity:** where access to funds were not available, participants tended not to engage as they were unable to see how the situation would be resolved.
- **Fear of HMRC:** participants were fearful HMRC would lack understanding or be unsympathetic.
- **Feeling overwhelmed:** participants were in a state of denial and avoidance when money was owed to multiple creditors, meaning they did not get in contact with HMRC.
- **Lack of understanding:** there were examples of participants lacking understanding or clarity on the process or their debt which led them to disengage, including a misperception their agent was dealing with the issue and a lack of clarity on the money owed.
- **Confused by HMRC communications:** When participants did not understand why HMRC was contacting them about the debt, they took no action.
- **Time constraints:** participants thought the main way of getting in touch with HMRC was via a call line, and they felt they did not have the time during working hours to make contact with HMRC.

### 1.4 Views and preferences for HMRC communications

Channel preferences were varied with no single channel preference expressed. However, it was expected that initial contact be via a letter from HMRC, as it was felt this would add to the legitimacy of the communication. In terms of timings, participants wanted to be notified as early as possible about their outstanding payment and suggested it was reasonable to receive reminder contacts from HMRC monthly. The experience of how customers contacted HMRC, was said to be more important than how HMRC got in touch with them. They wanted contact to be as quick and easy as possible and to have the opportunity to let HMRC know about their

situation and to discuss potential actions for moving forward. There was no overall channel preference to get in touch with HMRC, some participants preferred the phone as it offered an immediate response once speaking to a call handler, others were happy to use an online chat function, if available.

## **2. Introduction**

### **2.1 Background**

HM Revenue and Customs (HMRC) has observed low levels of engagement with its support communications for Self Assessment customers who are in financial difficulty (those with long-term debt to HMRC and with a high debt to income ratio). HMRC want to learn how to best support these customers, through difficult times and help them meet their tax obligations. HMRC commissioned Kantar Public to undertake exploratory, qualitative research on how to engage and support this group of customers most effectively.

### **2.2 Research Aims**

The research aimed to:

- Gain an understanding of the experiences of customers in financial difficulty in relation to both HMRC and other creditors.
- Understand the barriers which prevent them from engaging with HMRC communications aimed at helping them.
- Develop recommendations on how to improve the experience of this group of vulnerable customers.

### **2.3 Method**

A qualitative approach was used to gain in-depth customer insight. Findings are based on 15 telephone interviews completed with Self Assessment customers, who were in financial difficulty and disengaged from HMRC communications in the past. Disengagement was classified as 'avoiding the issue or resigning themselves to do nothing about their outstanding payment to HMRC'. Kantar recruited the participants through sample provided by HMRC.

Participants were selected from a pool of customers who had been through one full HMRC debt campaign, through a similar campaign at a debt collection agency engaged by HMRC, and then through a second HMRC debt campaign. Campaigns will have included the receipt of several letters from HMRC demanding payment of the balance due or requesting inbound contact to discuss potential payment options. All debt balances were generated in the Self Assessment year ending March 2018 or March 2017 and had been subsequently cleared. No customers currently in debt to HMRC were contacted as part of the research.

Fieldwork was undertaken between 21<sup>st</sup> January and 11<sup>th</sup> February 2021. The achieved sample design is summarised in Table 1 below.

**Table 1 – Achieved quotas in final sample**

<b>Achieved quotas</b>		
<b>Gender</b>	Male	7
	Female	8
<b>Age</b>	25-34	1
	35-44	4
	45-54	5
	55-64	4
	65+	1
<b>SEG</b>	AB	3
	C1C2	8
	DE	4
ABILITY TO PAY: When I first received the notice about my outstanding HMRC payment, I was confident in my ability to pay it back	Strongly agree/ somewhat agree	5
	Strongly disagree/ somewhat disagree	10
ANXIETY: I felt anxious when I first received the notice about my outstanding HMRC payment	Strongly agree/ somewhat agree	13
	Strongly disagree/ somewhat disagree	2

Please note the findings are qualitative in nature, seeking to explore the views and experiences of participants. The data does not aim or allow for statistical analyses. The data presented in this report is neither representative nor generalisable and is not meant to be used to provide statistically significant results. In reading these findings, please also note that the views of participants willing to take part in research may differ from those of other customers.

Please note the type of communications received by participants interviewed for this research (and therefore the views expressed) are representative of customers who received pre-Covid communications. At that time HMRC Debt Management tailored communication in line with factors such as debt type, value, age, customer previous history and modelled propensity to pay. The communications were personalised to target these segments and used commensurate language and tone, including messages to self-serve and the consequences of noncompliance. Subsequently HMRC has changed the communications approach. Since COVID 19 all Debt Management communications have been changed to provide supportive messaging. All communications reference the impact of COVID 19 on the economy and recognise that this may be impacting on a customer's ability to pay. All communication now signposts to individual contact and invites a dialogue between the customer and HMRC to agree a suitable resolution as to payment including paying by instalment. This has been a

step change in the approach to the communications and it is likely that participants in this research would now experience a very different journey.

### 3. Views towards debt

This section explores participants' views towards debt and how they differentiate between money owed and debt.

Participants shared similar views in relation to debt, including perceptions of the difference between money owed versus debt. Participants thought timing was the key difference between money owed versus debt. For example, when a payment was not yet due it was seen as money owed, whilst when it was overdue it was viewed as debt. Participants felt they could be in debt to anyone, for example, the bank, business suppliers, credit card companies, friends, family. Debt also implies a more severe situation where they may incur penalties for failing to pay. Participants considered the outstanding payment to HMRC as a form of debt.

*“Money owed is not yet overdue, but I think there's also good and bad debt. Good are things you've arranged and are paying off as agreed like your mortgage and car finance. A bad debt is when it's overdue.” Self Assessment Customer*

*“Money owed is more like a bill or loan to be sorted out and a debt is more final, so you haven't sorted it out and someone is coming to your house to recoup the money.” Self Assessment Customer*

Participants were comfortable owing money to creditors. As small business owners, it was common for participants to have outstanding payments to business suppliers or for their customers or contractors to owe them money. Consequently, participants did not really see themselves as 'debtors' and when thinking of debt, they were more likely to highlight those who owed them money rather than those they owed money to. Participants cited examples where their contractors had been slow to settle money owed to them as a mechanism to maintain 'good cash flow' and while this was not seen as ideal, it was noted as common practice.

### 4. The hierarchy of debt

This section outlines how participants perceive their debts to HMRC compared to other creditors and how they prioritise paying their debts.

The most important debts to pay were said by participants to be those that were a direct threat to their financial and physical security. Participants thought it was important to prioritise paying their mortgage and utility bills and keeping their businesses operational. These were considered the basic essentials for survival. For those with children, the paying of the mortgage and utility bills first was non-negotiable. Similarly, keeping their business operational would enable them to pay back other creditors in future and was deemed 'common sense'.



*“The business has to come first as with out everything we need [we] can't run the farm.” Self Assessment Customer*

*“I prioritised the ones which shouted the loudest, it wasn't a choice - the banks were awful, they had no sympathy even when we lost the house.” Self Assessment Customer*

Following this, businesses prioritised debts to credit cards companies. Credit card companies were considered important from both a practical and emotional perspective. Participants were sometimes using these to pay business and living expenses to balance their finances. They therefore needed to keep these forms of credit accessible by settling parts of these debts each month. Furthermore, participants feared the potential penalties they could incur from the credit card companies. This was felt more acutely for those who had historic financial difficulties and had received visits from bailiffs in the past.

For participants with multiple debts to different creditors, the outstanding payment to HMRC was considered the least urgent to settle. This was because participants did not perceive HMRC to pose a 'direct' risk to their financial and physical security. The penalties they incurred did not have an impact on their day-to-day life. Participants who received infrequent communications from HMRC also felt this made them easier to ignore. How participants defined infrequent communications ranged from less than once month to once every six months. Participants paid more attention to creditors that 'shout the loudest'. This referred to those who made the most threats. This led them to appeasing creditors who posed a greater risk, or creditors who made more immediate requests for payment, such as those from the credit card companies and their debt collection agencies.

*“You pay your household bills so you don't go short and have to leave the others to build up. HMRC were at the back of the queue by comparison.” Self Assessment Customer*

*“HMRC isn't such a priority, you only get their bills every year not every week or month, so you don't worry about it until it comes in.” Self Assessment Customer*

However, while participants theoretically prioritised certain debts over others, the behaviour described was not always in line with this. With participants often adopting a 'fire-fighting' approach and paying 'some to all' creditors. This was not informed by the specific levels of interest for each debt, but rather the hope that if they paid a small amount, they would prevent the escalation of action taken by the creditors and avoid further interest accruing. This helped participants by providing more time to 'sort out' the debt and provided 'breathing space'.

*“They're all a priority - there is no luxury of postponing payments.” Self Assessment Customer*

## 5. Participants' debt journeys

The following section outlines participants' debt journeys, including how participants accrued their debts; the support or advice they sought to help with their debts; and how they managed to clear their debts.

## 5.1 How participants accrued their debts

There were three factors underpinning accrued debts to HMRC by participants, including chaotic handling of their finances, events in their personal lives and administrative errors.

Chaotic handling of their finances led to participants falling into debt with HMRC and other creditors. These participants had low tax knowledge and were unfamiliar with their own tax affairs. This meant they were heavily dependent on their agent to complete their Self Assessment and did not have the confidence or knowledge to verify their agent's submission. In the short term, this left them vulnerable to their agent's mistakes and other unforeseen issues, such as their agent's ill health which could lead to a late submission. Additionally, these participants often found that when 'business was slow' they struggled to cover operational costs. They generally operated on small margins and soon found themselves in debt to HMRC and other creditors leading to them feeling overwhelmed.

*"I told HMRC about the accountant's mistake and they said it's you who owes the money not them." Self Assessment Customer*

Participants described being distracted by events in their personal life. Where participants had gone through a significant life event this had left them distracted from their business, for example having an ill child, going through a divorce, or relationship issues. The life event was said to affect their business, resulting in reduced sales and less money coming in which created financial issues. This included debt with multiple groups for example, credit cards, utility bills, mortgage, business suppliers.

*"My ex was a nightmare, he left me with loads of debts and even took the car and sold it. My mum had no idea what was happening - I told nobody." Self Assessment Customer*

Debts further accrued to HMRC because of administrative errors. Examples included filling out their Self Assessment return incorrectly as they were new to Self Assessment, or due to change of address which the customer had not updated with HMRC, for example HMRC contacted them via letter at a previous address. These participants did not have debts with other creditors.

*"I was employed for half the year and self employed for the rest, I didn't know I should have told them, I wasn't clear on when to file a return, it was my first ever time and I felt I'd got in to trouble before I'd even started!" Self Assessment Customer*

## 5.2 Sources of support

In several cases, participants sought help from either their friends and family or charities. Friends and family offered both financial and emotional support to participants. Loans from family members were used to keep creditors at bay and to keep businesses operational. This form of support was preferred as friends and family were said to be familiar with participants' personal or business challenges and lent money without expecting interest on repayment or

no repayment at all. However, in some cases those who received loans described feeling guilty about accepting this type of support.

*“I had a little bit of support from my parents, I borrowed a few quid off them but they’re old, I don’t really like doing that if I can help it.” Self Assessment Customer*

Assistance and support with debt was sought from charities, including specific charities focused on the issue of debt. However, the help and support offered was often described as limited, primarily as the information was felt to be too generic or because the service was hard to access as a result of the opening hours which were during working hours. For participants who were aware of support services offered by HMRC, they were less inclined to use these due to scepticism around how objective the advice offered would be. Participants thought they would likely be focused on recovering the debt amount for HMRC rather than the financial wellbeing of customers.

*“[I’m] unable to call them [debt advice charity] between 9 - 4 as [I’m] working. They seem more for the unemployed” Self Assessment Customer*

There were examples of participants not seeking assistance in settling their debts. Businesses who used an agent were often reluctant to seek other forms of assistance or advice. They felt their agent already acted as a source of financial support and they did not feel they needed, or should need, anything further. Others chose not to seek help as they were unsure what assistance was available, this was particularly the case where participants lacked the money to repay their debts and so did not see what advice or support could be offered to help them.

*“What’s the point in talking to someone if you don’t have the money to pay and they can’t pay it for you.” Self Assessment Customer*

*“I had the help and support from my accountant and the ministry” Self Assessment Customer*

Finally, in cases where the participant had a small amount of debt to HMRC and no other debts to creditors, they did not feel they needed help and were able to resolve the situation independently or through their agent.

### **5.3 Clearing their debts**

Generally, participants had to clear their debts to HMRC over an extended period of time and could not afford to make the payment in a one-off sum. These participants paid their debts through instalments in the following ways:

- Paid off via a payment plan set up through HMRC.
- Paid via a standing order they set up through their bank as they did not want to interact with HMRC.

- Paid once a month but not through a payment plan or standing order as their income was not secure and they were not certain they could make the minimum payments every month.

*“A payment plan wasn’t an option as such as I was just living day by day, then I could release some assets to pay – [HMRC] were quite sympathetic.”*

*Self Assessment Customer*

*“We renegotiated the amount as we went along, so I just paid what I could each time.” Self Assessment Customer*

Participants were able to afford to make these payments by working extended hours/ taking on more jobs to increase their pay and living on a restricted budget in other areas of their life. Paying back the debt to HMRC over an extended period of time meant participants were able to pay back other creditors simultaneously.

Other participants settled their outstanding debt to HMRC through a one-off payment. Ability to afford these payments depended on their circumstance and in some cases, participants secured finance from other sources. For example, utilising tax refunds from other tax obligations, their parents taking out equity on their home to pay off participant’s debt or taking out a bank loan. For the participant that took out the bank loan, this action was said to be driven by a desire to stop further communications from HMRC in relation to their debt. Debts were also cleared by one-off payments.

## 6. Experiences of receiving debt communications from HMRC

This section explores how participants felt on learning of their debt to HMRC and what immediate actions they took next. It further outlines the drivers and barriers determining whether participants chose to engage or disengage from HMRC communications.

*All participants had an emotional response to receiving contact from HMRC and becoming aware of their debt. This left them feeling surprised, stressed and uncertain around how they would pay back their debt. “It was a big surprise - they should have got in touch with us sooner to let us know and more regularly before it got so much. Then it wouldn’t have been so much and we might have been able to pay it.” Self Assessment Customer*

Of the participants interviewed, four actions emerged:

- They phoned HMRC immediately.
- Set up a payment plan with HMRC.
- Contacted their agent.
- Ignored the communication and did not respond.

### 6.1 Drivers to taking action

For participants that chose to take action they were motivated by a series of drivers. These included:

- **Financial capacity:** participants had the money, or at least some of the money available, to clear the debt. This was contingent on participants having cash reserves, regular cashflow or access to funds from friends or family members, or loans from the bank.
- **Size of the debt:** cases in which the debt amount was small and where the participant did not have other creditors to pay were easier to clear. They also seemed a less overwhelming sum.
- **Attitude towards debt:** having an outstanding debt to HMRC was considered stressful to participants. Participants were motivated to act and reported to 'just want it sorted.' Participants needed to have the means to be able to clear the debt to take this attitude.
- **Confidence to interact with HMRC:** participants who were more financially confident and familiar with their own tax affairs felt more confident and able to discuss their debt with HMRC.

## 6.2 Barriers to taking action

Unsurprisingly, given the research was undertaken with participants who did not engage with HMRC or settle their debt promptly, more barriers to taking action than drivers were identified. For participants who disengaged from the HMRC communications, these included:

- **Lack of financial capacity:** participants did not have the money available to clear the debts or were unaware of the detail of their financial situation and reliant on their agent to help them. Participants thought HMRC just wanted them to settle their debt and did not consider HMRC may want them to get in touch or discuss any support services available to help them to manage their debt.

*"I didn't know the bill was going to be so high. The accountant hadn't said and I hadn't put any money aside. I was new to all this and didn't know what I was doing." Self Assessment Customer*

- **Fear of HMRC:** participants were fearful that HMRC would be unsympathetic and would not understand their situation. These participants had a negative perception of HMRC, which was based on an image of HMRC rather than any direct negative experience.

*"You know you have this phobia of phoning the HMRC...[you] think they are going to come and knock on your door and take everything away from you ... but I built up the courage and spoke to someone and they were very good." Self Assessment Customer*

- **Feeling overwhelmed:** participants were in a state of denial and avoidance when money was owed to multiple creditors. They did not engage until they felt emotionally ready to deal with situation.

*"I thought there must be some mistake. It was unbelievable. A thousand pounds was one thing, but all those extra zeros had to be wrong." Self Assessment Customer*

- **Believed their agent was dealing with the issue:** these participants were unaware they were 'disengaged' with HMRC and falsely believed their agent had been in contact with HMRC on their behalf.

*"It's very unfair if problem is caused by your accountant. I delayed getting in touch with HMRC as I thought she was dealing with it." Self Assessment Customer*

- **Confused about the debt amount:** participants disengaged when they did not understand the debt amount owed to HMRC. While debts were active with HMRC, the debt accrued could increase or decrease as money owed was repaid or deductions calculated. The live nature of the calculations meant participants felt they could not verify the number themselves. Participants with an agent used them to confirm the calculations. Participants preferred to pay the minimum amount suggested by HMRC to avoid overpaying and ensure they could pay other creditors.
- **Confused by HMRC communications:** When participants engaged with HMRC after a period of time but then received confusing communications from HMRC this led them to revert back to disengagement. For example, where participants had taken action and set up a payment plan with HMRC but then received ongoing communications from a debt collection agency. This made them feel anxious and less willing to communicate further with HMRC.

*"They called sometimes about letters which hadn't even arrived yet, so they called and I didn't know what they were talking about. The letter then arrived the next day so only then I'd know what they were on about." Self Assessment Customer*

- **Time constraints:** participants thought the main way of getting in touch with HMRC was via a call line. However, when calling HMRC they experienced long wait times which disrupted their working day and resulted in a loss of income, meaning they had less money to settle the debt.

*"I wasn't going to call them again to wait another 60-90 minutes for nothing." Self Assessment Customer*

## 7. Views and preferences for HMRC communications

This section describes participants' preferences for receiving HMRC communications, including: the channel for contact, tone used throughout communications, frequency of contact, the message content, and the appropriate time to make first contact. It also details what customers would have liked to let HMRC know about their debt situations and how they would have liked to do so.

### 7.1 Channel preferences

Channel preferences were varied with no single channel preferred across the group. Although they had varied preferences for subsequent contact, participants expected to receive an initial letter from HMRC informing them of the debt. A letter felt most official and provided reassurance the contact is genuine and not a 'phishing scam'. Participants' feedback on channel preferences is outlined below.



- **Letters:** participants thought letters seemed official and less likely to be a scam compared to other channels. They also thought having a 'hard copy' letter made it more likely to 'stick in their mind'. Participants also felt this channel was more suitable for those who are less confident with technology or do not have access to the internet. However, they pointed out a key limitation of letters: they may fail to reach participants if they become lost in the post or if there is a change in address where HMRC have not been updated. Participants also felt letters are easy to put aside and forget. Additionally, as described above, the debt balance may change from the time the letter is generated to the time the letter is received by participants, meaning it could be out of date quickly.

*"They called sometimes about letters which hadn't even arrived yet, so they called and I didn't know what they were talking about and the letter arrived the next day so then I know what they were on about. It was extremely stressful. So they'd be saying you owe £5K still and I'd paid a £1K, but then I'd get the letter saying it was paid - it's very confusing."* Self Assessment Customer

- **Emails:** for participants who were confident with technology, emails were a useful channel to receive HMRC communications. Emails were said to be easily retrieved from an email inbox and would mean information from HMRC could be easily shared with their agent. However, participants also noted that emails from HMRC are often assumed to be 'phishing scams' and can be easily missed if they go into the junk folder or are easily forgotten amongst other emails.

*"The revolution has already started and there's more email communication now instead of letters. It's quicker and easier and with COVID we've all had to get used to it - even dinosaurs like me. They're better than the phone too as you don't know who's calling and you can sort emails out when you have the time or just reply quickly between jobs."* Self Assessment Customer

- **Phone:** participants liked that a phone call would enable them to speak to HMRC directly and get clarity on their options quickly. It was also said to be a good channel for engaging directly with an HMRC adviser who could provide reassurance to customers who may be feeling overwhelmed and offer advice to those struggling to navigate Self Assessment. However, several limitations were noted, including concerns about receiving calls from HMRC at inconvenient times; not picking up a call if it was from an unknown number; and concerns about potential for variability in the customer service, specifically the tone of the HMRC adviser, which if negative may lead them to further disengage.

*"If they warn you about a call in the letter you can then expect it."* Self Assessment Customer

- **HMRC business tax account:** participants felt this channel seemed official, and less likely to be a 'phishing' scam. Those who were familiar with their account described how they found the information to be clearly presented and up to date. However, some customers said they had struggled in the past to log on via the gateway and to

navigate the platform. Additionally, this channel was not seen as suitable for customers who are not digitally confident or do not have access to the internet.

*“I use my online tax account now so I can go online and look at it myself which is quite straightforward ...rather than having to call them up and have people tell me different things.” Self Assessment Customer*

- **SMS:** participants felt SMS could play an important role in reminding customers to repay their debt when they had forgotten. However, this channel was seen as less official and could be viewed as a ‘phishing’ scam. Moreover, receiving messages directly to your phone had the potential to make customers feel overwhelmed or bombarded.

## 7.2 When to first contact participants

Participants described wanting to have been notified as early as possible about their outstanding payment so they could have acted to stop the penalties accruing further. Participants felt if the penalties had been less, they would have been easier to pay and the participant may have engaged earlier. Participants who did not realise they had outstanding money owed to HMRC, felt it was unfair that it was treated like an immediate debt. Instead, they wished they had been notified of money outstanding with a grace period to try and gather the money together. They expected if they went past the deadline HMRC would then escalate the frequency of communications.

*“If they had got in touch directly with me sooner...it might have been sorted out sooner with their support.” Self Assessment Customer*

## 7.3 How often participants wanted to be contacted

Participants typically cited that once a month would be an appropriate interval to be contacted by HMRC until the issue was resolved. Once customers have agreed a payment plan with HMRC or explained they cannot pay, they expected to hear from HMRC less frequently. They also expect not to receive messages from debt collection agencies once they enter into a payment agreement with HMRC. Participants thought the impact of contacting someone too much could be overwhelming for the individual and may feel like harassment. For those already feeling overwhelmed by the situation this may lead to further disengagement. However, other participants thought, if given the opportunity, they would ignore the HMRC communications, so the frequency was needed to keep them reminded of the issue.

*“It’s hard to say how much is too much or too little as it depends on the person and their situation. Too much could harass someone and affect their mental health.” Self Assessment Customer*

*“If you’re not hearing from them you put it to one side and forget about it, you know you still owe them money but you can just leave it as they’re not getting on to you all the time. They’re not getting in touch with us so we’ll just leave it.” Self Assessment Customer*



## 7.4 Tone

Despite participants reporting they had responded to other creditors that had adopted a threatening or negative tone, participants did not expect, or want, HMRC to adopt this approach. Instead, they expected a tone that was either neutral and factual or more supportive and understanding of their situation.

*“I expect a difference in their approach as HMRC can't bully people, they need to be fair with everyone.” Self Assessment Customer*

*“I expect the government style is more matter of fact, professional, not emotional or threatening.” Self Assessment Customer*

Participants preferred supportive communications around their debt rather than punitive ones as it provided greater reassurance. For those who had a fear of approaching HMRC, they felt communications with a negative tone would increase their feelings of anxiety and act as a further barrier to engagement.

*“They need to facilitate lines of communication to help people resolve the problem. It's complicated and people make mistakes. If they're too heavy handed people will avoid the situation and it will get worse.” Self Assessment Customer*

## 7.5 Message content

Participants wanted to know what they should do next after being notified about their outstanding debt to HMRC. This was particularly important for those participants who thought HMRC just wanted them to settle their debts, rather than signposting them to support. Participants thought the following information should be provided to encourage engagement:

- How to get in contact with HMRC about the payment.
- The options available to clear debts and the advantages and disadvantages of each option.
- What will happen if they do or do not respond HMRC.
- When they should expect to hear from HMRC again.
- How HMRC will get in touch with them next.
- How to set up a payment plan online, without having to call HMRC.

*“It means you're able to start a dialogue quickly and easily which is really important.” Self Assessment Customer*

*“If they warn you about a call in the letter you can then expect it.” Self Assessment Customer*

## 7.6 Participants' views on how they want to get in touch with HMRC

Participants wanted it to be clear in all communications from HMRC, how they could get in contact with HMRC to engage in a two-way dialogue. They wanted this process to be as quick and easy as possible with the ability to get in touch at a time convenient to them.

*"I love the idea of a quick and easy way of getting in touch [with HMRC] for whatever reason. If they make it easier it's less likely for people to put it off. I'd prefer to do it online unless they give you a direct line or an automated service." Self Assessment Customer*

If they were making contact with an adviser at HMRC they wanted it to be someone who was familiar with their case as this would avoid them returning to 'square one' each time they made contact.

*"They have to make it easier to communicate with them. When you're working a 60/70 hour week it's impossible. You can go around in circles." Self Assessment Customer*

Participants also wanted to let HMRC know about their situation and what potential actions were feasible for them, so that any action HMRC advised incorporated the nuance of their situation and ultimately, would not have been detrimental to the participant. They also wanted to let HMRC know over what period of time it was feasible for them to make the repayments. For participants that were fearful of HMRC this was particularly important. Others simply wanted to inform HMRC that their agent was handling the situation.

## Appendix A: Method

### Fieldwork

All interviews lasted up to one hour and were conducted via telephone. Interviews were conducted using a topic guide that had been developed to reflect the aims of the study. The interviews started with introductions and a discussion to understand participants' views around debt, followed by their individual debt journey and finally their views on HMRC communications.

### Analytical approach

A robust and systematic approach was applied to analysing the qualitative data. This consisted of two key elements:

- Process-driven elements using Kantar's matrix mapping technique. Recordings of discussions were coded and systematically summarised into an analytical framework organised by issue and theme. The framework was developed to reflect the research objectives.
- Interpretative elements focused on identifying patterns within the data and undertaking analysis between participants. This process created descriptive accounts and explanatory data, which came not only from aggregating patterns but by weighing up the salience and dynamics of issues.

Verbatim quotes are used throughout the report to illuminate and bring to life key findings and are attributed as follows: *"Quote."* *Self Assessment Customer*.