



## Factsheet: Public Authorities (Fraud, Error and Recovery) Bill Overview

The Public Authorities (Fraud, Error and Recovery) Bill intends to safeguard public money by reducing public sector fraud, error and debt. To do so, the Bill includes powers to better identify, prevent and deter public sector fraud and error and enable the better recovery of money owed to the taxpayer where public money has been stolen or overpaid.

The Bill introduces new powers to enable the Public Sector Fraud Authority (“PSFA”), within the Cabinet Office, to investigate public sector fraud outside of tax and social security, using its expertise to act on behalf of other parts of government.

The Bill also introduces new powers to improve the Department for Work and Pensions’ (“DWP”) ability to tackle fraud and error in the social security system.

### What does the Bill do?

The PSFA measures in this Bill will:

- Give the PSFA powers to investigate, enforce and recover fraud arising in any public authority. All the PSFA measures exclude HM Revenue & Customs (“HMRC”) and the Department for Work and Pensions, who have their own counter fraud and recovery powers. This means the PSFA powers listed below do not apply to the DWP or HMRC.
- Allow the PSFA to initiate or adopt investigations into public sector fraud at the request of the affected public authority, reducing reliance on the police and ensuring all parts of government have access to the capabilities necessary to tackle fraud.
- Give the PSFA civil information gathering and information sharing powers, that will enable the PSFA to compel information holders to provide information as part of a fraud investigation and lawfully share it.
- Allow the PSFA to request communications data from telecommunications operators, when authorised by the Investigatory Powers Commissioner’s Office, to identify persons of interest and evidence the fraud.
- Improve the Government’s ability to recover losses as a result of fraud or suspected fraud against public authorities, through new debt recovery and enforcement powers. This could be directly from an individual’s earnings or bank accounts to recover fraud-related debt identified through PSFA investigation, or from an application of a penalty on behalf of a public authority.
- Introduce new, strong non-criminal financial penalties to provide an alternative to prosecution to reduce the dependence on costly, time-consuming criminal routes. This will also serve as an important deterrent against fraud in the public sector.



- Extend the limitation period for Covid frauds so that the Government has up to 12 years to take action, preventing the time period for claims against some fraudsters ending potentially as early as March 2026.

The DWP measures in this Bill will:

- Modernise DWP's investigation powers to help prove or disprove suspected fraud more quickly. Some of the powers which DWP relies on to investigate fraud are over 20 years old – DWP needs to keep pace with offenders who exploit the social security system and improve access to information.
- Allow DWP to take greater control in investigations into serious organised crimes through new powers of entry, search and seizure, so DWP can take greater control of investigations into criminal gangs defrauding the taxpayer.
- Address inequity in debt recovery by allowing DWP to recover debts from individuals who are no longer on benefits or in PAYE employment, who can pay money back but have avoided doing so, without needing a court order. Where all other attempts at recovery have failed, it will also enable DWP to apply to court to temporarily disqualify such a debtor from holding a driving licence.
- Through DWP's Eligibility Verification Measure, require banks and other financial institutions to examine their own data sets and provide data to help identify where someone may not be meeting the specific eligibility criteria of a benefit. This will help DWP identify incorrect payments and prevent debts accruing for claimants. The powers will not give DWP access to any claimants' bank accounts, nor any information on how claimants spend their money. DWP will not share any personal information with banks or other financial institutions and a member of DWP staff will always be involved in any further investigations and decisions made on entitlement, as they are now.
- Update the penalties regime by extending the Administrative Penalty DWP can apply for fraud to non-benefit payments (e.g. grants) to ensure there is fairness in dealing with fraud across the social security system. The Bill also removes the Loss of Benefit from cases where an individual accepts an Administrative Penalty for fraud. This reserves the Loss of Benefit for the most serious cases of fraud taken to prosecution in the courts, meaning the most serious consequences for fraud are for the most serious crimes.

## Oversight

As the Bill introduces new powers for DWP and the PSFA, it is necessary that there is appropriate oversight to ensure the powers are used proportionately and effectively. The Bill introduces new and important oversight so that this is the case, this includes:

- **Independent inspections and oversight for investigations powers** – Respective Ministers in DWP and the Cabinet Office will commission His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS), an independent body, to inspect the use of DWP's and the PSFA's investigatory powers. DWP will also appoint His Majesty's Inspectorate of Constabulary in Scotland.



- **Independent oversight of PSFA powers** - The Cabinet Office will create a new Independent Chair, to whom a new internal oversight team within PSFA will report. These bodies will carry out reviews and report on whether the use of the powers is in keeping with the legislation, codes of practice and relevant guidance, as well as being effective. Ministers will publish these reports and lay them in Parliament.
- **Independent oversight of DWP's Eligibility Verification Measure (EVM)** – The Secretary of State will appoint an independent person to oversee the use of the new Eligibility Verification Measure. This person will assess whether the powers are being delivered in line with the legislation and code of practice. They will also report on whether the Measure has been effective in identifying incorrect payments. The Secretary of State will publish the report and lay them before Parliament
- **Independent complaints** - The Bill allows the Independent Office for Police Conduct (IOPC) to carry out independent investigation following serious incidents or complaint against DWP & the PSFA following any activities undertaken by a warrant. For DWP, the Police Investigations and Review Commissioner will undertake this in Scotland.
- **Rights of representation, review and appeal** – The Bill gives individuals more representation, review and appeal rights, over and above those that already exist. For DWP, this includes review and appeal rights for bank and financial insinuations who are persons given eligibility verification notices. It also includes representation and appeal rights for the new DWP debt recovery powers. For PSFA, the Bill creates new rights of review and, where appropriate, appeals across the civil penalty, debt recovery, and information gathering powers
- **Codes of Practice** – The PSFA and DWP will introduce new Codes of Practice for relevant measures, which will be consulted on and published to govern the application of these powers contained in the bill.

## Why is the Bill needed?

- Fraud against the public sector is a significant and constantly evolving challenge. This requires a robust and resolute response. This Government will not tolerate fraud or waste anywhere in public services.
- In the social security system overpayments from fraud and error currently cost the taxpayer almost £10 billion a year and since the pandemic, a total of £35 billion of taxpayers' money has been incorrectly paid to those not entitled<sup>1</sup>.
- Outside of the social security and tax system at least £3bn is being lost to fraud and error per year<sup>2</sup>.

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<sup>1</sup> <https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-financial-year-2023-to-2024-estimates/fraud-and-error-in-the-benefit-system-financial-year-ending-fye-2024>

<sup>2</sup> <https://www.nao.org.uk/wp-content/uploads/2024/11/fraud-overview-2023-24.pdf>



## Public Sector Fraud Authority



## Department for Work & Pensions

- This Bill will reform the legislative framework to safeguard taxpayers' money by helping identify, prevent and deter fraud and error across the public sector, and enable the better recovery of debt owed to the taxpayer.
- To meet the challenges presented by the scale of fraud and error, it is essential that all of government has access to the capabilities and tools required to investigate fraud, detect error and recover debt. This Bill will address the gap across the public sector and enable the PSFA enforcement unit to investigate and deal with public sector fraud outside of the tax and social security system.
- The Bill will also modernise DWP's powers to ensure money spent is reaching those who need it, and not those who exploit the system. This will result in more money being recovered, more robust action being taken against those who attack the system, and an increased deterrent to potential fraudsters. The powers contained in this Bill to address overpayments in the social security system will be tough on criminals and fair for the taxpayer – and DWP claimants - that money in the public sector is spent wisely and effectively.
- The Bill is estimated to deliver total benefits of **£1.5 billion** over the next five years.
- For DWP, this Bill forms part of wider government plans to save a total of £8.6 billion over 5 years in the biggest welfare fraud and error budget package in recent history.

### How will we do it?

- The Bill was introduced into the House of Commons on 22<sup>nd</sup> January 2025. Further details on many policies in the Bill have been provided in the Bill's explanatory notes and accompanying factsheets to this 'Overview'.
- DWP and the PSFA will be developing Codes of Practice ("COP"), for relevant measures, which will be consulted on, seeking input from all stakeholders. The COP will inform the rules which government, third parties and industry must follow when the powers come into force.
- The Government will begin implementing the Bill measures from 2026. For the Eligibility Verification Measure, the Government will implement a 'test and learn' approach to ensure the new powers to tackle public sector fraud are being used proportionally and effectively. DWP and the Cabinet Office will continue to work with industry to implement the new measures, consult stakeholders on Codes of Practice and publish guidance.
- The Bill introduces strong safeguards, reporting mechanisms and independent oversight, to ensure the powers contained in the Bill will be used fairly and effectively. These oversight measures will ensure DWP and the PSFA are delivering these measures proportionately and effectively in line with legislation and the Codes of Practice.