



Factsheet: DWP Debt recovery powers in the Public Authorities (Fraud, Error and Recovery) Bill

What is the current policy?

Where an individual owes money to DWP and does not repay their debt voluntarily DWP can currently recover the money owed by making affordable deductions directly from benefits or directly from PAYE earnings.

Where someone is no longer in receipt of benefits or in PAYE employment, DWP is unable to recover the debt without a court order if the debtor refuses to pay voluntarily. This means that some individuals who can repay their debt deliberately choose not to, despite repeated requests to do so. This creates inequity in the approach to DWP debt recovery and results in losses to the taxpayer. In England and Wales, DWP can currently attempt to recover directly from a debtor's bank account by seeking a third-party debt order via the court; however, these orders only allow recovery of debt by lump sum amounts which may not be affordable.

Policy intent

DWP is broadening its debt recovery and enforcement powers to address the disparity in debt recovery by recovering more of taxpayers' money owed by those no longer on benefits or enrolled in PAYE without unnecessarily using the court's time.

The powers in the Bill to recover debt from bank accounts through lump sum or regular deduction orders and to seek from the court temporary disqualification from holding a driving licence broadly mirror arrangements in the Child Maintenance Service (CMS) which have proved effective in debt recovery.

These new powers will operate alongside DWP's existing debt management and enforcement powers. DWP would only use the new enforcement powers as a last resort, where repeated attempts to negotiate a voluntary affordable and sustainable repayment plan have failed. The new powers are expected to have a deterrent effect, encouraging debtors to work with DWP to agree affordable voluntary repayment plans.

How will it work?

The new powers will allow money owed to DWP to be recovered from an individual's bank account by issuing a direct deduction order to their bank for a regular or lump sum deduction, where these individuals are not on benefit or in PAYE employment.

It will also, in the most serious cases where individuals have persistently and deliberately evaded repayment of debt, enable DWP to apply to the court to temporarily disqualify an individual from holding a driving licence where the court is satisfied that the debtor had the means to repay and did not without good reason. Again, this will only apply to individuals who are not on benefit or in PAYE employment.



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Debtors will always have the option of setting up affordable repayment plans in line with existing policy and any enforcement action can be stopped subject to the debtor maintaining the repayment terms.

Deduction Orders

DWP will always conduct affordability and vulnerability checks to ensure repayment terms are affordable. Unlike the current third-party debt order obtained via the court, the Bill will allow the Department to issue orders for regular deductions, as well as to check affordability of repayments by obtaining bank statements.

The Bill limits the maximum amounts that can be regularly directly deducted from an individual's account to prevent excessive deductions and sets out that the deductions must not cause hardship in meeting essential living expenses (such as food and accommodation) to the debtor, those in their household or those financially dependent on them.

Where a financial institution has been instructed by DWP to make regular or lump sum deductions, the Bill allows the bank to deduct an administration fee from the debtor to cover the costs of administering the deduction (the amount will be capped in legislation). Debtors can avoid this fee by negotiating an affordable and sustainable repayment plan with DWP prior to the deduction order being enforced.

Disqualification from driving

In the most serious cases, where an individual repeatedly and persistently evades repayment and the debt balance is more than £1,000, DWP may consider an application to the court to temporarily disqualify the debtor from holding a driving licence to secure repayment. Like the new powers for deduction orders, this will only apply to those no longer on benefit or in PAYE employment.

When considering the disqualification, the court must first determine that the debtor had the means to repay their debt to DWP but did not - without a reasonable excuse. The court must also consider whether the debtor has an essential need to drive, including for work or, for instance, to fulfil caring responsibilities.

The disqualification will always be suspended subject to the debtor complying with repayment terms set out by the court. The debtor can avoid the actual disqualification by maintaining those repayments. If they fail to do so without good reason, disqualification can occur which will last up to two years and will end early when/if the money owed to DWP is repaid.

Oversight and safeguards

DWP is committed to ensure these powers are used proportionality and effectively. In addition to the existing safeguards already in place within the Department's debt recovery processes, the reforms to the debt recovery powers have the following strong safeguards:

- **Last resort options** - DWP will only be able to use the new powers as a last resort where recovery cannot be made from benefits or PAYE earnings and where all other attempts to negotiate an affordable and sustainable repayment plan have not been successful and recovery by existing methods is not possible.



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- **Affordability checks** - Affordability and vulnerability checks will be carried out before any deductions are made. This is to ensure that deductions are affordable and will not cause undue hardship in meeting essential living expenses to the debtor, those in their household or those financially dependent on them. The Bill limits the total amount of deductions that can be made under a regular direct deduction order to protect debtors from excessive deductions.
- **Rights to representations, reviews and appeals** - The individual will be informed of the proposed deductions before any recovery action takes place and will be invited to make representations to DWP before the deductions are made. The individual will also have appeal rights to the first-tier tribunal.
- **Right to request variation** - At any time, the debtor has the right to apply for the order to be varied. This is to ensure that where the person's financial circumstances change DWP can make the relevant changes where necessary
- **Code of Practice** - DWP will consult on and publish a Code of Practice which will govern the application of these powers.
- **Disqualifications are assessed by a court** - For driving disqualification orders, the court decides whether to make the order and its terms. The individual has the right to make representations to the court, including about the repayment terms and whether they have an essential need for a licence. The individual can ask the court to vary the terms at a later stage. They could also appeal the court's decision, if there was an arguable error of law.
- **Independent complaints procedures** - As is already the case, an individual can also use well-established complaint procedures including the Independent Case Examiner and Parliamentary and Health Services Ombudsman.

Key statistics

- As of March 2024, DWP had a debt stock (money owed to DWP and not yet repaid) of £9.4 billion. £3.1bn of new debts were added to the debt stock in 2023/24.
- At January 2024, there were 885,000 debtors who were off benefit and not in repayment.¹
- At Budget 2024, the OBR estimated that these powers would allow recoveries of an extra £565m.

¹ <https://publications.parliament.uk/pa/bills/cbill/59-01/0167/ImpactAssessment.pdf> (Page 75)



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- Assuming the rates at which deduction orders are used are in line with those seen in the use of similar powers by HMRC² and CMS³ once the new debt powers are fully rolled out:
 - The possible range of annual bank statement requests could be in the tens of thousands up to around 110,000.
 - The possible number of annual requests for deduction orders is likely to be fewer than 20,000 and could be much lower.

² <https://www.gov.uk/government/publications/direct-recovery-of-debts-intervention-review/review-of-the-direct-debt-recovery-intervention#annex---objections-and-appeals>

³ Table 6.1 <https://www.gov.uk/government/statistics/child-maintenance-service-statistics-data-to-september-2024>