



Department
for Work &
Pensions

Dr Stephen Brien
Chair, Social Security Advisory Committee
Caxton House
Tothill Street
London, SW1H 9AJ

14 September 2026

Dear Stephen,

The Social Security (Further Methods of Recovery) Regulations 2026

Thank you for your letter regarding the Social Security (Further Methods of Recovery) Regulations 2026 and the detailed consideration of these provisions given by the Committee throughout the scrutiny process.

The Committee recognises the underpinning policy intent to develop a recovery framework that brings greater fairness to DWP debt recovery. The framework enables recovery from those who choose not to repay whilst important legislative and operational safeguards ensure that recovery action remains proportionate to the circumstances of the individual.

These regulations further develop the operational framework for the new recovery powers introduced by Parliament through the Public Authorities (Fraud, Error and Recovery) Act 2025¹ (PAFER Act). The PAFER Act provided DWP with the powers to undertake Direct Deduction Orders (DDOs) or seek disqualification from driving orders for overpayment and penalty debt recovery purposes and introduced the key safeguards governing their use. These are not novel powers for DWP, having been successfully utilised by the Child Maintenance Service since 2009 for the collection of ongoing child maintenance payments and arrears. When implemented later this year, these powers will ensure those who have been able to evade repayment can no longer do so and will contribute to the estimated benefits of £1.5bn expected to be delivered by the PAFER Act by 2029/30.

As you are aware, those powers are already in force as part of the Social Security Administration Act 1992 (the Act²), following careful consideration of the detailed provisions in the primary legislation by Parliament to ensure these powers are necessary and proportionate. The Department could apply the powers immediately, if it wished, but doing so without having further provisions in place leaves some uncertainties about how they would operate in practice.

¹ [Public Authorities \(Fraud, Error and Recovery\) Act 2025](#)

² [Social Security Administration Act 1992](#)

The purpose of these regulations is therefore to ensure those powers are applied consistently, fairly and as Parliament intended. The framework established across the primary and secondary legislation is based on the principle that engagement and voluntary repayment will always be the preferred outcome, as I made clear in Parliament throughout the passage of the PAFER Act. Under the Act, the new recovery powers can be used only where reasonable opportunities to engage have been provided and existing recovery methods have proven ineffective. Applications for suspended driving disqualification orders will be reserved for a limited number of the most serious cases where an individual has persistently evaded repayment without reasonable excuse, reflecting the intent that the power operates truly as a last resort involving deliberate and persistent non-compliance.

The Committee outlines concerns relating to the operation of the new recovery powers. In considering those points, it is important to recognise that the fundamental legal and policy framework, including the recovery powers and the safeguards governing their use, were established by Parliament through the PAFER Act following extensive scrutiny and debate. As I'm sure the Committee recognises, the relevant regulation making powers are narrow and cannot amend the detailed provisions included in the Act. These regulations do not create new recovery powers; rather, they add to the detailed operational framework required to implement recovery powers that Parliament has determined should be available to DWP, for example, by making provision about how deduction notices and orders are exchanged between parties and decision-making about income or capital to be disregarded in affordability assessments. The Department's focus in developing these regulations has therefore been to ensure that those powers are exercised in a fair, proportionate and transparent manner, as intended by Parliament. The question is not whether the Department should have these powers, or the circumstances in which they can be used, but rather how they should be used in practice.

The Department has published a Code of Practice³ following public consultation, which provides information on how the new recovery powers will be used, ensuring their safe, effective and proportionate use. In accordance with the Act, DWP also consulted representatives from the finance and debt advice sector on specific regulations, receiving broad support for the policy intent, and recommendations focused on refining delivery which were adopted where appropriate.

DWP agrees with the Committee's view that it is important to ensure the Department can make informed and proportionate distinctions between individuals who face genuine barriers to engagement or repayment and deliberate avoidance. The safeguards established through the Act, and strengthened through provisions in these regulations, are designed to ensure that recovery decisions are informed by the information available and obtainable, that individuals have multiple opportunities

³ [DWP Direct Deduction and Disqualification from Driving Orders: Code of Practice - GOV.UK](#)

to engage and contribute to or challenge any decisions, and that recovery action remains proportionate to individual circumstances.

I understand the Committee's concerns on the effectiveness of the safeguards where information may be incomplete, and the need to safeguard vulnerable people who find it difficult to engage with the Department. DWP officials have been candid, recognising the inherent challenges in understanding a population that is difficult to engage and the assumptions that have been drawn to inform the policy design based on the available evidence. This is the primary driver for adopting a structured test and learn approach during implementation to support safe and effective delivery while allowing the Department to build its understanding of outcomes, operational impacts and individuals' responses over time.

The Department welcomes the valuable insight provided by the Committee and acknowledges that, in some instances, this merits further consideration to assess the potential implications or for further insight to be drawn from the findings from the test and learn implementation approach. DWP officials remain committed to ongoing open and constructive engagement with the Committee throughout implementation to provide further assurance on these matters, updates on operational learning and that the policy intent is delivered in practice. We therefore propose that we provide updates to the Committee at regular intervals, with the timing and forum to be agreed between DWP officials and the Committee.

I have considered carefully the specific concerns raised by the Committee and our initial response, pending those further insights and updates, is detailed in the appendix to this letter.

I would like to thank the Committee for its consideration of these regulations and for the constructive engagement between Committee members and Departmental officials throughout the scrutiny process.

Yours sincerely,

Baroness Sherlock

Minister for Lords

1.Cohort understanding

The Committee rightly highlights the importance of a robust understanding of the cohort to which these new recovery powers may be applied. The Department recognises that the in-scope cohort differs from individuals currently subject to recovery through benefits or earnings and that there are inherent challenges in understanding a population that is, by definition, difficult to engage.

The policy underpinning the powers in the Act and these regulations has been informed by extensive operational experience of debt recovery, data analysis and evidence gathered through the development of the measures. The Department has also engaged extensively with a range of stakeholders, including debt advice and support organisations, to develop its understanding of the potential impacts of these measures. Stakeholders have provided valuable insight into the experiences of individuals with debt, particularly those facing vulnerability or other barriers to engagement. This evidence has informed both the Department's assessment of the cohort and the design of the safeguards accompanying the policy, helping to ensure that appropriate protections are in place, that individuals are treated fairly, and that support is available where repayment may otherwise cause hardship.

DWP recognises, however, that there will be persistent limitations in the information available about some individuals' circumstances, particularly where engagement is absent. For that reason, the framework has been designed with multiple safeguards and opportunities for individuals to provide additional information about their circumstances throughout the recovery process.

To close the gap in information for the in-scope population, the Department carried out research⁴ with people who owe money to the Department to better understand their financial characteristics, including types of employment. Three key debtor groups were identified: those who were on-benefit with their debt in-recovery (generally via deductions from their benefit payments), those who were off-benefit with their debt in-recovery, and those who were off-benefit with their debt not-in-recovery.

A major theme in the research was that the on-benefit group were much more likely to be in precarious financial situations than the off-benefit groups, with lower levels of financial confidence, satisfaction with their finances and higher levels of debt. The off-benefit and not in recovery group were modestly employed, with most having been in their current job for a few years, while some of those not working were actively seeking employment.

Key findings are summarised below, and data is provided for people who are off-benefit and not in recovery but has not yet been assessed for whether they are in-

⁴ [Debt Management Composition and Perceptions Research \(Final Report\) - GOV.UK](#)

scope. In many cases, despite the size of the survey, individual groups may still be relatively small. Consequently, care should be taken when interpreting these figures.

- Data shows people from mixed and multiple ethnic backgrounds have a statistically significant greater likelihood of being not-in-recovery and may therefore be overrepresented in the in-scope population. However, compared to the GB adult population, individuals from minority ethnic backgrounds are more likely to be in debt to DWP.
- People with a long-term health condition (not necessarily a disability according to EA2010) are more likely to owe a debt to DWP but less likely to be not-in-recovery (in part because some of those will be in receipt of disability benefit and therefore will be out of scope, and able to have their debts recovered by deduction from benefits). Whereas 50% of those whose debts were not in recovery did not report a condition, 44% did. Qualitative data suggests that conditions such as anxiety can present a barrier to engaging with Debt Management. The policy's provisions covering representation and referrals to professional advice are crucial in supporting these individuals.
- Men are significantly over-represented in the not-in-recovery population at 67%, which contrasts with the significantly larger proportion of women who are on-benefit (62%). In line with the rationale for the policy, those whose debts are not in recovery are more likely than either on-benefit or off-benefit groups to be self-employed (15% vs 10% across the full sample) and self-employment was predominantly a form of employment for men (15% vs 6% across the full sample).
- 11% of those whose debts are not in recovery reported having full-time caring responsibilities (35+ hours per week, in line with requirements for Carer's Allowance) compared to an average of 19% amongst all those with an outstanding debt.

The Department will continue to build its understanding of the in-scope cohort through implementation and operational learning. Evidence gathered through the test and learn activity will be used to improve the Department's understanding of individual's circumstances, test key assumptions underpinning the framework, and inform future refinements where appropriate.

The Committee asked what indicators, evidential thresholds and quality assurance arrangements will be used to distinguish those who are unable, rather than unwilling to engage or repay, and what evidence demonstrates that these can be applied consistently. The Department will not seek to infer an individual's reasons for non-engagement. The framework is designed to ensure that individuals are given multiple opportunities to engage and that any known information about vulnerability, financial hardship or other barriers is taken into account.

The Department wishes to clarify, however, that decisions about whether to deduct monies from an account under a Direct Deduction Order require positive evidence of affordability in each individual's case. These decisions are not based on assumptions

of the in-scope cohort at large. The Act requires the Department to obtain and consider relevant bank statements precisely to provide the Department with evidence of the individual's ability to pay. The Department must be satisfied on the evidence available that the rate of recovery will be fair and not cause the individual or their dependents hardship in meeting essential living expenses. That necessarily requires positive evidence of the available funds in an account, and the living expenses deducted from it. That is how Parliament intended the legislation to work, and if the Department has overestimated the financial means of the intended cohort it will result in smaller and fewer recoveries, not hardship.

2. Behavioural assumptions

Prior to the PAFER Act, where voluntary repayment was not in place, DWP recovery powers included deductions from a DWP benefit or from PAYE earnings through Direct Earnings Attachments (DEA). For the in-scope cohort, where voluntary repayment was not agreed, recovery action through the courts was DWP's only course of action. In most cases, court enforcement measures were not cost effective, and recovery could only be secured as a lump sum equivalent to the funds available when the order was applied. DWP was in a position of continually pursuing voluntary repayment without the practical ability to effectively enforce repayment in many cases or, in some cases, waited months or potentially years for the individual to have a change of circumstances that enabled deductions from benefits or earnings to repay the debt. As a result, those individuals no longer in receipt of a DWP benefit or in PAYE employment could choose not to repay taxpayers' money owed to DWP.

The Department's operational experience demonstrates that a proportion of individuals repeatedly fail to engage despite multiple contact attempts and opportunities to agree affordable repayment arrangements. However, the policy is not based on the assumption that non-engagement is due to deliberate avoidance, additionally the Department has not assumed that it can (without engagement) reliably distinguish between those who are unwilling to repay and those with barriers to engagement. We recognise that individuals may fail to engage for a range of reasons, including vulnerability, communication challenges, health conditions, financial hardship or other personal circumstances.

The recovery powers, supported by these regulations, are designed to address this cohort fairly, and the recovery framework does not assume that non-engagement indicates deliberate or intentional avoidance. The new recovery powers can be used only after multiple efforts to engage the individual have failed, providing individuals with all reasonable opportunities to respond and ensure that relevant known information about an individual's circumstances can be considered before any escalation action is considered. Recovery through a Direct Deduction Order can only be considered where there is evidence that recovery is affordable and would not cause hardship. If an individual's circumstances indicate that recovery is not affordable, a Direct Deduction Order cannot be used, whatever the reason for non-engagement. The Department will continue to assess the effectiveness of these arrangements through implementation and monitoring activity.

In developing the policy, the Department has also considered its obligations under the Public Sector Equality Duty. This has included assessing the potential impacts on individuals as a result of their protected characteristics and considering whether particular groups may be disproportionately affected. The policy design and associated safeguards have been developed with the aim of mitigating such risks, promoting fair treatment, and ensuring that appropriate support and reasonable adjustments can be provided where required. Chapter 8 of the published Code of Practice⁵ provides further information on support and adjustments.

The Department will continue to monitor impacts as the policy is implemented and will consider any further mitigations that may be necessary.

3. Engagement

It should be noted that the circumstances in which the Department can use these powers, including requirements about first giving an individual written warnings and reasonable opportunities to settle the debt, are set out in section 80B of the Act. Additionally, the court must be satisfied that the individual failed to pay their debt without reasonable excuse before making a suspended disqualification order under paragraph 1(4) of Schedule 3ZB of the Act. These provisions were established by Parliament and cannot be altered by regulations.

DWP agrees that engagement is a key mechanism through which safeguards operate and the underpinning policy seeks to encourage and incentivise individuals to engage with DWP to discuss and agree affordable repayment terms or alternative support, as appropriate. This behavioural change effect can be seen in comparable regimes, such as those operated by the Child Maintenance Service or HMRC. The framework is also designed to ensure fair decisions where those engagement attempts are unsuccessful

The Department's approach is based on the principle that individuals must be provided with a genuine opportunity to engage, before any recovery action progresses to enforcement. Before any consideration is given to the use of the new powers, individuals will have been subject to existing debt management processes designed to encourage engagement and voluntary repayment. These include repeated attempts to establish contact and opportunities for individuals to discuss their circumstances and agree repayment arrangements. At an operational level, the Department will maintain records of contact attempts including when communications have been issued, whether correspondence has been returned undelivered, whether alternative contact details are held, and any other available information indicating that communications may not have been understood. Decisions to progress recovery action will require assurance that reasonable opportunities to engage have been provided.

The Department will continue to make use of multiple communication channels, including encouragement to utilise DWP's self-service offer, where individuals can manage repayment of debt without the need to contact the Department.

⁵ [DWP Direct Deduction and Disqualification from Driving Orders: Code of Practice - GOV.UK](#)

Opportunities for individuals to engage will be maintained throughout the process, including through representations. Where new information becomes available, such as updated contact details or new evidence relating to the individual's circumstances, this will be considered as part of ongoing case management.

The Department will not make a judgement about why an individual has not engaged. Instead, the policy and process are designed to ensure that the individual is given the appropriate opportunities to engage and that relevant information about vulnerability, financial hardship or other barriers is considered where known. An individual is not treated as non-engaging on the basis of a single missed contact or unanswered communication. Decisions to proceed with a Direct Deduction Order are based on evidence that the Department has taken reasonable steps, required by the statutory framework, issued the relevant communications, and provided reasonable opportunities for the individual to engage. The focus of progressing the case for Direct Deduction Orders is therefore on whether reasonable opportunities to engage have been provided and whether the safeguards within the process have been adhered to, rather than on attributing intent to an individual's lack of engagement.

It is also important to recognise that some individuals simply will not engage, despite the Department's best efforts. The legislative framework is designed to work even where an individual does not take up the many opportunities to engage, and that is why affordability decisions must always be based, at least in part, on transaction-level assessment of bank statements. Even where a Direct Deduction Order is made without any engagement from the individual, the legislation already provides opportunities for subsequent engagement, such as through opportunities to ask for a review of the Direct Deduction Order or by making a request to vary the order.

4. Vulnerability

DWP acknowledges the Committee's concern that being able to identify vulnerability is important. The Department has well-established approaches for recognising and responding to vulnerability across its services, and these principles will continue to apply when exercising the new recovery powers. Additionally, all debt recovery notifications include a prominent referral to sources of independent debt advice, money guidance and organisations who can support the individual in their engagement with DWP. DWP Debt Management staff also receive regular vulnerability training and have access to guidance and tools to help recognise signs of vulnerability to offer the appropriate support. When considering the new recovery powers, decision-makers will consider information held by the Department, information provided by individuals or their representatives, and any other relevant evidence available during the recovery process.

The Department recognises that some vulnerabilities may not be immediately apparent, particularly where engagement is limited. For this reason, safeguards are not reliant on a single assessment of vulnerability or point-in-time decision. Information will be considered throughout the recovery journey, and recovery decisions can be reviewed where new evidence emerges. The ability to ask for reviews or make requests for a Direct Deduction Order to be varied, set out already

in the Act, also provide important opportunities for individuals to later disclose vulnerability, including where circumstances have changed. Recovery decisions must be supported by the evidence available and, where appropriate, further opportunities to engage, seek advice or provide additional information may be offered before recovery action progresses.

Training, guidance and quality assurance arrangements will support consistent decision-making and ensure appropriate consideration of vulnerability concerns. Case reviews, internal oversight and the test and learn phase will help ensure that safeguards are applied consistently and that lessons are used to refine operational practice.

To support a successful implementation, during the test and learn phase DWP will adopt a case conferencing model. This will enable operational teams to begin developing expertise ahead of full rollout, helping to build knowledge, test and refine processes, and establish consistent decision-making practices. The phased introduction will also provide valuable opportunities for quality assurance, feedback and continuous improvement, helping the Department to assess whether the model is operating effectively and consistently before wider implementation.

5. Affordability

Affordability is a principal safeguard within the framework and is fundamental to ensuring the new recovery powers operate fairly and proportionately, particularly in cases of continued non-engagement. The issue was extensively considered by both Houses of Parliament during the passage of the PAFER Act.

The Act places clear obligations on the Department to consider affordability and to ensure that recovery action does not cause hardship in meeting essential living expenses before making a Direct Deduction Order. Affordability will be informed by financial information such as the legislative obligation to obtain bank statements and supported by an affordability assessment. This assessment will include the use of recognised affordability principles, such as the Standard Financial Statement, and considers funds to be protected, as outlined in the framework. This affordability assessment requires positive evidence of the available funds in an account, and the essential living expenses deducted from it, as Parliament intended the legislation to work. Simply put, if there are no available funds following the assessment of bank statements, no Direct Deduction Order would be proposed for the account.

The Department recognises that there may be cases where the information available is incomplete or unclear. In such circumstances, recovery decisions will be based on the evidence available and the statutory requirement to establish affordability. Where the Department cannot be satisfied that sufficient funds are available after accounting for essential living expenses, a Direct Deduction Order will not be pursued. Recovery action can only proceed where decision makers have sufficient evidence to conclude that the proposed deduction is affordable and will not cause hardship.

The Act includes several safeguards that allow individuals to make representations, challenge decisions, seek reviews and provide additional information about their

circumstances. These mechanisms help ensure that affordability assessments and deduction amounts can be revised where further information becomes available or circumstances change. Where individuals engage and provide additional evidence of relevant expenditure not readily identifiable through the bank statements obtained, this information will be considered through the representation, review and variation processes.

For disqualification from driving, the Act requires the court be satisfied that the repayment terms it orders are ones the individual has the means to comply with. It is now for the court, not the Department, to determine how it complies with that duty. However, we anticipate the Department will have presented the court with clear evidence of financial ability to show a failure to pay without reasonable excuse, such as in the form of bank statements obtained as part of a Direct Deduction Order which the individual has repeatedly frustrated, for example, by redirecting their income. The Act also provides the individual with the right to make submissions. Such evidence will help ensure the court has a clear picture of the individual's means to pay.

The Department will monitor affordability outcomes during implementation and will use operational learning to review and refine guidance and processes where appropriate.

6. Escalation and last resort

DWP welcomes the Committee's acknowledgement of the Department's intention that these recovery powers will be used only in the appropriate circumstances, and the safeguards introduced to ensure these measures operate as a last resort. The Act provides that these powers can only be exercised after the individual has been given a reasonable opportunity to settle the debt and has been notified of the potential use of the powers. The Act also prevents the use of Direct Deduction Orders and DWP disqualification orders where recovery through deductions from benefits or earnings is reasonably possible, ensuring they are used as a measure of last resort.

Direct Deduction Orders will only be considered where alternative recovery routes are unavailable or have been exhausted and where reasonable opportunities for engagement have been provided. Before a Direct Deduction Order is made, decision-makers must be satisfied on the basis of the evidence available that recovery is affordable and will not cause hardship. The Department will not escalate a case on the basis of non-engagement alone and will consider any information held about vulnerability, communication barriers, health conditions, financial hardship or other circumstances that may help explain a lack of engagement. Decisions on direct deductions will be subject to governance, oversight and quality assurance arrangements designed to ensure consistency and proportionality.

Applications to the court for consideration of driving disqualification orders will be reserved for a limited number of the most serious cases, consistent with the policy intent and safeguards provided for by the Act. Before an application is made, the Department must be satisfied that the statutory conditions have been met, including that reasonable opportunities to engage and repay have been provided. Decisions

will be subject to senior Department official approval and governance before any application is made. The court must then be satisfied that the individual has failed to pay without reasonable excuse and has the means to comply with any repayment terms ordered.

7. Monitoring and test and learn

The Department welcomes the Committee's recognition of the important role that the test and learn approach will play in supporting safe and effective implementation of the powers.

The Department accepts that implementation will provide valuable opportunities to develop the evidence base, test key assumptions underpinning the framework and improve understanding of how the powers operate in practice. The purpose of the test and learn approach is not simply to monitor delivery performance but to further develop understanding on how the safeguards operate in practice, how decisions are made and applied, and whether any adjustments to guidance, processes or implementation are required.

Implementation will therefore be supported by ongoing monitoring of operational performance, available customer evidence and emerging learning. This will include consideration of issues relating to engagement, affordability, vulnerability and escalation activity through operational delivery, alongside any potential considerations for quantitative and qualitative research, and the consideration of any changes in trends in debt recoveries in the period before and after implementation of the powers.

Evidence and learning from operational delivery, stakeholder engagement and customer feedback, where available, will be used to inform continuous improvement. Ongoing review is built into implementation to ensure that learning is considered before any wider expansion of activity.

The Department notes that some of the questions raised by the Committee relate to matters that can only be fully understood through operational experience and are not issues that can be resolved through the regulations alone. Whilst it is too early to provide definitive evidence to resolve some of the matters identified by the Committee, the Department remains committed to transparency, monitoring, continuous improvement and the sharing of emerging findings from implementation as they become available.