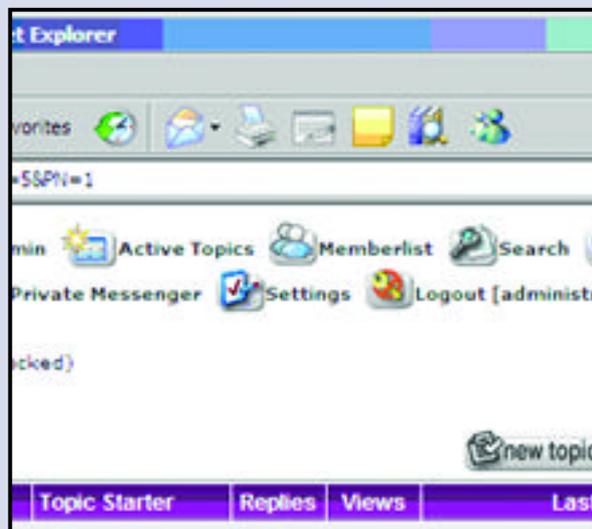


Tax Credit Overpayments

The Road to Recovery

A Report produced by adviceⁿⁱ on the findings of an eConsultation into the causes, consequences and possible solutions regarding tax credit overpayments.

June 2005



Topic Starter	Replies	Views	Last
administrator	21	2760	04 March
Rob Stronge	0	743	04 March
administrator	13	2068	04 March
administrator	10	2123	28 February
totally fed up	1	632	10 March
administrator	47	4716	07 March

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Foreword

I have no difficulty in acknowledging the beneficial impact of tax credits on the lives of many people, with over six million people benefiting to the tune of over £13billion. However the evidence from tax credit recipients and from advice workers clearly suggests that there are a whole range of problems besetting the tax credit scheme which are impacting on a large swathe of the population and which require urgent attention.

This has been adviceⁿⁱ's fourth eConsultation, facilitated by adviceⁿⁱ's Hansard Society trained moderators, and has generated phenomenal interest. Tax credit recipients have taken the opportunity to post their views - witnessing to the helplessness, despair and hardship generated by tax credit overpayments and the exigencies of the recovery regime. Advisers have also logged on and drawn attention to fundamental shortcomings in the tax credit scheme which, if not addressed, will see this issue continue to run and run, drawing increasing numbers of low income families into involuntary debt.

It can be all too easy for decision makers to lose sight of the impact that operational and systemic failures have on people's lives. One of the most striking aspects of this eConsultation is the way in which it has brought a very real human dimension to this issue. It has very clearly highlighted that far from providing security and financial stability, tax credits and in particular the recovery regime has produced uncertainty, considerable distress and real hardship for many.

There is no doubt that Government is providing a greater proportion of financial support to families and people on low incomes via HM Revenue & Customs (HMRC, known as the Revenue throughout the rest of this Report) and the tax system, as opposed to the benefits system. However, the Revenue has much to do to convince people that they can deal effectively with this client group and that they have the necessary systems in place to deliver this support. The evidence so far would suggest that the Revenue, as a service provider, is actually failing many people who (a) are entitled to this support and (b) rely on this support to make ends meet. Their response and the response of other stakeholders to the issues raised in this Report is awaited with considerable interest.

I would like to conclude by thanking the participants for logging on and posting their views, and particular thanks to the moderating team: Caryl Williamson (Age Concern NI), Patricia Donald (adviceⁿⁱ) and Kevin Higgins (adviceⁿⁱ).

Bob Stronge
(Director, adviceⁿⁱ)

Introduction

adviceⁿⁱ facilitated an online eConsultation, at www.adviceni.net, on the tax credit overpayment issue from Monday 7th February until Friday 4th March 2005, with the aim of gathering people's experiences of tax credit overpayments and placing the evidence before the Revenue and other key stakeholders. The impetus for this exercise was primarily due to the feedback received from advisers on a daily basis about the problems and hardship being caused by the tax credit overpayment issue and specifically the recovery regime. An eConsultation Steering Group met on a number of occasions to plan the exercise, devise themes which would encourage debate, decide on the target groups and how to 'gather' participants from these groups, and agree the functions of the moderators in order that the eConsultation exercise would run as smoothly and effectively as possible.

The Steering Group decided that in order to maximise participation and gain as broad an insight as possible into this issue, that the eConsultation should be open to the public with no restrictions as to who could contribute - in other words views were sought from anyone with something to say about the tax credit overpayment issue and the subsequent recovery regime being adopted by the Revenue.

The eConsultation generated 182 messages representing a range of interests groups including tax credit recipients who found themselves in an overpayment situation, advisers representing clients who were overpaid tax credits, professionals working in the tax field and others with an interest in this issue.

The exercise commenced with one thread aimed at eliciting the experiences of tax credit recipients who found themselves in an overpayment situation and the impact of this on their lives. A second thread focused on feedback from advisers dealing with casework on the overpayment issue, and sought views as to what factors were contributing to the overpayment problem. A separate information thread provided relevant information sources relating to all aspects of the tax credit overpayment issue, including relevant Revenue Codes of Practice, sources of help and advice, parliamentary information, information relating to the Adjudicator and the Parliamentary Ombudsman and links to other fora discussing the tax credit overpayment issue.

The eConsultation evolved and developed significantly in the following weeks, concluding with a thread entitled 'what should be done' which sought to highlight tangible ways in which the issue could be addressed.

This Report reflects the views expressed in the exercise from across the UK - both in terms of the problems besetting the tax credit scheme and suggestions as to how these problems can be overcome.

Emotional Impact

The eConsultation highlighted to an unexpectedly significant degree the emotional trauma caused to tax credit recipients, who received tax credit overpayment notification and demands for repayment.

The following quotes are representative of the distress caused by this issue:

Worry / Stress / Anxiety / Depression

"PLEASE PLEASE PLEASE someone help me I can't sleep at night worrying about this and I am really desperate"

"This has been a very stressful time and it makes you think it would be less hassle not to be entitled to anything at all"

"It's not just the fact of an overpayment or potential overpayment, it's the way that you feel when you get a letter suddenly stating that you owe hundreds, if not thousands, of pounds when you thought you knew where you were financially."

"When all is said and done don't these people realise how much worry people go through but I suppose we are just a number to them?"

Fear / Dread / Guilt

"I now live in fear of them wanting the money back all at once"

"Our money was stopped completely for a couple of months last year, it made things very difficult for us and now I dread what this year brings"

"My husband and I work hard to provide for our daughter, and have never once given incorrect information to the TCO. Yet I feel I am being accused of fiddling the system, when all the time it is errors made by the IR"

Hardship / Suffering

"I really wish I could take a senior representative from Inland Revenue with me to visit a family with infants, no nappies and little food to explain the law for them."

"The TCO need to listen to people, as now honest people such as us, who work hard but struggle anyway are suffering"

"I think the thing that frustrates me most is that a system designed to alleviate poverty is often pushing people further into it. Working tax credit often makes the difference between being able or unable to accept low paid work. It is a lifeline, not a bonus. A potentially excellent benefit is being ruined by poor execution."

Whilst the eConsultation mainly highlighted overpayment cases which arose through mistakes made by the Revenue and so were in dispute, there were a number of instances where the overpayment was not in dispute.

Regardless of how the overpayment arose, people were distressed by the tone and content of the correspondence highlighting the overpayment, and by the impact of the recovery regime. A scheme which is paying out over £13 billion and impacting on the lives of over six million people - very often people who rely on this income as a lifeline - must have effective systems in place to deal with overpayment and recovery situations. People must never feel they are powerless. It is a damning indictment of a government scheme if people feel that they have little sense of understanding about how it works, little opportunity to dispute mistakes made by officials or little control over the process.

It is interesting that several contributors commented that the Revenue may be an effective tax collection agency, but are less than effective in executing their role of providing financial support through the tax credits system. It is also interesting that a number of contributors suggested that the Inland Revenue take a leaf out of the Social Security Agency / Department for Work and Pensions book as regards how to treat people reliant upon this support.

Undoubtedly the Government sees the tax credit system as tackling poverty through targeted financial support in a relatively straightforward and non-stigmatising fashion. But the singularly unfortunate effect of the tax credit overpayments issue is to undermine the whole system, primarily by alienating and victimising those who are reliant on this support.

Action Points

- ◆ Government and the Revenue need to publicly acknowledge the distress, fear and suffering caused by the tax credit overpayment situation;
- ◆ Government and the Revenue need to accept that the Revenue has adopted a new role in respect of providing financial support which is in many ways alien and contradicts its traditional ethos. This eConsultation has clearly highlighted issues such as officials being detached from tax credit recipients, and recipients feeling overwhelmed and powerless. Clear steps need to be taken to adjust the culture, attitude and processes of the organisation to complement this new role of support provider;
- ◆ Government and the Revenue need to be seen to be responding to the new role of providing financial support by creating a tax credit customer service position on the Board of the Revenue.

Communication Issues

Communication breakdown at various levels represented a significant source of disillusionment and frustration. The following quotes reflect an unacceptable situation in terms of how the Revenue corresponds with tax credit recipients regarding overpayment issues.

Termination of awards

"I did not have the luxury of a letter; I was contacted by telephone one day at work"

"Last week, they went to the bank and found their child tax credit had not been paid"

"Working Tax Credit has been stopped, as well the Child Tax Credit. Mrs W had no prior information that this was to happen and the effect has been massive on this family"

Content of claim forms / award notices / overpayment letters

"They are telling those they have overpaid that they should have realised. However, since they don't show people how the tax credit is calculated when they are assessed, this is just nonsense"

"I feel I have been put into debt against my will. The system they use to calculate awards is majorly flawed and impossible to understand"

"The tax credit award letters are appalling. As an experienced benefits adviser I have trouble understanding them; how must my clients feel?"

"I was informed of £9,000 overpayment in November 2004, after numerous phone calls and 41 assessments between July 2004 and November 2004"

"I wrote to ask for a breakdown of the figures and am still waiting for the answer"

"We have written and posted over 7 letters only 2 of these have been answered"

Communication with tax credit recipients

"The other main flaw in the system is that it doesn't attempt to communicate with its target audience"

"As working tax credit is aimed at the lowest paid workers these claimants will typically relate to hourly rates of pay or weekly wages. Annual taxable income and financial years mean nothing to them"

A fundamental element of the work of any service provider is to maintain effective communication with their target audience - both in terms of corresponding with and responding to the target audience. This eConsultation very clearly highlighted communication breakdown on a number of levels, all of which have served to compound the overpayment issue.

In terms of corresponding with the target audience, the practice of 'cold calling' tax credit recipients to notify them about an overpayment is not a satisfactory approach, neither is written correspondence which serves to confuse and obscure rather than inform and clarify. To exacerbate these problems, tax credit recipients report multiple award notices which compound the situation.

The poor and inconsistent level of service in both responding to requests for information and actioning information have been key contributory factors in creating overpayment situations. The need for speedy and accurate processing of information provided by tax credit recipients is fundamental. Where the income of a tax credit recipient remains constant during the year, the tax credit award should remain accurate. However where circumstances change, for example people whose income fluctuates during the year, this may well create an automatic overpayment situation - a situation which may be exacerbated if the Revenue do not respond in a timely fashion to information updates provided by the tax credit recipient.

Repeatedly, e-consultees stated that they find the tax credit system confusing and almost incomprehensible. This is an alarming situation and one which is actually undermining the whole tax credit system.

Action Points

- ◆ Government and the Revenue need to agree to an external review of the communications strategy with regards to tax credits, focusing on the needs of recipients rather than those administering the scheme;
- ◆ The Revenue needs to revise the content of the claim form, award notices and overpayment notices. Recipients must be able to declare all information which may be relevant in determining their claim and have access to all information relevant to their case;
- ◆ Specifically in relation to tax credit overpayments, the Revenue needs to ensure that all recipients are notified in writing of an overpayment situation prior to decisions being made as regards recovery of the overpayment;
- ◆ The Revenue needs to respond to tax credit recipients promptly and appropriately, and take full responsibility for any errors in these responses.

Operational Issues

The following messages represent the tip of the iceberg:

The Helpline

"After six calls to the TCO I finally got someone to agree with me that the payments were incorrect"

"I telephoned and again despite speaking to several people to advise I was not due these payments, nothing was done"

There are over 30 calls registered against my name yet they continually lose the information I have given them"

"I almost feel sorry for the people who work on the tax credit helpline because clearly their training has been wholly insubstantial"

IT Problems

"They advised me that when I originally phoned for the change of circumstances, my income was also changed to £0 but had me down working 40 hours per week"

"Apparently my husband's income had not been taken into account even though it appeared correctly on the form"

"The computer had managed to "lose" our only child, and the only reason we were claiming tax credits in the first place"

"I was informed in January 05 that due to an error on the system I was and will continue to receive monthly payments into my account as there was no date they could give me when the payments would be terminated"

Acting on change of circumstance information

"I obviously have misunderstood that once I had informed them of any changes in circumstances they would have changed my details and amended any payments"

"When my dad was due to return to work we telephoned IR told them he was back in full time employment and so we knew they were no longer entitled to the wtc, so we wanted their payments to be stopped from that day. SIMPLE? NO!"

"We have found most overpayment cases due to official error, in particular not acting on reported changes of circumstances"

The eConsultation has highlighted that tax credit recipients have tried to act responsibly, they have been let down by the Revenue and yet they are still held liable for resulting overpayments.

The Helpline is the main interface between tax credit recipients and tax credit staff but there were many messages voicing dissatisfaction with the Helpline at several different and fundamental levels including (i) getting through; (ii) the attitude of those staffing the service; (iii) the knowledge of those staffing the service; (iv) the reliability of advice given by Helpline staff; (v) mistakes in updating the system with information taken from callers; (vi) their inability to interact directly with tax credit decision makers in urgent cases.

A less than satisfactory level of service from the Helpline has been compounded by serious flaws in the computer system, many of which have been highlighted in the eConsultation, including the potential for 'duplicate' payment to people receiving manual tax credit payments. It is completely unacceptable that blameless tax credit recipients in effect have to pick up the tab for these flaws. There is an element of duplicity in any system where the Revenue may seek compensation from their IT developer whilst at the same time seeking recovery from tax credit recipients affected by the systems failures.

Participants saw the failure to properly action change of circumstance (CoC) information provided by tax credit recipients as a particular shortcoming. Granted that an overpayment may have already occurred, but this situation can only be compounded if the appropriate action is not taken to put the correct level of tax credit into payment.

Action Points

- ◆ Government and the Revenue need to accept that there are serious and damaging problems inherent in the current system. There is an urgent need for an external review of the activity of the Helpline services, which should consider the effectiveness of the service in meeting the needs of tax credit recipients and put in place a recovery plan to address deficiencies;
- ◆ Government and the Revenue need to be more transparent in highlighting tax credit systems failures and should be actively promoting SMART proposals to address these failures. Responsibility for these overpayments must be laid at the door of the IT developer and not tax credit recipients;
- ◆ Addressing the shortcomings of both staff and systems in dealing with change of circumstances information provided by tax credit recipients must be a top priority for Government and the Revenue. This will be essential if confidence in the tax credit scheme is to be maintained particularly amongst those whose income fluctuates and circumstances change throughout the year.

Strategic Issues

A basic truth regarding tax credit overpayments is that they are an integral and unavoidable part of the system. Awards are provisional for the year - a 'guesstimate' - with awards recalculated at the end of the year when actual income can be confirmed.

Estimated nature of tax credit awards

"The use of the April-April (tax) year is inflexible and inappropriate for many clients ... it is not such a problem for those in permanent regular employment so again it hits the poorest and most vulnerable the worst"

"Advisers and recipients (and the Revenue) operate in a twilight zone as regards trying to establish what amounts to a correct in-year tax credit assessment. For people on low incomes, for whom tax credits were supposed to be a way out of poverty, this poses an inherent risk of overpayment"

"What the Government may not have factored into the grand plan is the mismatch between Revenue and the dispensation of subsistence level payments. What they have not factored is the pain, suffering, fear and misery that thousands of people are now experiencing as a result"

"In Northern Ireland, the Social Security Agency (which administers the benefit system) have a goal of 'the right benefit, to the right people at the right time'. Why shouldn't this apply to tax credit recipients also?????"

Intractable nature of the tax credit system

"The issue that the Revenue has a way of doing things and everyone must fit in with that"

"I have no incentive to get work when the Inland Revenue and DWP systems make going in and out of work a total nightmare"

"What happens when there is a possibility of extra hours? Do I risk taking them?"

"If your income varies regularly throughout the year then you just get in a real mess"

"You still have no way of knowing whether or not you have been given the correct 'allowances' during the correct periods either way. It's the murkiness of it all that gets me"

"We have also found most cases due to official error, in particular not acting on reported changes of circumstances"

"Despite numerous calls to Tax Credits no one wishes to take responsibility"

Undoubtedly the entire tax credit system has been heavily influenced by the organisation charged with implementing the scheme namely the Revenue. Indeed Government has stated that tax credits form an integral part of the income tax system. Whilst there may not be a problem with this approach in theory - in practice this eConsultation has shown fundamental weaknesses which have contributed to the problem.

The annualised nature of provisional awards means that all recipients are at risk of incurring an overpayment should their circumstances change during the year. There is nothing new in these findings, as far back as 2003 the Institute for Fiscal Studies highlighted: "There is a danger that this will cause uncertainty amongst families, as people cannot be sure that they will not have to pay back credit they are currently receiving. It also means that the amount of tax credit being received by families in a given month may bear little relationship to their circumstances in that month".

The same paper, www.ifs.org.uk/bns/bn35.pdf, went on to highlight: "The government estimates that in 2004-05 and later years, one million families will be entitled to extra tax credit and a further 750,000 families will face the possibility of having to pay back credit to the Revenue because they experience a rise in income of over £2,500. These 1.75 million families (a quarter of families in Britain) do not include those whose award may change when children enter or leave the household, nor those who experience changes in marital or relationship status"

In effect the Revenue has abdicated responsibility in terms of the accuracy of provisional awards, preferring to rely on achieving accuracy via the end-of-year reconciliations. This is their traditional approach to tax issues, but one which is not best suited to the tax credit client base and which has formed the basis of the overpayment problem. There is no incentive for the Revenue to ensure that each tax credit payment made during the year is correct. This situation needs to be addressed otherwise the overpayment problem will continue and be compounded year on year.

The overpayment problem is about cause and effect: the method used to calculate awards creates the potential for overpayments; the effect of this is to highlight serious flaws in the system in relation to recovery and the ability of recipients to challenge recovery.

Action Points

- ◆ Government and the Revenue need to take steps to protect vulnerable low paid workers and families receiving tax credits from incurring overpayments and the subsequent crippling effects of deductions from ongoing entitlement. For example cases found to be most at risk of overpayment should have an in-year review;
- ◆ The Revenue should have 'fast-track' processes in place to deal with cases which involve people enduring hardship and suffering due to the overpayment issue.

Recovery Issues

The recovery regime adopted by the Revenue has intensified the trauma generated by overpayments, as well as inflict real financial hardship.

General awareness of recovery issues amongst tax credit recipients

"I received a bill for £3,230 a week before Christmas 2004 due on 2nd January 2005"

"Does the IR assume I put the money aside and haven't touched it?"

"People feel that repayment is not based on any formal repayment schedule, but simply applied to them in an arbitrary fashion"

"I now live in fear of them wanting the money back all at once."

"They said I could afford that, I can't but there's nothing I can do about it is there?"

Recovery regime causing hardship

"We regard overpayments as the biggest problem facing tax credits claimants at present, in particular their potential to push people who are on a combination of income support and child tax credit below poverty levels"

"The Revenue appear to seek recovery in a high-handed and arbitrary fashion with no apparent thought given to the impact of these decisions on people's lives"

"I am left with 3 children on less than IS income"

"How immoral is it for people who have been identified as needing tax credits to bring them to an acceptable standard of living to be put in a position where they are helpless and trying to live on less money"

Pursuit of recovery from tax credit recipients despite the Revenue being at fault

"Inland Revenue has admitted making a catalogue of mistakes and have acknowledged that it was not reasonable to send 6 award letters in a week. However, they deem that the overpayment is still recoverable"

"A waiver should be made when the tax office is blatantly and patently wrong"

"In accordance with their Code of Practice 26 they have absolutely no justification for trying to reclaim the money they have overpaid"

"The Inland Revenue has admitted that the overpayment mistakes are their fault, but the families affected are the ones paying the price"

Guidance in relation to how the Revenue deal with tax credit overpayments is contained within Code of Practice 26 'What happens if we have paid you too much tax credit?', which can be found at www.hmrc.gov.uk/leaflets/cop26.htm.

The guidance states the following in relation to in-year and end-of-year adjustments:

Adjusting Awards During the Year

"If we find out during the year that we have been paying you too much tax credit, we will normally

- ▶ reduce the amount we are paying you from then on, so that we pay you the right amount of tax credit for the year, or
- ▶ stop paying you tax credit for the rest of the year, if we have already paid you as much as, or more than, you are entitled to. If we have already paid you more than you are entitled to, we will normally also ask you to pay back the extra after the end of the year, once all the relevant information about your income and circumstances is available."

Finalising Awards at the End of the Year

"After the end of the year, once all the information about your income and circumstances is available, we will compare your tax credit entitlement with what we have paid you ... if we have paid you too much tax credit, we will usually expect you to pay it back ... the maximum amounts by which we would reduce your payments to recover overpaid tax credit from the previous year are:

- ▶ 10% for claimants receiving the maximum award
- ▶ 100% for claimants receiving only the family element of Child Tax Credit, and
- ▶ 25% for all other claimants."

The grim reality for many individuals affected by this recovery regime has been confusion, anxiety and hardship.

Action Points

- ◆ The Revenue must put in place, as a matter of urgency, mechanisms which achieve greater accuracy in relation to tax credit awards, to minimise the potential for overpayments;
- ◆ Government and the Revenue must undertake a review of COP 26, in consultation with all relevant stakeholders including the advice sector;
- ◆ A review of the recovery rates should recognise the potential for hardship and suffering inherent in the current system. These could include for example reviewing recovery rates for people on means tested social security benefits; ceasing automatic 100% in-year recovery; reviewing the recovery rates in relation to simultaneously recovering in-year and end-of-year overpayments.

Challenging Recovery

The ability to challenge the recoverability of an overpayment provoked much debate.

Lack of independence in the complaints process

"I received a telephone call from the person looking at her case (can't remember his title) and was told, and I quote, that 'this overpayment is 100% recoverable and the decision is not negotiable as I am the one who made it'"

"I've just read that only 4% of overpayments have been written off (that's 4% of those who have actually asked!) and I must say I am not surprised"

"I even feel that having to use the 'complaints procedure' is off-putting as many many people simply do not like complaining, and of course it is a wishy-washy term"

Lack of information re challenging recovery decisions

"The appeal form fails to list one of the main grounds under which recovery of overpayment can be disputed i.e. hardship"

"Based on this eCon, people often appear to not know that recovery can be challenged, or if they are aware, they feel that it will not be worthwhile"

Recovery without first reviewing the case

"The IR arrogantly assumes that there is no possibility that an overpayment against a claimant could possibly arise incorrectly!"

"It seems unfair that under the tax credit system disputed overpayments should continue to be collected while the Overpayments Dispute Team take weeks to reach a decision"

Not acknowledging complaints / Delays in actioning complaints

"The appeals process is confusing and drawn out. There are no time limits on how long each stage of the complaints process should take (possibly the only organisation in the UK public or private who seems to have got away with this!)"

"There are too many occasions when unacceptable and lengthy delays in decisions occur, during which the claimant is paying back much of the disputed sum"

"I have now made two written complaints (one in August and one in September) and have yet to receive a reply from either"

Guidance on disputing the recoverability of a tax credit overpayment is contained within Code of Practice 1 'Putting things right - how to complain', which can be found at www.hmrc.gov.uk/leaflets/cop1.htm.

The guidance highlights the following process:

- ▶ "Please write to, or ask to speak to, the Customer Relations or Complaints Manager for the office you have been dealing with."
- ▶ If we cannot settle your complaint at this stage, please ask the Director with overall responsibility for the office concerned to review your complaint.
- ▶ If you are not happy with the Director's response you can ask the Adjudicator to look into your complaint.
- ▶ If at any time you are not satisfied with the service you are receiving from us or from the Adjudicator, or with the handling of your complaint, you can ask an MP to refer your case to the Parliamentary Ombudsman."

The eConsultation has highlighted a worrying reality - the limited extent to which recipients understand and exercise their rights (such as they are) to challenge recovery of an overpayment. Some are aware of their right to complain but choose not to as they feel that it will be pointless to complain to the Revenue about a decision made by Revenue staff. Others feel disempowered as recovery is initiated immediately regardless of whether the recovery is disputed or not.

There have been real difficulties highlighted in terms of the Revenue acknowledging correspondence from recipients disputing recovery, the delays in actioning complaints, the lack of independence of the process and generally the way that the process is weighted against tax credit recipients.

Action Points

- ◆ The Government and the Revenue need to review the disputes process to make it more balanced, accessible, effective and accountable. This should include involving the appeal service in the disputes process;
- ◆ The Revenue need to have clear timescales for processing complaints;
- ◆ Recovery of overpayments should be suspended if recovery is being disputed;
- ◆ Clear, concise information about how to challenge recovery of an overpayment should be sent with all overpayment notification letters. Also similar information should be made available regarding the existence of compensation payments;
- ◆ The Revenue should make a clear commitment to acknowledging correspondence and to keeping people informed while their challenge is being processed.

Conclusion

adviceⁿⁱ's eConsultation on the tax credit overpayment issue has generated an unprecedented response, with participants highlighting failures in respect of both the day-to-day operational activity of the Revenue and systemic flaws which need to be addressed to prevent this problem escalating year on year.

To quote one participant:

"A system which systematically creates overpayment situations, for significant amounts of money, often due to the Revenue's own mistakes, impacting on vulnerable people, then simply demanding the money back, is a system that needs reviewed"

Responsibility lies with both Government and the Revenue to address the situation. The Revenue can work towards eliminating service delivery problems including poor advice and information provision to and communication with tax credit recipients; Government must enact legislation to clarify and protect the rights of recipients who become overpaid and ensure that there is a greater responsibility on the Revenue to pay the right amount of tax credit to the right people at the right time.

One message to the eConsultation stated:

"The part that leaves people feeling so desperate is that you have absolutely no control over the situation"

Another stated quite simply:

"something must be done"

And another messenger laid down the gauntlet to Government:

"What the Government may not have factored into the grand plan is the mismatch between IR and the dispensation of subsistence level payments. What they have not factored is the pain, suffering, fear and misery that thousands of people are now experiencing as a result. What they must now factor into their equation is an immediate plan of action to enable people, not create insurmountable difficulties and hardship"

This message perhaps best encapsulates the human dimension to the tax credit overpayment issue. It also touches on the scale of the problem and asks that something be done.

On behalf of all tax credit recipients affected by the overpayment issue, and on behalf of advisers and others trying to assist people in this situation, adviceⁿⁱ calls on Government and the Revenue to seriously consider the issues raised in this report and to take action to alleviate the situation.

Useful Information

HM Revenue & Customs (HMRC) information

Child Tax Credit and Working Tax Credit - A Guide
www.hmrc.gov.uk/pdfs/wtc2.pdf

Information for Welfare Rights Organisations and Advice Centres
www.hmrc.gov.uk/taxcredits/welfare_advice_orgs.htm

The Revenue Departmental Committee Meeting Minutes
www.hmrc.gov.uk/management_committee/

Other sources of information

Adjudicators Office: Annual Report: "number of tax credit complaints triples"
www.adjudicatorsoffice.gov.uk

The Parliamentary Ombudsman: Annual Report 03/04: "... During the year there were 186 new complaints against the Inland Revenue, compared with 145 the previous year, an increase of 30%."
www.ombudsman.org.uk/

Tax Credit Overpayments: The Road to Recovery (adviceⁿⁱ)
www.adviceni.net

Moneysavingexpert.com: debate on tax credit overpayment issue
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