



HM Revenue
& Customs

Jon Thompson
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Committee

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Concentrix and Tax Credits

Dear Frank,

Thank you for your letters of 14 and 19 October 2016.

As I stated at the Work and Pensions Committee my fundamental concern has been the impact on customers, and the need to pay very clear attention to customers and what they need. I believe the evidence Mr Lodge and I gave you clearly stated that customers were our priority and that we took action because of a basic failure of customer services. I am grateful for the Committee's conclusion that we took swift action to deal with Concentrix.

I have detailed my responses to your questions from both letters in the attached annexes.

I hope you find this information useful. Should you have any further queries, please do not hesitate to contact me.

Yours sincerely,

JON THOMPSON
CHIEF EXECUTIVE AND PERMANENT SECRETARY

Information is available in large print, audio and Braille formats.
Text Relay service number – 18001



ANNEX A

Questions from 14 October letter

- 1. Might you please provide a log of (a) telephone answering times and (b) the proportion of calls answered by Concentrix for the length of the contract, including daily data for August 2016?**

I am unable to provide this information at this time as it is commercially sensitive as we are in discussions with Concentrix on the future of the contract. Shall this situation change and I anticipate it is highly likely to do so, I will review the situation further.

- 2. How often did HMRC receive and review these logs?**

HMRC receives the data on a daily basis, upon which information is extracted and performance trackers updated and discussed. A more in-depth review of the data is undertaken weekly for a performance meeting with Concentrix.

- 3. In your evidence you set out some of the action HMRC took after Concentrix's performance on answering the calls "dramatically reduced". Could you please provide a timeline setting out all the steps taken by HMRC, including when the problem was escalated to senior managers?**

Date	Timeline of events
13 August	Concentrix's call handling dramatically reduced
15 August	HMRC staff alerted to issue
24 August	Daily performance calls instigated
w/c 5 September	Chief Executive and Director General (Benefits & Credits) made aware of Concentrix performance levels
7 September	Financial Secretary to the Treasury informed of the performance issues. HMRC staff deploy 50 additional staff on Mandatory Reconsiderations.
12 September	Further 100 HMRC staff deployed to clear Concentrix MRs
13 September	HMRC announced it would not renew the contract with Concentrix and would not be sending any new cases to Concentrix at this time. HMRC took on the handling of all outstanding requests for Mandatory Reconsiderations of Concentrix decisions
15 September	First MP drop-in session held with HMRC officials
21 September	HMRC redeployed an additional 200 HMRC staff onto HMRC phone lines
30 September	A further 100 HMRC staff allocated to MRs relating to case handled by Concentrix to accelerate the clearance of these cases

4. Were there any other occasions when Concentrix failed to meet the KPIs in the contract? If so, what were the nature of these failures and how often did they occur?

Concentrix's performance against contractual KPIs has been variable since the start of the contract. There are 3 Key Performance Indicators for this contract. Besides the ones with telephone answering highlighted in the hearing there have been issues with the speed of answering correspondence.

I am unable to provide all of the exact information as it is commercially sensitive and we are in discussions with Concentrix on the future of the contract.

5. The value of the Concentrix contract was estimated at between £55m and £75m at contract award. You confirmed that the amount paid to Concentrix to date is £27m. Could you please set out the reasons for this difference?

The contract with Concentrix is a payment by results contract. Concentrix are paid for the savings they bring the taxpayer on an agreed formula, and payment is reduced when they failed to meet a basket of performance standards.

The original estimate of between £55m and £75m was for a three year contract – from May 2014 to May 2017. As discussed at the Select Committee hearing payments up to August 2016 would total around £27m.

6. Over the course of the contract how many claims were stopped following a decision by Concentrix? How many of these were later reinstated?

Since the start of the contract to 19 October 2016, Concentrix has amended approximately 117,000 cases. We cannot break this down to claims that were stopped completely as these are not recorded separately within the data. Out of these, approximately 20,000 were amended at Mandatory Reconsideration.

7. What steps has HMRC taken to ensure that claimants who are being refunded wrongly withheld tax credits will not lose out on other means-tested benefits as a result?

We recognise that the amount of tax credits paid to a customer can change the amount of Housing Benefit they are entitled to receive and have been exploring the issue with DWP. Our understanding from DWP is as follows.

As you are aware, for Housing Benefit purposes, all weekly income is taken into account unless it is specifically disregarded. Weekly income can include earnings from employment and self-employment as well as tax credit payments. In short, the local authority will be interested in the amount of money (including tax credits) that a person is getting in any particular week.

If a person receives Income Support, income-based Jobseeker's Allowance or income-related Employment & Support Allowance, all their income is ignored for Housing Benefit purposes and they are entitled to maximum Housing Benefit. Such people would not be affected by changes in the level of their tax credits awards.

The amount of Housing Benefit due is adjusted automatically, so that when a person receives a reduced or increased tax credit award from HMRC, that feeds into local authorities' Customer Information System (CIS) and an amended award of Housing Benefit is made to reflect the changes in tax credit payments usually within 48 hours of the tax credit change.

Given that Housing Benefit is automatically adjusted to reflect any changes in tax credits payments, individuals who have their tax credits stopped or reduced will quickly see an increase in their Housing Benefit. If and when tax credits are paid again after having been stopped, the Housing Benefit system will respond equally quickly and flexibly to ensure that the correct entitlement is paid.

8. Some claimants may have had their tax credits wrongfully stopped by Concentrix but be unaware of how to go through a Mandatory Reconsideration. What steps has HMRC taken to reconsider those decisions?

When a tax credits award is varied, customers are sent a letter informing them of the decision and an amended award notice. These both include guidance on the Mandatory Reconsideration process. There is also information on the gov.uk website.

We have recently re-emphasised the Mandatory Reconsideration process in the guidance used by our contact centres, so that they can provide advice to customers calling the Helpline, as well as introducing an e-mail facility for our customers to make their request.

9. Please could you provide an update of the (a) number and (b) proportion of Mandatory Reconsiderations relating to Concentrix decisions that HMRC has processed since taking such work back in-house?

HMRC is now handling all Mandatory Reconsiderations of Concentrix decisions. As of 24 October, HMRC had received around 26,000 Mandatory Reconsiderations of Concentrix decisions and had closed around 20,000 of these (77% of those received to date).

At the date of writing this letter we are handling Mandatory Reconsiderations received on 14 and 15 October.

10. Would you also please publicly report back on future examples of contracts collapsing?

Yes, we would expect to do so.

Questions from 19 October letter

1. What are the terms of the payment and what criteria must claimants meet to receive it?

When a customer contacts HMRC because their tax credits have been reduced or stopped by Concentrix and they are in hardship, HMRC will normally make a payment. HMRC will send a payment of £100 which the customer should normally receive the following day. The customer will be asked to submit a Mandatory Reconsideration if they have not already done so. Hardship is determined by discussing the claimant's financial circumstances with them, for example their income and outgoings.

2. Is the £100 repayable and if so, how is the money repaid by the claimant?

The £100 is repayable following the outcome of the Mandatory Reconsideration. It will be recovered from the ongoing tax credits award if the decision made by Concentrix is not upheld by HMRC. If the decision is upheld and payments have been made, HMRC will seek to recover any money paid to the customer using other methods.

3. How is HMRC raising awareness of the payment?

HMRC will discuss a claimant's circumstances when they make contact. HMRC's telephone advisers are trained to recognise claimants who are in financial difficulty and will inform them about the hardship payment, where this is appropriate.

4. How many people have requested a hardship payment so far and how many have been granted?

Since the start of this process (3 October 2016), 3549 hardship payments have been requested. This includes 22 requests for non-Concentrix related situations. Of these requests, 2806 payments have been made.

5. How long does a delay in a Mandatory Reconsideration decisions need to be before claimants can claim additional hardship payments?

Where a Mandatory Reconsideration has been submitted by the claimant, a further hardship payment will be made to the claimant approximately 7 days later. This will be based on the amount the claimant was paid before Concentrix's decision to stop their payments. If a decision on the Mandatory Reconsideration has not been reached at the end of a 3 week period, a further payment can be considered.