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Rt Hon Frank Field MP

20th April 2018

Thank you for your letter of 9 April regarding Support for Mortgage Interest (SMI).

We recognise and appreciate that people need time to review the documents, consider their options and obtain advice. As you are aware a process started in July 2017 to provide existing SMI recipients with information about the SMI loan scheme. Claimants are given information about how the SMI loan will work, alternatives to the loan and organisations that may offer further information. After this initial contact an information discussion is held following which the offer of an SMI loan will be made. All claimants will be given at least six weeks from the loan offer to make a decision whether to accept or decline an SMI loan before their SMI benefit payments cease.

You asked about what steps the Department is taking to contact those who Serco has so far been unable to speak to. The Department is writing to all of these claimants at the address where they are claiming benefit. This correspondence includes requests for updated information that might have prevented contact by phone. In these cases reminder letters are issued after four weeks.

Reminder letters are issued after six weeks to those who have either accepted the loan or are undecided. Claimants who return their forms receive an acknowledgment and confirmation of their loan payments commencing. If a claimant declines a loan or chooses not to provide their decision their SMI benefit will be stopped and they will be notified by letter when their payments cease.

It is important to point out that claimants may change their mind whether to take or decline a loan at any time and can receive payments backdated to 6 April if required.
Where an existing claimant lacks mental capacity to make decisions about entering into the loan agreement, the regulations enable SMI benefit to continue until an appropriate person is appointed to act on the claimant’s behalf.

Serco staff receive training and guidance on identifying potentially vulnerable claimants. These cases are referred to trained staff in the Department who will establish the claimant’s capacity and whether they have an appointee. In order to accept an SMI loan these claimants will need a legally empowered representative who is authorised to speak on the claimant’s behalf. The Department will take action to appoint a Financial Deputy in England and Wales or a Financial Intervener in Scotland where there is not one in place. These authorised people will then speak to the Information Provider and decide whether or not to accept a SMI loan on the claimant’s behalf and will sign relevant documentation.

The Department appreciates that some claimants may need the changes to be explained face-to-face. The Department provides face-to-face support to SMI claimants using existing DWP Visiting Officers. To date, the Department has not held any face to face discussions.

For your reference, I have also attached a copy of a letter recently deposited in the House library on the subject of SMI loan take-up statistics.

I hope you find this reply helpful.

Kit Malthouse MP

Minister for Family Support, Housing and Child Maintenance
Dear all,

I recently provided a reply to your question regarding statistics relating to the changes to Support for Mortgage Interest (SMI) payments. It has now been confirmed that the figures indicating the size of the SMI caseload I originally provided were under-reporting the true position. I would like to apologise for this error and provide assurance that this has not resulted in a detrimental effect on any recipient of the benefit. The error occurred in the reporting systems only: there was no operational impact and no claimants were affected.

There has been a long-term decline in the number of recipients of SMI. It was also forecast that increases in the rate of State Retirement Pension would affect Pension Credit eligibility (which is a qualifying benefit for SMI), and maintain this downward trend. Independently, both my office and the SMI project team recognised this fall in numbers and queried the statistics early in the New Year as part of the weekly reviews to monitor progress that I instigated. Reassurance was provided to me at that time that the information was accurate and robust, given the planned ongoing change activity. The assurance was provided in good faith but has since proven unfounded.

The collation of this information is complex because the source data is held on a number of different benefit systems which are then integrated on to a central data warehouse. As part of the planned change activity, claimants transfer from the existing benefit systems onto the new SMI-specific system. Volumes recorded on the new system are dictated by the loan take-up rate.
This transfer takes place at the point the claimant informs the Department of their decision of whether to accept the loan. If a claimant declines the offer of the loan an end date for the benefit is entered on the existing benefit system. In these cases the date used was 5 April 2018, as this was the day before the new system came into effect. The project had been advised that all benefit systems would report the case as “live” up to that date. It has now been discovered that one of the several legacy systems stopped the reporting as “live” at the point of data entry and not, as intended, on 5 April 2018. It should be stressed that this affected reporting functionality only. It did not affect the payment of the benefit - which remained fully functional - or the amount of benefit any individual claimant received, including those currently undecided about the new loan. This error has solely resulted in the under-reporting of the live caseload volumes.

The fact that only a single reporting function was incorrect, combined with the expected long term decline in volumes, initially masked the error. Further requests from my office, together with the project team, resulted in additional checks being made as to the accuracy of the reporting functions. Following these additional checks it became clear that the reduction in volumes exceeded expectations. The reporting discrepancy was subsequently identified and has now been rectified.

Where previous caseload volumes were reported as reducing to circa 90,000 I can now confirm the true caseload on 18 April 2018 was 103,000. New management information on the conversion of SMI to a loan will be published on 24 April 2018.

I apologise again for this inadvertent error in reporting and would like to reiterate that no claimants were denied their benefit as a result of this system error. I have, of course, instructed that corrections be made to published statistics to ensure the SMI caseload is reflected accurately, as well as the publication of an explanation of the error alongside the latest figures. Given the complexities I hope you will appreciate why I thought it necessary to write to you with a full explanation.

I will place a copy of this letter in the House Library.

Kit Malthouse MP

Minister for Family Support, Housing and Child Maintenance