From the Permanent Secretary

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Dear Frank,

Universal Credit: Fraud

Thank you for your letter of 9 July 2019 requesting information related to the BBC report on advances fraud.

I respond to each of your questions below. But I want to emphasise that tackling benefit fraud has been, and will continue to be, a key priority for DWP across the benefit system, and where fraud is committed the Department takes its responsibility to investigate it seriously. I hope the following detail reassures you of this.

1. **Do you believe the extent of this fraud as described in the article?** (BBC report – ‘tens of millions of pounds of public money is believed to be stolen’ through Universal Credit fraud?)
   a. **If not, what is your estimate of the amount of money that DWP has paid out in fraudulent Universal Credit Advances to date?**
   b. **How much, if any, of this money has so far been recovered?**

As of the end of June 2019, there have been around 42,000 staff referrals of this type of fraud. As the majority of the cases referred to our fraud teams to date are still under investigation, I do not at this stage have an estimate of the amount of money the Government has paid out in fraudulent arrears.

Most welfare losses, across Government, arise from claimants failing to report changes of circumstances. Universal Credit (UC) provides a single, digital interface through which claimants can more easily report these changes. UC also allows us to adjust benefit entitlement in line with changing circumstances in real time. Internal and external data matches are increasingly helping to inform benefit payments and alerting staff to check for any undeclared changes in people’s circumstances. Once UC is fully rolled out, we expect cross-welfare losses to fraud, error and overpayments to be reduced by around £1 billion per year.
Without concluding the investigations into cases referred to our Fraud teams, we cannot separately identify the amount of money recovered as a result of fraudulent advance claims from the money recovered from normal advance claims. However, wherever possible, UC advances will be recovered from ongoing UC payments. UC New Claim Advances are recovered over a maximum of 12 months, and this increases to 16 months in 2021. Exceptionally, the maximum period could be deferred by up to three months. Where this is not possible, for example, where the claimant has not continued with their UC claim, the Department will always seek to recover that money through other means.

2. When did you first become aware of concerns from frontline staff about this type of fraud?
   a. What action has the Department taken so far to prevent this type of fraud? What further plans do you have to tackle it?
   b. Are you satisfied that the Department has the right processes in place to enable the concerns of staff to be listened to and acted on promptly? If not, what action do you plan to take?

Our Fraud teams started to receive referrals from staff, relating to this issue, following advances becoming available to claim on-line, from July 2018. However, although we started to receive some initial referrals, there was no suggestion of a pattern emerging at this point.

Frontline staff are actively encouraged to report any cause for concern related to claims. Guidance has been issued advising them how to make referrals to the Department’s Fraud Team if they suspect fraudulent activity.

It is the very nature of this work, investigation and prosecution that prevents us providing regular updates to our staff on the cases being investigated to avoid the risk of compromising the sensitive work being undertaken. We are developing our service iteratively and improving any areas in the service that may currently be presenting issues, to minimise the risk of fraud while ensuring that we can continue to provide financial support to those claimants who need it. As you may expect, for security reasons we cannot share advance detail of the specific security improvements we are making but this includes improving our process for verifying a claimant’s circumstances. Solutions do take time to develop and deploy and need to be carefully balanced against the continuous need to support vulnerable people.

Any exploitation of advance payments takes advantage of a process designed to support claimants during their first assessment period. The specified fraud described in the recent BBC report, and in cases brought to our attention separately, is more akin to identity fraud, common to other on-line services such as banking and shopping, where an individual’s personal details are acquired in order to commit fraud, and in this instance, financial gain. We have set up a dedicated team of investigators to address advances fraud and we continue to make use of both prosecutions and tough financial penalties to deter this fraudulent behaviour from occurring. We do, however, rely on people to take care of their personal data, preventing the misuse of their data to defraud the Department. To help with this, we are running a campaign, using our social media channels and we will also be displaying posters in Jobcentres to raise awareness of this type of fraud, for those who visit. We are also supporting the Citizens Advice campaign in relation to scams.
We are content that we have the right processes in place to ensure that staff can raise concerns quickly and efficiently. This appears to be operating well with referrals to the Department’s fraud team being made.

We have been working hard to improve knowledge and awareness for our Jobcentre and Service Centre colleagues. This includes improvements to guidance, for example:

- The addition of advances to the ‘Spotlight on identifying potential fraud’ – a communication product to increase awareness amongst all colleagues;
- The implementation of routing criteria to help Jobcentre and Service Centre direct fraud referrals faster to DWP’s Counter Fraud and Compliance Department;
- Created and delivered a ‘Rapid Referral’ guide for UC Advances to reduce the impact on Jobcentre and Service Centre teams in handling large referral volumes;
- The improvement to guidance around handling cases where a claimant has made multiple requests for advances;
- Additional ‘In-Context’ guidance within the UC Service to help raise understanding; and
- Delivering information on the issues at internal ‘DWP Story’ sessions, giving presenters the latest lines to take to raise awareness with their audience.

3. What operational guidance do you give to your staff about the handling of cases in which a claim for Universal Credit is made fraudulently, without the claimant’s knowledge or consent?

   a. What is the legal basis for refusing to allow claimants whose legacy benefits have been stopped because a fraudulent Universal Credit claim has been made in their name from returning to their legacy benefits?

   b. The Department recently ran an advertising campaign on Universal Credit ‘myth-busting’. Does the Department plan to run an awareness campaign to warn claimants about Universal Credit?

As mentioned above, guidance on Universal Credit Advances has been provided to staff to increase awareness; along with guidance on how to make referrals to the Department’s fraud team if potential fraud has been identified or suspected. In addition to this, the following advice has been provided to staff clarifying the activity to take in all cases, not just advance fraud:

“It is important that agents continue to follow the Agent Led Process (ALPs) and action all To-Do’s as required for claims they have referred. CFCD (Counter Fraud, Compliance and Debt team) do not require claims to be kept open or unactioned to investigate fraud.”

The extent of consent, in the cases reported in the media, is unknown. We will review each case individually, considering the extent to which the claimant has been involved in the claim. If there is clear evidence that the claimant had no involvement in the claim, then we will consider re-instating legacy benefits.
Also, as mentioned above, we are raising awareness of potential scams via social media, and we will be displaying posters in Jobcentres to encourage benefit claimants to keep their personal information safe and to be wary of people approaching them offering low cost government loans.


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