Dear Frank,

Thank you for your letters dated 28 and 30 November 2018. I am responding to the questions you raised in your letter of 30 November in order, with input from operations colleagues as necessary for each question.

1. Is it your intention that for carers claiming Carer’s Allowance through Universal Credit work always pays, but for those claiming outside of the system it does not?

In order that recent responses on this issue are seen in context, I thought it would be helpful to set out our overall policy on Carer’s Allowance earnings again so that the information is all in one place.

In paragraphs 9-23 of our formal response to the Committee’s report, we set out the rationale for the Carer’s Allowance earnings limit, some of the detailed rules on allowable deductions to reach a net earnings figure, and information on how the earnings limit had been regularly increased. We also discussed the Committee’s recommendation to replace the current earnings limit with a taper.

In paragraph 16, we explained that the earnings limit operated as a test of whether the carer is in “gainful employment” or not (a condition mentioned in primary legislation). This links to the original objectives of Carer’s Allowance, which is to provide a measure of financial support.

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and recognition for people who give up the opportunity of full-time employment in order to provide regular and substantial care for a severely disabled person. This necessitates some sort of test to judge the extent of any employment.

We explained in the response that the purpose of tapers is to make sure that work pays in means tested benefits. Carer’s Allowance is not a means tested benefit so it is not possible to compare a test of gainful employment (through an earnings limit) with the treatment of income in a means tested benefit designed to support a specific employment outcome.

In your letter of 26 July 2018, you asked for more information on why we believed the current earnings rules were “... generally working well for many claimants”. I covered this in my response dated 31 October 2018 and also provided additional information on why introducing a taper would complicate the current Carer’s Allowance system, particularly around the need to put in place arrangements to collect details of weekly earnings and adjust Carer’s Allowance awards accordingly.

In view of the recent focus on overpayments of Carer’s Allowance, which the Committee has opened an inquiry on, it is worth noting that a cost-neutral taper would mean more carers would have to report changes of earnings more frequently, thus presenting fresh challenges in terms of making correct payments.

You wrote on 8 November 2018 to ask whether our objections to a taper were just operational or whether there were other reasons for not introducing one. We had covered those in our formal response to the Committee’s report and I reiterated some of them again in my response of 28 November 2018. This included contrasting again Carer’s Allowance and Universal Credit and their respective approaches to the treatment of earnings. I believe the information previously provided, which I have reiterated here, answers your first question.

2. a) Could you please provide the Committee with the following data:

For 2017/18, how many overpayments were in the range of:
  a) £65-£99
  b) £100-£499
  c) £500-£999
  d) £1,000-£4,999
e) £5,000-£9,999  
f) £10,000-£19,999  
g) £20,000-£29,999  
h) £30,000-£39,999  
i) 40,000-£50,000

The table below details the number of overpayments identified in 2017/18 within each of the value ranges specified. It is important to note that a debt may have been accrued over a number of years. The figures provided need to be seen in the context of millions of payments of CA each year.

<table>
<thead>
<tr>
<th>Range (£)</th>
<th>Volume (all figures rounded to the nearest 10)</th>
</tr>
</thead>
<tbody>
<tr>
<td>£65.01 - £100.00</td>
<td>150</td>
</tr>
<tr>
<td>£100.01 - £500.00</td>
<td>8,710</td>
</tr>
<tr>
<td>£500.01 - £1,000.00</td>
<td>3,050</td>
</tr>
<tr>
<td>£1,000.01 - £5,000.00</td>
<td>4,870</td>
</tr>
<tr>
<td>£5,000.01 - £10,000.00</td>
<td>530</td>
</tr>
<tr>
<td>£10,000.01 - £20,000.00</td>
<td>180</td>
</tr>
<tr>
<td>£20,000.01 - £30,000.00</td>
<td>20</td>
</tr>
<tr>
<td>£30,000.01 - £40,000.00</td>
<td>10</td>
</tr>
<tr>
<td>£40,000.01 - £50,000.00</td>
<td>Fewer than 5</td>
</tr>
</tbody>
</table>

2. b) For each of the breakdowns above could you also provide data on the proportion of overpayments that were due to claimants’ earnings increasing by:
  a) up to 1% above the threshold
  b) up to 5% above the threshold
  c) up to 10% above the threshold
  d) up to 20% above the threshold
  e) up to 30% above the threshold
  f) up to 40% above the threshold
  g) up to 50% above the threshold
  h) 51% to 100% above the threshold
  i) over 100% above the threshold

The information you have requested is not readily available. As our computer systems are only designed to support the management of DWP’s business, a search of this type is not available. The only way to provide this information would be to access each case individually to ascertain the amount by which the earnings threshold had been
exceeded. This is not possible as there were over 17,500 recoverable overpayments identified in 2017/18.

3. Could you provide a detailed note of the Department's approach to identifying overpayments in Carer's Allowance, including:

  a) whether this is a continuous process or whether you carry out targeted data-matching exercises? If the latter, how often are these carried out?

DWP is committed to reducing benefit fraud across all benefits administered by or on behalf of DWP. Our key focus is on preventing potential benefit fraud before it occurs. 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.

Carer's Allowance overpayments fall into two categories. Firstly, general overpayments can arise as a result of a claimant notifying the Department of a change in circumstances. This generally happens when a claimant notifies the Care's Allowance Unit (CAU) by phone or in writing about a change which results in an overpayment. However, we can also receive internal notifications from other benefits where they identify an overpayment. These overpayments form part of a continuous business as usual workload throughout the course of the year.

Historically, CAU has also received exception reports via other government departments (called RD23 reports) which captured cases where a customer in receipt of Carer's Allowance appeared to have been working. They provided an indication that a Carer's Allowance claim may need to be reviewed. However, the reports reflected annual year end data, and in many cases, reviews revealed no change was needed. This is why the Department looked at other more immediate and effective data matching options.

General Matching Service (GMS) feeds – introduced to Carer's Allowance in 2016 – allow us to cross check data we hold with that of other government departments using bulk data matching, as well as some external organisations, to identify any discrepancies for further investigation. These matches are generated monthly. As limited information is received, further information is obtained. This may include interviewing the customer.
In 2016 we also introduced Real Time Information (RTI) to Carer's Allowance. This allows us to compare the earnings reported by claimants with information from PAYE, again using bulk data matching, which means we can update claims in response to earnings changes.

Bulk data matching is very useful but it matches data at a particular moment in time so has limitations. More recently, we have built on this initiative via our Verify Earnings and Pensions service (VEPs). Funding was secured via the Autumn Budget 2017 and roll out was completed across Carer’s Allowance by September 2018. The VEP service presents earnings and employment data to nominated CAU staff via an automated alerts service. This allows benefit awards to be updated far more quickly.

**b) some case examples to demonstrate how overpayments of over £20,000 were accrued by claimants, including:**

i) why overpayments were not picked up earlier; and

ii) how the overpayments were eventually identified by the Department;

It is difficult to pick individual cases and offer them up as being representative. Having looked at 4 cases at random in order to answer this letter, the reasons for the overpayments being identified include a Carer’s Allowance uprating letter returned stating that the claimant was ‘not at this address’, information received from Fraud colleagues showing the claimant was self-employed, an RD23 earnings report which indicated that the claimant had been receiving earnings over the Carer’s Allowance limit and a further notification from Fraud colleagues about undeclared earnings.

In each instance bar the last, we had not received notification from the claimant. On the last occasion, we had received a call, but only belatedly. This is not to suggest that fraud is widespread, but is a reminder that claimants need to declare their circumstances and any changes correctly.

**4. In cases where overpayments have accrued to such large amounts, is there any mechanism in place for the Department to limit or cap the amount to be repaid? If not, is this something you would consider?**
Where an overpayment is deemed recoverable under social security legislation, DWP will seek to recover the full amount of that overpayment. As the money paid in benefits is taxpayers' money it is right and reasonable that we ensure it is paid correctly and recover in full any money that is paid incorrectly.

There are different deduction rates to be applied for Carer's Allowance claimant depending on the circumstances. Where a non-fraud overpayment has occurred, the maximum deduction is set at 15%. The highest maximum deduction rate of 40% is only applicable for fraud classified debt.

DWP always considers the circumstances of the individual when recovering overpayments and seeks to recover overpayments as quickly as possible without creating undue hardship for the person repaying the debt.

Where a person claims they cannot afford the proposed rate of recovery, they are asked to provide details of their income and expenditure. When this information is provided, their financial circumstances can be taken into account and a reduction in their rate of repayment may be agreed. In these circumstances, the situation would be reviewed at regular periods. In exceptional circumstances, a temporary suspension of recovery may be agreed.

5. Could you provide details of the criteria the Department uses to assess whether there is sufficient evidence to prosecute claimants?

DWP seeks to take legal action against people who commit benefit fraud. However, the decision (which is made by the Crown Prosecution Service (CPS) in England and Wales and by The Crown Office and Procurator Fiscal Service (COPFS) in Scotland) is dependent on whether the evidence is sufficient to support a criminal penalty and whether it is in the public interest to do so. Certain factors may identify that it is not in the public interest to proceed. These factors may include the mitigating circumstances of the offence and the health and welfare of the individual, with each case judged on its own merits.

I can confirm that where one or more of the following factors are revealed in an investigation, DWP would normally refer the case to the CPS or the COPFS:
- the recoverable overpayment as decided by the decision maker is £5,000 or more;
- false identities or other personal details have been used;
- false or forged documents have been used;
- official documents have been altered or falsified;
- the person concerned occupied a position of trust;
- the person concerned assisted or encouraged others to commit offences;
- there is evidence of premeditation or organised fraud;
- the person concerned had previously been convicted or received a penalty for benefit fraud;
- the offer of an administrative penalty or caution is not accepted.

This list is not exhaustive. DWP reserves complete discretion to refer any case to the CPS or COPFS irrespective of the financial value.

6. An article in the Guardian said that of the carers who have been overpaid in the last five years 1,000 could face prosecution and 10,000 could face fines. Are these figures accurate?

These figures quoted were a broadly accurate reflection of the position in July 2018. At that time, we had around 1,000 Investigation cases, (i.e. cases where an overpayment is being calculated with a view to potential prosecution) and 10,000 Compliance cases, (civil enquires which could result in a fine) that were awaiting a decision. Since then these numbers have reduced substantially.

A stabilisation plan has been implemented, with extra resource and clearer accountabilities helping to provide additional focus on CA Investigation work first, then Compliance referrals, once Investigation cases had reached a steady state.

Resources are now concentrated on Compliance cases (whilst maintaining Investigation cases at steady state), with an expectation of reaching an acceptable and sustainable level of outstanding Compliance work by the end of March 2019.

We have now recruited additional staff to the CA overpayment team on a permanent basis to manage intakes going forward and have also deployed staff from elsewhere in the Retirement Provision Directorate to
assist with this activity. Introduction of a new ‘end to end’ process has also helped increase the speed at which cases can now be cleared.

Outstanding Investigation cases have in this way been reduced to less than 60, with remaining Compliance cases reduced to 5,199. There is no indication that significant numbers of the remaining cases will be considered for either prosecution or an Administrative Penalty.

7. Please could you provide us with the number of current prosecutions involving overpayments of Carer’s Allowance? If so, could you please provide us with details of the grounds for these prosecutions?

It is not easy to identify the number of Carer’s Allowance prosecutions that are in progress. This is because many of our prosecutions involve multiple benefits, including Carer’s Allowance, and Carer’s Allowance may not be recorded as the primary benefit. The information could only be provided by examining individual case files to establish how many list Carer’s Allowance as the benefit for which they were prosecuted.

Note that the number of actual prosecutions in progress is separate to the cases referenced at para. 6, where we talk of cases that may be considered for prosecution once the overpayment has been determined.

8. When was the last time the award letter was reviewed and what steps were taken to ensure the information was accessible for claimants?

The Carer’s Allowance award letter is generated by the Carer’s Allowance Computer System. This is one of several IT systems that were not designed with regular changes to letters in mind, although products are amended as and when necessary; e.g. legislation driven changes.

Whilst I do not accept that the current award letter is inaccessible, I recognise that it contains a lot of information for claimants, and I think that we can make improvements to the communications that claimants receive about their CA, including the earnings rules.

With this in mind, the Department is currently looking at a new platform for hosting its system letters. One of the driving factors behind this is to have the ability to amend system letters quickly and at minimal cost,
which will help provide an improved customer experience. The new platform will also provide improved functionality that ultimately enables the Department to communicate with claimants through many more channels in addition to traditional mail; e.g. email, SMS, and Web Mail.

You will appreciate that implementation of a new system for producing customer letters on a scale needed to service 850,000 customers is a complex project, involving multiple commercial and governance considerations. DWP’s transition to this new platform will commence in late 2019.

9. Will you commit to work with the Committee and stakeholders to improve the information available to claimants, both on the Department’s website and in terms of communications provided to claimants?

It is always our primary motivation to ensure claimants’ interactions with DWP are as simple and straightforward as possible. We are committed to working with colleagues, stakeholders and the Work and Pensions Select Committee to ensure that we continue to improve our service. A recent example of our progress in this area is the improvements we have made to the information relating to Carer’s Allowance earnings which is carried on Gov.uk.

10. How often are self-employed carers required to report their earnings?

Self-Employed claimants who are in receipt of Carer’s Allowance are required to provide their accounts annually.

11. Whether a self-employed carer will be required to repay overpayments if their year-end earnings reveal, retrospectively, that they were above the weekly threshold.

Self-employed carers are advised that the CAU will require their accounts every year and that they should send their next set of accounts to the CAU as soon as they are available. If the claimant sends in the accounts immediately, as soon as they receive them, any overpayment arising due to the earnings being above the threshold will not need to be repaid. Where the claimant delays sending their accounts to the CAU then the proportion of the resulting overpayment from when the claimant had the accounts available to them will need to be repaid.
12. What advice is given to the self-employed about claiming Carer’s Allowance; and, if such advice is not provided, whether you will commit to work with the Committee to produce useful guidance for self-employed carers.

The following advice is given to claimants who work and claim Carer’s Allowance. This conditionality applies to both employed and self-employed claimants.

You must earn no more than £120 a week after tax and expenses. Expenses can include:

50% of your pension contributions;
some of the costs of caring for your children or the disabled person while you’re at work

The Carer’s Allowance claim form asks specific questions relating to self-employment in order to collect the required information and evidence from self-employed carers.

The award notice sent to the CA claimant includes the following paragraphs:

If you have already told us that you are working, you must tell us if your earnings go up or any expenses already claimed change. You must also tell us if you work any overtime or receive a bonus.

From 9th April 2018 the Carer’s Allowance earnings limit was increased to £120. This is the amount you can earn each week from work you do for an employer or as self-employment after certain expenses have been deducted before your Carer’s Allowance is affected.

We are constantly working to improve the guidance we offer to claimants and commit to working with internal colleagues, stakeholders and the Work and Pensions Select Committee to ensure that we continue to improve our service.

13. How does the earnings threshold in Carer’s Allowance take account of fluctuating income or irregular payment schedules?

We recognise that some carers will have earnings that vary from week to week depending upon how many hours they work. Where we can
establish a pattern of earnings we calculate an average over an appropriate period so that the carer does not need to report their earnings on a weekly basis and we do not have to keep reviewing entitlement.

Where we are not able to average earnings then the carer needs to report appropriate changes in earnings. We then check to see if they are still entitled to Carer’s Allowance on a weekly basis. This approach is common across many other benefits.

14. Does the Department have any targets on how quickly it should make changes to a claimant’s payment following a reported change in circumstance?

DWP works hard to ensure that claimants are aware of their responsibility to report changes of circumstances promptly and accurately. Once a change is reported it is our priority to update a claim as quickly as possible to ensure that claimants are not over- or underpaid. Our internal target for actioning changes is 15 days.

I hope that these responses to your questions, along with evidence provided in our prior correspondence, has reassured you that the Government remains committed to doing everything it can to support carers and to recognise their vital role in society.

Yours sincerely,

Sarah Newton MP
Minister for Disabled People, Health & Work