Dear Mr Field,

Thank you for your letter of 22 May 2019 on behalf of the Work and Pensions Committee about the collection of tax credit overpayments from Universal Credit claimants.

We have a duty to try to recover customers’ overpayments, even if these debts are overpayments made some time ago. We understand that people get worried about debt and we do all we can to help. We do this by working with them to pay back debts over the time they need.

For customers who do not have an ongoing tax credits award, we can make payment arrangements so they can pay the debt in a fair and manageable way without causing hardship. We will work with them to try and resolve their problems as early in the collection process as possible. Anyone struggling with debt should contact us, so we can help.

The criteria for remission in the 2011-12 tax year exercise were that the debt was over three years old. Also, at that time there had been no payments against that debt in the last 12 months. We have started collection on the debt that did not meet those criteria. This includes regular contact through letters asking for payment and recovery action through Debt Collection Agencies.

We have corresponded with customers about their debts. We have given them the opportunity to discuss a repayment plan with us or the Debt Collection Agency if they were having problems paying.

Also, when a customer came back into tax credits, we would have collected their debt through their new award.
When a customer moves to UC with a stable tax credits debt for which the period to appeal or dispute has expired, we send them an Individual Debt Statement. This tells them how much debt they have that will move to the Department for Work and Pensions (DWP), how this relates to each tax credits award period and how DWP will collect this.

The Individual Debt Statement also includes the contact details for both us and DWP, if the customer wants to discuss the debt. When any further unstable debt becomes stable, a customer will get a further notification about this debt and what it relates to. We also tell them we have transferred the debt to DWP for recovery.

The debt relating to earlier years was not in scope for write-off, as they were either less than three years old or part payment of the debt had been made in the last 12 months.

We issue a Notice to Pay letter to tax credits customers when the overpayment of tax credits crystallises, the customer has no continuing tax credits award so the overpayment becomes a debt. The letter includes a table showing the tax credits award period ending and the amount the customer owes, inviting the customer to repay the debt, in full or by instalments, by contacting our Payment Helpline.

The current Notice to Pay letter also tells customers that in case they do not repay their debt, we may pass it on to a Debt Collecting Agency, the DWP or the Department for Communities if the claimant lives in Northern Ireland.

We do not send copies of the original Notice to Pay letters to customers. But, we do make sure we give the customer details of the origins of the debt in an Individual Debt Statement when we transfer it to DWP.

I hope you find this reply helpful.

Yours sincerely

SIR JONATHAN THOMPSON
CHIEF EXECUTIVE AND PERMANENT SECRETARY