Frank Field MP
Work and Pensions Committee
House of Commons
London
SW1A 0AA

26 November 2018

From the Permanent Secretary
Peter Schofield CB
Caxton House
Tothill Street
London
SW1H 9DA
020 7340 4000

Dear Frank,

In your letter dated 22 November 2018 you asked for some information ahead of a one-off evidence session on the subject of the overpayment of Carer’s Allowance (CA) and the recovery of this money.

Please find below the answers to the questions asked:

1. How many cases of Carer’s Allowance overpayment are currently being pursued for repayment by the DWP?

An important condition attached to any award of Carer’s Allowance, as with other benefits, is the obligation on the claimant to tell DWP when their circumstances change in a way that could affect the amount they are due to receive. The need for claimants to meet that obligation is important for DWP to be able to ensure the right amount of benefits are being claimed.

Where claimants do not tell us about changes, or they do it some time after the change has taken place, overpayments can arise. DWP will seek to recover those overpayments under Social Security legislation. Sometimes it is just a question of correcting the claim and recovering the amount overpaid, usually by a small reduction in the ongoing award. In other cases, further enquiries or investigation with a view to prosecution is warranted. I cover the criteria for different approaches in my reply to your question 3.

Data shows that we currently have 69,609 Carer’s Allowance overpayments outstanding. (This needs to be put in the context of us paying CA to more than 850,000 people. Some are paid weekly and others 4 weekly so we will be making millions of payments of CA each year). These will have arisen over a number of years and from both simple adjustments as well as more in depth enquiries. We aim to recover these by deduction from ongoing benefits. The amount we deduct is
subject to limits and takes into account personal circumstances so this will mean that in some of these cases, we are not currently recovering anything.

Our published statistics for 2016/17 estimate that claimant error will lead to an overpayment in 1% of cases.

2. How many of the cases being pursued will result in prosecution?

Around 18 million people are currently receiving a DWP benefit or pension. We do not routinely collect information on the individual benefits involved in prosecutions as in some cases multiple benefits could be involved. To obtain this information we would need to examine around 31,000 individual case files to establish how many list CA as the benefit for which they were prosecuted.

3. What criteria are used to assess whether someone will:

   a. have to repay their overpayment;

   The Department works hard to ensure all claimants including carers are aware of their responsibility to provide the correct information when making a benefit claim and to report any changes of circumstance which may affect their claim. I can confirm that if someone has not reported a change or is late in informing the Department of any change, then any resulting overpayment may be recoverable under Social Security legislation. (When deciding how to recover overpayments we can take into account a number of factors, including potential hardship if that is represented to us.)

   b. pay a fine in addition to, or instead of, any repayment; or

   The Department introduced the Civil Penalty in October 2012 to help tackle claimant error. A £50 Civil Penalty may be imposed by the Department where an individual incurs a recoverable overpayment as a result of failing to provide accurate information as part of their benefit claim or in connection with an award of benefit, and have not taken reasonable steps to correct the error.

   An Administrative Penalty is a financial penalty and may be offered to claimants as an alternative to a prosecution where an overpayment of benefit has occurred due to an act or omission by that person, and there are grounds for instituting proceedings for an offence against the person relating to the overpayment. Currently the minimum amount of the Administrative Penalty is £350 or 50% of the recoverable overpayment, whichever is greater, up to a maximum of £5,000.

   c. face prosecution?

   The Department seeks to take legal action against people who commit benefit fraud. However, the decision to take this action 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 to a penalty.
These factors include the mitigating circumstances of the offence and the health and welfare of a suspect with each case is judged on its own merits.

4. What is:

a. the range, and

The table below details the highest, lowest and range of Carer's Allowance overpayments for each of the last 5 years. It is important to note that a debt may have been accrued over a number of years.

<table>
<thead>
<tr>
<th>Year</th>
<th>Highest value (£)</th>
<th>Lowest value (£)</th>
<th>Range (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014/15</td>
<td>34,002.10</td>
<td>65.20</td>
<td>33,936.90</td>
</tr>
<tr>
<td>2015/16</td>
<td>37,203.90</td>
<td>65.20</td>
<td>37,138.70</td>
</tr>
<tr>
<td>2016/17</td>
<td>47,826.25</td>
<td>65.23</td>
<td>47,761.02</td>
</tr>
<tr>
<td>2017/18</td>
<td>42,004.00</td>
<td>67.14</td>
<td>41,936.86</td>
</tr>
<tr>
<td>2018 YTD</td>
<td>48,560.30</td>
<td>67.10</td>
<td>48,493.20</td>
</tr>
</tbody>
</table>

(Very small overpayments, under £65, are effectively written off as they are not cost effective to recover.)

b. the average amount of known overpayments of Carer's Allowance in the past five years?

The table below details the average amount of Carer's Allowance overpayments for each of the last 5 years. It is important to note that a debt may have been accrued over a number of years.

<table>
<thead>
<tr>
<th>Year</th>
<th>Average overpayment (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014/15</td>
<td>1,246.96</td>
</tr>
<tr>
<td>2015/16</td>
<td>1,158.14</td>
</tr>
<tr>
<td>2016/17</td>
<td>899.04</td>
</tr>
<tr>
<td>2017/18</td>
<td>1,002.29</td>
</tr>
<tr>
<td>2018 YTD</td>
<td>1,426.93</td>
</tr>
</tbody>
</table>

5. Could you please provide all information relating to any concerns or complaints raised with DWP management, by staff or claimants, regarding:

a. the overpayment of Carer's Allowance;
b. the DWP’s approach to identifying such overpayments; and

c. the DWP’s approach to pursuing such overpayments.

Claimants

Since April, we have received 17 complaints about overpayments (collectively within the Unit and Debt Management) and for the following reasons (note that this is not disproportionate to overpayment complaints elsewhere in the business):

| 5a 1 | Refund delays |
| 5a 1 | Hardship       |
| 5a 1 | Decision Making Staff complaint |
| 5a 1 | Haven’t answered questions |
| 5b 1 | Wrong info given |
| 5b 4 | Delays         |
| 5b 1 | Didn’t advise re overpayment decision |
| 5b 1 | Information give confusing |
| 5b 1 | Got Overpayment wrong |
| 5c 2 | Recovery methods used |
| 5c 1 | Fraud marking/complaint against Decision Making staff |
| 5c 1 | Special Payment complaint |
| 5c 1 | Waiver issues |

Staff

As part of our everyday business, staff will raise a variety of policy and operational matters, including overpayments of CA which they will discuss with their manager. Beyond that, there are established routes for pursuing such concerns further.

6. Your letter of 20 November states that the Verifying Earnings and Pensions initiative introduced in the last year “highlights claimants who have not reported that they are working or that their earnings have changed”; and:

“This new approach will increasingly help reduce the requirement to detect payment errors after they have occurred. Preventing overpayments in this way is good for both the Department and claimants alike.”

Please could you confirm:

a. What method was used for identifying overpayments of Carer’s Allowance prior to the introduction of the Verifying Earnings and Pensions initiative?

It’s important to note that VEP (Verify Earnings and Pensions) has not been introduced to replace customer disclosure regarding any change to their circumstances. It is used to identify where a new income (wages) is received or
changes. VEP only reports income that is subject to PAYE. Additionally VEP only reports income whether that be wages or occupational pension. It does not cover other changes that may occur in the carers circumstances that may result is a review of the carer award.

Prior to the introduction of VEP the issue of an RD23 (annually) indicated earnings, but this does not specify a start date or value of the earnings. (RD23s capture cases where National Insurance contributions have been paid on earnings and enable us to compare against CA records.) Whilst a significant number of RD23s are received, not all are indicative of a loss/overpayment. The difference between VEP and RD23 is that VEP provides the start date of any earnings and their value is notified at the point the change occurs whereas the RD23 is retrospective in that it highlights earnings in the previous financial year which carries with it the possibility of an already accruing overpayment.

b. How much resource was dedicated to identifying the overpayment of Carer’s Allowance in each year for the past five years?

The Annual Average FTE for (OPS) CA Overpayment figures are:

2014/15 - 16.93
2015/16 - 17.93
2016/17 - 19.43
2017/18 - 15.63
2018/19 - 17.72 (April to October 2018)

In addition, the following FTE were allocated to RD23 (earnings changes) decision making and overpayment decision-making / referral activity within the Carer’s Allowance Unit:

2013/14 - 52 FTE

The following staff were also allocated to CA Real Time Information activity (earnings changes received via data match from HMRC) and associated decision-making and overpayment activity within CFCD:

2016/17 - 16.64 FTE
2017/18 - 14.41 FTE
2018/October 2019 - 10.88 FTE

All DWP operational staff are also responsible for identifying and taking necessary action on potential over or underpayments and reporting potential fraud.

c. How many cases of Carer’s Allowance overpayments were identified each year for the past five years?

The number of overpayments referred in respect of Carer’s Allowance for each of the last five years are as follows:
2013/14 - 37,900
2014/15 - 33,333
2015/16 - 35,848
2016/17 - 50,124
2017/18 - 49,455
2018/19 YTD - 39,256
(The significant increase from 2016/17 reflects the availability of VEPS information.)

d. Whether the new initiative will automatically identify and alert claimants to overpayments and, if not, how much resource is currently dedicated to this activity?

As explained above VEP is a download from PAYE. The customer does not receive this notification, however it has to be assumed the customer is aware that they have earnings and should have reported that fact. Customers receive notifications advising them of their entitlement to benefit when they make their initial claim or when they notify a change.

CA is also regularly uprated each year. When the new award is notified carers are provided with a breakdown of their award and invited to contact the office handling their claim if anything is incorrect. (This would include any earnings not properly declared.)

The allocation to VEP is 50 FTE. Whilst we are in the early stages of evaluating the effectiveness of the VEP outcomes (some alerts generated have no material impact on the CA award) it is anticipated that the FTE will be reviewed on an annual basis based on number of alerts generated.

Where VEPs shows us that the claimant may have either failed to declare their earnings or not declared them properly then DWP staff will contact the carer to discuss this and to try and establish the relevant amount of earnings for CA purposes and how this may effect any CA entitlement. As we use VEPs information more and more we will be learning lessons about the most effective to use it.

7. The rate of overpayments for Carer’s Allowance was last reviewed in 1996/97.

a. Why do you not review overpayment rates for this benefit more regularly?

b. When do you next plan to review overpayment rates for Carer’s Allowance?

CA has not been measured as part of the national fraud and error estimates for a number of years. It was last measured in 1996/1997, at which point fraud and error in CA was deemed to be 5.5%. This figure is still used to estimate the amount of CA that has been overpaid.

The actual volume of CA Overpayments due to ‘Earnings’ not being properly reported as a percentage of the overall CA caseload are:
<table>
<thead>
<tr>
<th>Classification</th>
<th>Breakdown</th>
<th>Q3 2015/16</th>
<th>Q4 2015/16</th>
<th>Q1 2016/17</th>
<th>Q2 2016/17</th>
<th>Q3 2016/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Claimant Error</td>
<td>Earnings</td>
<td>0.1297%</td>
<td>0.1374%</td>
<td>0.1395%</td>
<td>0.1232%</td>
<td>0.1212%</td>
</tr>
<tr>
<td>Fraud</td>
<td>Earnings</td>
<td>0.0284%</td>
<td>0.0290%</td>
<td>0.0265%</td>
<td>0.0201%</td>
<td>0.0219%</td>
</tr>
<tr>
<td>Total</td>
<td>Earnings</td>
<td>0.1580%</td>
<td>0.1665%</td>
<td>0.1660%</td>
<td>0.1432%</td>
<td>0.1431%</td>
</tr>
</tbody>
</table>

In the last year, the NAO has challenged the Department to justify its current approach to the measurement of fraud and error, both in terms of resource levels and our decision making concerning what we measure. DWP has analysed which benefits we should measure for fraud and error in future years with reference to a number of key criteria, including expenditure and risk.

This has led us to carry out a consultation about our statistics where we gathered the views of our users to understand which benefits they believe we should be measuring. The results of this consultation and our decisions will be published in November 2018.

I can confirm that we intend to start measuring CA in April 2019.

Yours sincerely,

Peter Schofield
DWP Permanent Secretary