Heidi Allen MP

October 2017

Thank you for your letter of 18 September and for your comments on the Government’s response to the recent Work and Pensions Select Committee report on the Child Maintenance Service. It was good to see the Committee recognised that we are making progress on some key issues like the handling of cases involving domestic abuse.

I also appreciate that the Committee was hoping for more tangible commitments to action on improving compliance and reducing maintenance evasion. As your letter acknowledged we are planning a new Compliance and Arrears Strategy which we expect to consult on shortly.

The consultation will focus on options for ensuring that the maintenance calculation takes account of the full financial resources available to the paying parent, as well as on taking stronger enforcement powers. It will also include proposals for dealing with historic arrears which built up under the Child Support Agency. We expect to consult on the Compliance and Arrears Strategy shortly. The existing strategy will remain in place until the new strategy replaces it.

We agree that child maintenance evasion and tax evasion are, in many cases, two sides of the same coin. While HMRC staff are not embedded in the Financial Investigations Unit, the two Departments are working very closely to improve our information and where appropriate carry out joint investigations to protect the interests of children and the taxpayer. As part of that work I am due to meet the Financial Secretary to the Treasury and paymaster General in the coming weeks to discuss how the two Departments can further improve their collaboration in tackling tax and child maintenance evasion.

Additional income, known as ‘unearned income’ can already be taken into account within the child maintenance calculation. This includes income from property, savings and investments. Where there are concerns that this income is not being identified through HMRC records, cases can be referred to the Financial Investigation Unit who will look into the case further, for example by scrutinising business and personal accounts. If additional income information is identified they
will amend the maintenance calculation and depending on the circumstances of the case, can also refer it to HMRC for further fraud investigation. The four joint investigations leading to criminal proceedings referred to in the Government response took place between 2013 and 2016. There are no current on-going joint investigations.

As your letter recognised, we share your desire to understand more about the behaviour of parents using Direct Pay. Because we collect information about parent’s perceptions of their experience at three and 13 months after they have set up their arrangement, there is a risk that publication of interim results could bias their perceptions and responses to the fieldwork carried out following publication. We do not plan to publish interim findings. In advance of the outcome of this research being published in 2019, we will also continue to evaluate the implementation of the Child Maintenance Service through other published data on the Child Maintenance Service and Child Maintenance Options.

As we said in our response, we are not waiting for these further insights to act on this issue. The Child Maintenance Service is exploring both how they can encourage parents (e.g. with SMS reminders) to alert us promptly to Direct Pay arrangements which are not working; and move ineffective arrangements more quickly into Collect and Pay.

I hope this letter helps to address the areas of concern you raised in your letter.

Yours ever,

Caroline Dinenage MP

Minister for Family-Support, Housing and Child Maintenance