

**Customer Experiences of Tax Credits
Overpayments:** exploring customers'
understanding and experiences of
overpayment and debt relating to the Tax
Credits system

HM Revenue and Customs Research Report 113

December 2010

**Suzanne Hall
Isabella Pereira
John Higton
Jane Darragh
Katrina Leary
Elizabeth Lane
Teresa Worley
Matthew Knight
Joanna Swiecicka
Joe Lancaster**

Ipsos MORI Social Research Institute

Disclaimer

The views in this report are the author's own and do not necessarily reflect those of HM Revenue & Customs.

© Crown Copyright 2011 Copyright in the typographical arrangement and design rests with the Crown. This publication may be reported free of charge in any format or medium provided that it is reproduced accurately and not used in a misleading context. The material must be acknowledged as Crown copyright with the title and source of the publication specified.

Published by HM Revenue and Customs, February 2011

www.hmrc.gov.uk

Acknowledgements

Many thanks to Helen Johnson and Lindsey Jarvis at HMRC for their advice and guidance throughout this project.

Thanks also to our many colleagues at Ipsos MORI who helped with recruitment, fieldwork and analysis, especially, Alex Thomson, Paul Maceachen and Rachel McElroy in our Edinburgh office, Tim Martin and Nicola Moss in Manchester, and Wendy Floyd, Angela Klein, Daniel Edmiston, Naomi Boal and Chris Perry in London.

Glossary of abbreviations

HMRC	Her Majesty's Revenue and Customs
DWP	Department of Work and Pensions
CTC	Child Tax Credit
WTC	Working Tax Credit
DLA	Disability Living Allowance
TTP	Time To Pay

Summary of findings

(I) INTRODUCTION

(i) The tax credits system was designed **to be flexible and responsive**; claimants are able to report changes in circumstances as and when they happen and have their claims adjusted accordingly. However, to work, the system **relies on accurate reporting by customers** and, consequently, is open to error and fraud.

(ii) The **objectives** of this research were to:

- Explore why some tax credits customers continue to experience overpayments or underpayments year on year while other customers incur an overpayment once and then not again in subsequent years;
- Assess why tax credits customers who are subject to direct recovery of an overpayment fail to make contact when being actively pursued for an overpayment or a debt;
- To provide advice to HMRC on customers' views of how overpayments should be handled, particularly when customers have asked that their case be given special consideration due to financial reasons;
- To suggest improvements in the way overpayments are handled from the customers' point of view, as well as to identify what improvements are required to HMRC communications; and
- To investigate why overpayments occur by highlighting sources of error and confusion at particular places in the tax credits customer journey (i.e. the process/stages the customer goes through from notifying HMRC of any change in circumstances to hearing of the overpayment, and any subsequent actions).

(iii) Ipsos MORI conducted **170 face-to-face depth interviews** with customers with a range of experiences of the tax credits overpayment recovery process. (This large number of qualitative interviews was due to the research design which involved reporting on eight customer groups who were at different stages of debt recovery). Interviews were conducted in six waves of fieldwork between April 2009 and January 2010.

A **qualitative approach** was adopted for the study to generate rich detail, and enable interviewers to obtain insights into people's biographies, experiences, attitudes and feelings to develop a full picture of the customer experience. **Cognitive testing of materials** was also used with participants still in the tax credits system to investigate their understanding of letters received in tax credits renewals process.

(II) CUSTOMER EXPERIENCES OF OVERPAYMENTS

(i) Overpayments were experienced by customers with a wide range of attitudes to financial management and debt, and **neither financial management skills nor attitudes to debt were the sole indicators** as to whether an overpayment was more likely to be incurred by a customer. However, attitudes to financial management and debt **did influence customers' experience of overpayments and their attitude to repaying them**.

(ii) Aside from attitudes to financial management and debt, there were some risk factors which were key reasons for an overpayment occurring.

- Participants on **variable incomes** found it more challenging to manage their claim and avoid overpayments than those on more stable incomes.
- Experiencing a household change, such as **marriage**, a **break-up**, or **children moving** in and out of households was a risk factor as households did not always prioritise informing HMRC of a change at these sometimes stressful times.

- Low **literacy and numeracy** was also a risk factor as claimants asked friends to complete and check their tax credits claims forms and award notices on their behalf which sometimes led to errors.
- For some, a **lack of information sharing between partners** led to inaccuracies in their claims and, subsequently, overpayments.

(iii) Only a few customers were able to point to specific errors leading to overpayment occurring, or demonstrated a good knowledge of the tax credits system. Furthermore, although participants broadly understood that tax credits are an in-work benefits to boost low incomes, **participants were rarely able to describe the provisional nature of their award, or the importance of the renewals process.**

(iv) Some customers were used to claiming other state benefits which they found more straightforward as they were believed to be paid on a flat rate basis and checked for them face-to-face with an adviser.

(v) Many customers in this research first heard about tax credits from friends or family, and by comparing their awards with those in similar circumstances, these sources often propagated misunderstandings about how tax credits worked and entitlements.

(vi) Many participants explained that they were **not aware of overpayments, or how an overpayment could occur** until after they had received one: The term 'overpayment' created ambiguities; some perceived the term to mean that HMRC had made an error in calculation, and so felt that resolving the issue was HMRC's responsibility.

(vii) The media strongly influenced some participants' views of overpayments and increased reluctance to respond to debt interventions among customers in direct recovery, as it communicated a strong message that the overpayment may have been HMRC's fault.

(viii) A key problem was that **customers did not understand a number of their responsibilities in managing their claim**, and also had additional expectations of HMRC, assuming that it would check their claim and detect errors. When these additional expectations were not met, they contributed to customers feeling that HMRC was to blame for an overpayment.

(ix) Typically, **customers were aware of the need to report changes in circumstances to HMRC**. This clarity was often attributed to HMRC media campaigns. However, many customers who worked irregular or flexible hours did not think of the changes in their work situation as a change in circumstance. Also, those who experienced stressful changes of circumstances were not always able to report these within the 30 day deadline.

(x) Very few participants in this research checked their annual review and award notices to confirm details and ensure that there were no errors. For those participants that did so, their perceptions of **"checking" encompassed a range of processes, most of which did not meet the standards required by HMRC.**

(III) DEBT RECOVERY FROM AN ONGOING AWARD

(i) The way in which *In-Award* customers felt about receiving an overpayment was mostly dependent on the number of overpayments they had previously received, the customer's attitude towards financial management and the importance of tax credits as part of their household income.

(ii) The method of recovering overpayments through deductions from an ongoing award created a marked difference in customers' awareness and attitudes towards repayment. Lack of awareness of the amount being deducted from an award was high, and some customers were completely unaware that any money was being deducted.

Customers with higher, stable incomes were less concerned about deductions being made;

they were able to adjust quickly to the new award level and did not report any significant impact on their households. However, **for customers living on lower, fixed incomes, the impact of the deductions was greater**, with some customers having to change the way they met essential household costs.

(iii) Customers' **experiences of overpayment recovery from an ongoing award had a significant influence upon how they managed future tax credits claims** and the likelihood of receiving further overpayments. There were two main drivers of this:

- **Their understanding of how their overpayment had occurred.** If a customer could not attribute their overpayments to a specific mistake or action on their part then they often continued to manage their claim in the same way. Conversely, if customers surmised an incorrect cause they often changed the way they managed their claim in line with this incorrect assumption. This resulted in more mistakes than before and increased the likelihood of their receiving a further overpayment or underpayment.
- **The extent to which the customer felt they could manage their tax credits claim well.** Stronger financial managers often had a better understanding of the tax credits system and felt more in control of their claim. Customers with less understanding who did not feel in control of their award and overpayment were less likely to change the way they managed their claim and so be more likely to receive further overpayments. Levels of understanding of the system and customers' experiences of contact influenced this.

(IV) DEBT RECOVERY FROM A TERMINATED AWARD

(i) **The extent to which customers blamed HMRC for the overpayment debt was a key barrier to debt recovery.** This was because customers who felt that the overpayment was HMRC's fault were generally less likely to repay; they were unwilling to take responsibility for servicing a debt which they did not believe was their fault.

(ii) Most direct recovery customers, regardless of financial competence, **wanted far more information about how the overpayment had occurred**, so they could better understand why they needed to pay.

(iii) For some, a time lag of several months between when they were told that the overpayment debt had incurred and when they found out about it caused resentment towards HMRC, and made them less likely to respond immediately to debt interventions.

(iv) Participants who felt HMRC had made an error or who did not feel happy with the service they had received often felt resentful about the way HMRC pursued the debt.

(v) Many participants did not respond to an overpayment request immediately because **other circumstances in their lives took precedence over the debt.** Such circumstances included household break-ups, problems with health, sudden care responsibilities, coping with new employment circumstances or moving house.

(vi) Participants in direct recovery generally felt that **the overpayment was a low priority** in comparison to other household debts and costs. Such sentiments were particularly common among those on very low incomes, who struggled to meet the needs of their household.

(vii) All customers should have progressed through debt recovery in the same sequence. Customers who ignored the first **Notice to Pay** letter tended to be poor financial managers and/or those who were comfortable with debt. They either wanted to forget about the overpayment and worry about it later, or hoped it was an error and it would rectify itself. **Customers who were keen to settle their overpayment at this first stage typically showed signs that they understood how their overpayment happened** and the balance of responsibilities between HMRC and themselves.

(viii) Customers who responded to Debt Management **telephone calls** tended to be those who had hoped their overpayment was an error, but felt either pressurised or reminded to

take action by the telephone call. The terminology “Debt Management”, with its connotations of bailiffs, appeared to be a trigger to taking the overpayment more seriously.

(ix) Customers who responded to the legal proceedings letter felt the original letters were too gentle, but that this letter was much stronger, leading customers to believe that HMRC was serious about reclaiming the debt. They reacted to certain trigger words, notably, ‘enforcement proceedings’, ‘legal costs’ and ‘local debt recovery office’.

(x) Of all the interventions investigated, **the visit to customers’ homes by a Field Force Officer was the most effective** at triggering customers’ agreement to repay a tax credits overpayment debt. This was because the intervention led to customers understanding their overpayment, and feeling that they had experienced a greater degree of consistency and continuity of customer service. Although the visit did not always appear to be followed-up by implementation of a Time to Pay (TTP) agreement.

(xi) Customers who responded to the County Court referral were typically those who were more comfortable with debt but who had resisted payment for a number of reasons including an inability to pay.

(xii) **Many participants were unaware that they could repay in instalments.** Not all participants were offered this option at the beginning, and often initially reported feeling frightened at the thought of having to pay off a large sum at once.

(xiii) To some participants, particularly those who felt that their claim had been handled in a sympathetic way, **TTP was well received as it made the overpayment seem less burdensome.** These participants frequently reported having discussed their overpayment with an HMRC Field Force officer.

(xiv) **Customers who had been offered special treatment by HMRC because of financial hardship tended to speak very positively of the experience.** They felt that HMRC had been very sympathetic to their situation, and were able to defer repayment until they could afford to. They found this helpful as they often found it difficult to manage to pay for basic costs in their household, such as food and housing costs.

(xv) Knowledge of the availability of the appeals and disputes process was not widespread. Those who had experienced an appeal or dispute felt that they would like to see more explanation of the process and greater transparency during it. Furthermore, some participants were unwilling to encourage further investigations which could lead to an increase in the amount they owed.

(xvi) Overall, four main types of tax credits overpayment customer were identified:

- those who understood the overpayment or were afraid of not paying **engaged with the overpayment immediately;**
- those customers who understood that they had made an error but **ignored the overpayment until pressurised** into dealing with it for a range of reasons;
- those customers who felt HMRC were to blame for the overpayment, but later had good experiences of debt recovery and HMRC communications were **reluctant though compliant;** and
- those customers who both blamed HMRC for the overpayment and felt they had had bad experiences of the debt recovery process, were likely to **resist the overpayment and refuse to pay.**

(V) OVERALL CONCLUSIONS AND RECOMMENDATIONS

(i) **Understanding the cause of the overpayment is the most important issue** for customers. Customers who have a good knowledge and understanding of their responsibilities in managing tax credits are more likely to achieve this understanding sooner and are less likely to find themselves incurring repeat overpayments, or finding themselves at the later stages of direct recovery.

(ii) Where customers were **confident and competent in managing their claims**, they were more likely to be able to address errors and change how they managed their claim following an overpayment. For these reasons, it is important that the **key responsibilities in managing tax credits claims are communicated as effectively as possible**, as is ensuring that those who require extra support in managing their claims, such as those with literacy support needs, receive it if possible.

(iii) **Interactions with HMRC staff, letters and literature were also hugely important** to how customers responded to overpayments. Where these interactions allowed customers to understand how their overpayment came about, they were more likely to repay their debt to HMRC more quickly in the case of direct recovery customers, and more likely to change their behaviour so that they did not receive further overpayments.

(iv) Overall, customers wanted **greater support from HMRC in explaining overpayments**, and by extension, understanding the tax credits system so that they could avoid overpayments in the future. Naturally, certain groups, such as those with very chaotic lives or with weak literacy or numeracy, were more likely to experience difficulties, but the problems described by customers with overpayments were experienced by all customer groups.

Table of contents

Volume i – Introduction	1
1 Introduction	3
1.1 Research context and background	3
1.2 Research objectives	3
1.3 Research methodology	4
1.4 Sampling and recruitment	5
1.5 Interviews and research materials	6
1.6 Presentation of findings	6
Volume ii – Customer experiences of overpayments	8
2 Who experiences tax credits overpayments?	8
2.1 Introduction	8
2.2 The role of attitudes to financial management and debt	8
2.3 Key customer risk factors for overpayments	11
2.4 A typology of tax credits customers	14
2.5 Conclusion	15
3 Experiences and perceptions of claiming tax credits	17
3.1 Introduction	17
3.2 Customer experience and knowledge before claiming tax credits	18
3.3 Customer understanding of overpayments	20
3.4 Customer perceptions of responsibilities in managing tax credits	21
3.5 Sources of error in the customer journey of a tax credits claim	23
3.6 Seeking assistance in managing tax credits claims	28
3.7 Conclusion	31
Volume iii - Debt recovery from an on-going award	32
4 Introduction	32
5 Key characteristics of the In-award sample	33
5.1 Key characteristics of 'No Overpayment Recently' group	33
5.2 Key characteristics of 'Overpayments' group	33
6 Reaction to overpayments and deductions	34
6.1 Introduction	34
6.2 Customers' feelings about receiving a notice of overpayment	34
6.3 Awareness of overpayment amounts and deductions	35
6.4 Impact of deductions from awards	36
6.5 Conclusion	37
7 Impact of overpayments on management of subsequent claims	38
7.1 Introduction	38
7.2 The importance of understanding how overpayments happen	38
7.3 The importance of feeling in control of a claim	39
7.4 Conclusion	40
Volume iv – Debt recovery from a terminated award	41
8 Introduction	42
9 Barriers to debt recovery	43
9.1 Introduction	43
9.2 Customer-side barriers to recovering debt	43
9.3 Attitudes to HMRC and tax credits as barriers to repayment	45
9.4 Service side barriers to recovering debt	45
9.5 Conclusion	47
10 Responses to direct recovery overpayment debt interventions	48

10.1	Introduction.....	49
10.2	Notice to Pay letter	49
10.3	Debt Management telephone call.....	50
10.4	Legal proceedings letter	51
10.5	Home visit by Field Force officers	52
10.6	County court referral.....	53
10.7	Terminating claims	54
10.8	Conclusion.....	55
11	Responses to debt management strategies.....	57
11.1	Introduction.....	57
11.2	Perceptions and experiences of repayment options.....	57
11.3	Financial referral cases	59
11.4	Perceptions and experiences of appeals and disputes	59
11.5	Conclusion.....	60
12	A typology of responses to overpayment debt	61
12.1	A description of the typology	61
12.2	Customers who engaged with the overpayment (1)	62
12.3	Customers who ignored the recovery until pressurised (2a).....	63
12.4	Customers who resisted the overpayment until positively engaged with HMRC (2b)	64
12.5	Customers who resisted and disputed the overpayment (2c).....	64
12.6	Conclusion.....	65
(v)	Overall conclusions and recommendations	66
13	Overall responses to overpayment debt	66
13.1	Key factors for behaviour change and debt recovery	66
14	Service improvement recommendations from customers	68
14.1	Introduction.....	68
14.2	Recommendations on the tax credits claim and renewal process.....	68
14.3	Recommendations on the tax credits communications	71
14.4	Recommendations on the debt management process	72
14.5	Recommendations on the debt recovery process	72
14.6	Conclusion.....	75
Appendices		76

Volume i – Introduction

SUMMARY BOX

(i) The tax credits system was designed **to be flexible and responsive**; claimants are able to report changes in circumstances as and when they happen and have their claims adjusted accordingly. But to work, the system **relies on accurate reporting by customers** and, consequently, is open to error and fraud.

The evidence resulting from this research will help HMRC understand how to improve the information it offers customers on how to handle an overpayment or a debt, how it can help customers avoid a difficult situation in the future, how it can encourage customers to make contact and how HMRC can appropriately deal with financial referral cases.

(ii) The **objectives** of this research were to:

- Explore why some tax credits customers continue to experience overpayments or underpayments year on year;
- Determine why some customers incur an overpayment once and then not again in subsequent years;
- Assess why tax credits customers who are subject to direct recovery of an overpayment fail to make contact when being actively pursued for an overpayment or a debt;
- Provide advice to HMRC on how customers think overpayments should be handled, and, in particular, how to support customers who have asked that their case be given special considerations due to financial reasons;
- Improve the way overpayments are handled, as well as identify what improvements are required to HMRC communications; and
- Investigate why overpayments occur by highlighting sources of error and confusion at particular places in the tax credits customer journey (i.e. the process/stages the customer goes through from notifying HMRC of any change in circumstances to hearing of the overpayment, and any subsequent actions).

(iii) Ipsos MORI conducted **170 face-to-face depth interviews** with customers with a range of experiences of the overpayment recovery process. (This large number of qualitative interviews was due to the research design which involved reporting on eight customer groups who were at different stages of debt recovery).

A **qualitative approach** was adopted for the study to generate rich detail, and enable interviewers to obtain insights into people's biographies, experiences, attitudes and feelings, and develop a full picture of the customer experience. A **face-to-face** approach was chosen, as it was important that interviewers established a rapport with the participants, and allowed interviewers to generate **observational data**. **Cognitive testing of materials** was also used with participants still in the tax credits system, to investigate their understanding of letters received in tax credits renewals process.

For customers in **direct recovery**, interviews were conducted with the following groups of customers:

- **Group 1/ Notice to Pay:** customers who had received the Notice to Pay, or an additional reminder letter issued by HMRC Debt Management;
- **Group 2/ Debt Management telephone call:** customers who had received a telephone call from the Debt Management telephone centre;
- **Group 3/ Legal proceeding letter:** customers who had received a letter from the Local Recovery office which advised them that legal proceedings would be taken;
- **Group 4/ Field Force visit:** customers who had received a visit from a Field Force officer and
- **Group 5/ County Court letter:** customers who had received a letter informing them that their case had reached the County Court.

Customers in **financial referral** were also interviewed as part of these waves of fieldwork. These were customers who were given differential treatment by HMRC on the basis of financial hardship. This process was discretionary, and participants were not necessarily aware that this was their situation.

For **in-award** customers, interviews were conducted with two distinct groups as defined by their record of overpayments on the HMRC system:

- **‘No Overpayment Recently’** was the name given to customers who had an outstanding overpayment from the periods 2004/05 to 2006/07 but not any more recently in 2007/8 or 2008/9.
- **‘Overpayments’** was the name given to who had both an outstanding overpayment from the periods 2004/05 to 2006/07 and also at least one from the periods 2007/08-2008/09.

Interviews were conducted in six waves of fieldwork between April 2009 and January 2010.

(iv) This report is structured in five Volumes; the first four reflect four distinct aspects of the findings:

Volume i is the **introduction** to the report.

Volume ii explores **customer experiences of overpayments**.

Volume iii describes **customer experiences of in-award recovery of overpayments**.

Volume iv describes **customer experiences of direct recovery overpayments**.

Volume v describes an overall typology of responses to overpayments, our **service design recommendations**, and **overall conclusions**.

1 Introduction

This report contains findings from qualitative research among the tax credits claimant population who have received an overpayment. The research was undertaken by Ipsos MORI Social Research Institute on behalf of HM Revenue & Customs (HMRC). In this introductory section we set out:

- The context of the research;
- The research objectives;
- The methodology used to conduct the research; and
- How the findings are presented.

1.1 Research context and background

In April 2003, Working Tax Credit (WTC) and Child Tax Credit (CTC) were introduced to replace Working Families' Tax Credit (WFTC), Disabled Persons' Tax Credit (DPTC) and various other elements of child support within the tax and benefits system. The new tax credits had the aims of supporting families, reducing child poverty and providing a work incentive.

The system was designed to be flexible and responsive to claimants' changes in circumstances so that their claims could be adjusted accordingly. But this flexibility, while a key benefit, can lead to overpayment of tax credits by HMRC if procedures are not followed correctly or if customers are unclear of what actions they should be taking. To work, the system relies on accurate reporting and, consequently, is open to fraud and error. The Public Accounts Committee (PAC) estimated in its 2008 report that nearly two million families a year are in debt due to tax credits overpayments. In addition, recent statistics for 2006-07 show that £1 billion was overpaid in 2006-07, so it is a key issue for HM Revenue and Customs (HMRC).

For these reasons, overpayments remain a real issue of concern for HMRC. Consequently, HMRC commissioned Ipsos MORI to conduct qualitative research with customers who had experienced an overpayment in order to explore their experiences, understanding and motivations related to tax credits overpayments. The aim of this research was to help HMRC understand how to improve the information it offers customers on how to handle an overpayment or a debt, how it can help customers avoid a difficult situation in the future, how it can encourage customers to make contact and how HMRC can appropriately deal with financial referral cases.

1.2 Research objectives

The objectives of this research were to:

- Explore why some tax credits customers continue to experience overpayments or underpayments year on year;
- Determine why some customers incur an overpayment once and then not again in subsequent years;
- Assess why tax credits customers who are subject to direct recovery of an overpayment fail to make contact when being actively pursued for an overpayment or a debt;
- Provide advice to HMRC on how overpayments should be handled, and, in particular, how to handle customers who have asked that their case be given special considerations due to financial reasons; and
- Improve the way overpayments are handled and to investigate why overpayments occur by highlighting sources of error and confusion at particular places in the tax credits customer journey, as well as identify what improvements are required to HMRC communications.

- Investigate why overpayments occur by highlighting sources of error and confusion at particular places in the tax credits customer journey (i.e. the process/stages the customer goes through from notifying HMRC of any change in circumstances to hearing of the overpayment, and any subsequent actions).

1.3 Research methodology

Ipsos MORI conducted **170 face-to-face depth interviews** with customers with a range of experiences of the overpayment recovery process. Eight different customer groups have been reported on so a large number of interviews were required to allow this.

A qualitative approach was adopted for the study to generate rich detail, and enable interviewers to obtain insights into people's biographies, experiences, attitudes and feelings, and develop a full picture of the customer experience. A face-to-face approach was chosen, as it was important that interviewers established a rapport with the participants. This helped to create an atmosphere of trust, so that sensitive issues, such as those pertaining to income and debt, could be addressed. In addition, face-to-face depth interviews enabled the interviewer to use stimulus materials, such as examples of letters or forms, which helped participants recall certain experiences more clearly.

Interviews were conducted in participants' homes which allowed interviews to generate additional **observational data** about participants. This was vital for understanding the situation of participants who were vulnerable or were less able to articulate their experiences.

We also added a further element to the research with participants. At later stages of fieldwork, **cognitive testing** of materials relating to the tax credits process was used to explore participants' level of understanding of materials relating to claiming tax credits. Cognitive testing is a qualitative technique which allows researchers to explore participants' understanding of materials, such as written information or forms.

The interviews were conducted over **six waves of fieldwork** between May 2009 and January 2010. HMRC identified two distinct types of tax credits customers with overpayments, and this was reflected in the research design. The distinction is based on the two different ways that tax credits overpayments are recovered:

'Direct recovery' - where customers had been notified of an overpayment from either a terminated or nil award, which they must pay back to HMRC as a lump sum or by instalments – as it cannot be deducted from ongoing payments of tax credits. Their award may have been terminated because they reported a change in the adult household composition late or where they failed to renew their award before the annual deadline. Their award may have been nil because they were entitled to claim tax credits but the level of their income meant the elements making up their award were tapered to nil.

Customers who had been referred to HMRC for special treatment due to financial need or hardship were also interviewed in the Direct recovery waves of fieldwork.

'In-award' - where HMRC were recovering the overpayment by making deductions from ongoing payments of tax credits.

Participants in the *In-award* group were recruited in two distinct groups, classified as 'no overpayment recently' or 'overpayments' dependent on whether they had experienced overpayments in specific subsequent years. This was to assess if there had been any 'learning' from getting an overpayment that had prevented subsequent overpayments, and to understand any differences between those who frequently get overpayments and those who do not.

Analysis of the findings from the fieldwork was conducted throughout the fieldwork period

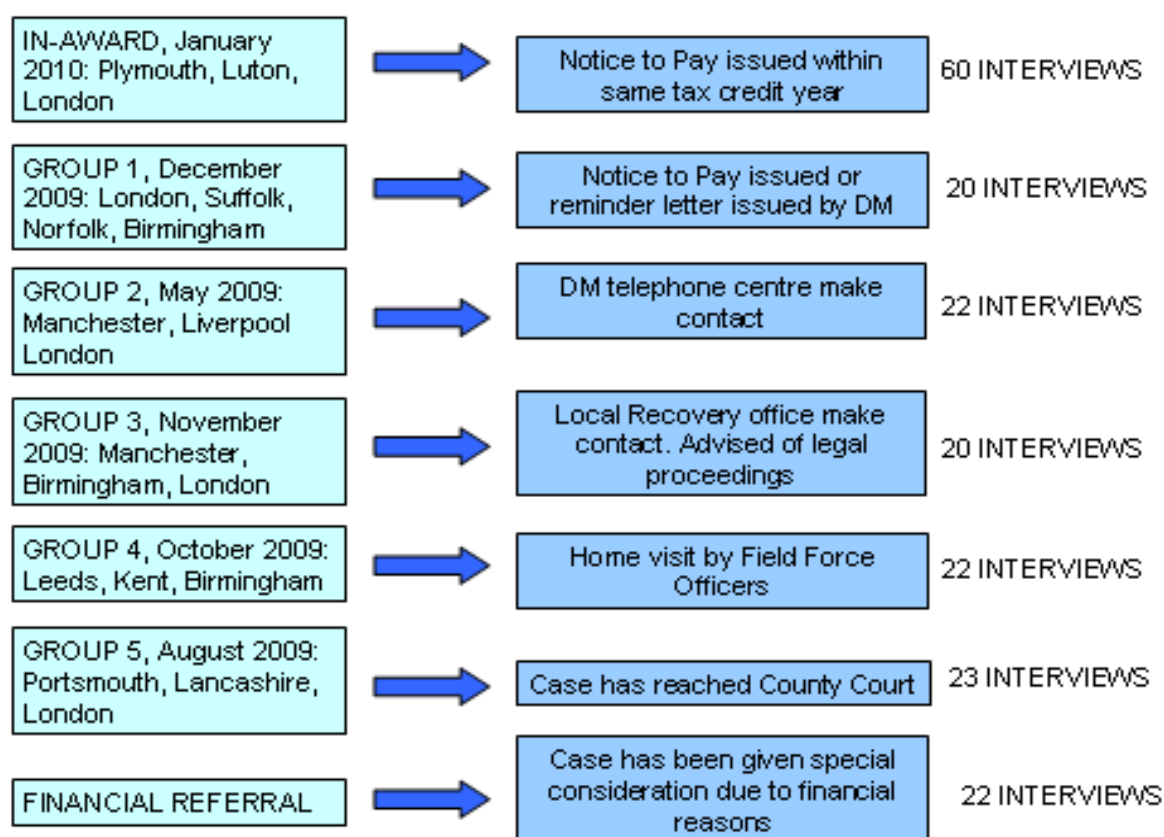
through the collation of fieldnotes in Excel spreadsheets and in regular analysis sessions with the interviewing teams. In these sessions initial hypotheses were developed and discussed. Ongoing analysis of findings meant that research materials were adjusted throughout the field period to reflect emerging findings.

1.4 Sampling and recruitment

The sample for all groups was provided by HMRC from tax credits and Debt Management records. Participants were recruited by telephone from this sample. It is important to note that the participants were sampled on the basis that they had experienced overpayments, which was vital for the research objectives of the project, but also is an important context for the findings of the study.

The following diagram outlines the overall structure of the sample frame and the audience interviewed in each wave of fieldwork. It also gives details of the timing and locations of each wave of fieldwork.

Figure 1a: Fieldwork waves and structure of overall sample frame



Customers in **financial referral** were also interviewed as part of these waves of fieldwork. These customers received differential treatment by HMRC on the basis of their financial hardship but participants were not necessarily aware of this discretionary process, and were at different stages of direct recovery. For **In-award** customers, interviews were conducted with two distinct groups as defined by HMRC:

- **No Overpayment Recently** customers who had an outstanding overpayment from the periods 2004/05 to 2006/07 but not one in 2007/8 or 2008/9.
- **Overpayments** customers who had both an outstanding overpayment from the periods 2004/05 to 2006/07 and also at least one from the periods 2007/08-2008/09.

For customers in **Direct recovery**, a sample of participants was provided by HMRC with indicators identifying which stage of debt recovery participants had reached and whether

they were had been referred for differential treatment due to financial hardship. These details were later checked and confirmed at the recruitment stage though the use of a screener questionnaire. All those in this Direct recovery group were sampled on the basis of having an outstanding overpayment in direct recovery, although they may also have had ongoing in-award overpayments. Those who had had an overpayment removed through the appeal process were not included in the sample.

The **final achieved quotas**, including number of paired depths for each wave of fieldwork, are detailed in the Appendix of this report.

1.5 Interviews and research materials

When conducting the interviews, moderators used semi-structured discussion guides to ensure all relevant topics were covered consistently across all interviews and that all key issues were explored. Interviews lasted between one and one and a half hours, and an incentive of £30 cash was provided (or £50 for a paired depth interviews) as a thank you for the participants' time.

Each wave of fieldwork was conducted using different semi-structured discussion guides which reflected this issues faced by that group. All discussion guides are included in Appendix B of this report.

1.6 Presentation of findings

This report is structured in four Volumes, reflecting four distinct aspects of the findings.

Volume i is the **introduction** to the report.

Volume ii explores **customer experiences of overpayments**. In this Volume:

- Chapter 2 sets out a typology of claimants experiencing tax credits overpayments; and
- Chapter 3 describes our findings on customer experiences and perceptions of overpayments, including our findings on sources of error leading to overpayments; and on the sources of help and support used by customers in claiming tax credits and managing overpayments.

Volume iii describes **customer experiences of in-award recovery of overpayments**. In this Volume:

- Chapter 4 introduces the volume
- Chapter 5 describe the different characteristics of the two types of in-award populations sampled in the project;
- Chapter 6 describes customer reactions to overpayments and deductions;
- Chapter 7 describes the impact of overpayments on subsequent management of claims.

Volume iv describes **customer experiences of Direct recovery overpayments**. In this Volume:

- Chapter 8 introduces the volume
- Chapter 9 describes the range of barriers to customer debt recovery;
- Chapter 10 describes in detail responses to the five overpayment debt interventions;
- Chapter 11 describes responses to HMRC's debt management strategy and;
- Chapter 12 sets out a typology of responses to direct recovery interventions.

Finally, **Volume v** describes **an overall typology of responses to overpayments**, our **service design recommendations**, and **overall conclusions**.

It is important to note that findings of this report are not statistically representative of the views of tax credits claimants in general. Tax credits customers in this study were sampled on the basis of having experienced an overpayment, and, as such, the study reflects the experiences of a specific part of the tax credits population who may hold distinct views from

the other parts of the larger population of all tax credits claimants. Furthermore, qualitative research is designed to be illustrative, detailed and exploratory and provides insight into the perceptions, feelings and behaviours of people rather than conclusions from a robust, quantifiable valid sample. The perceptions of participants make up a considerable proportion of the evidence in this study, and it is important to remember that although such perceptions may not always be factually accurate, they represent the truth to those who relate them.

Volume ii – Customer experiences of overpayments

2 Who experiences tax credits overpayments?

SUMMARY BOX

(i) Overpayments were experienced by customers with a wide range of attitudes to financial management and debt, and **neither financial management skills nor attitudes to debt were the sole indicators** as to whether an overpayment was more likely to be incurred by a customer. However, attitudes to financial management and debt **did influence customers' experience of overpayments and their attitude to repaying them**. Good financial management does relate to whether the customer adheres to their key responsibilities in managing tax credits claims.

(ii) Regarding financial ability, there was a wide range of abilities among the customers in the research. Some were highly competent, even **meticulous**, about their incomings and outgoings, and were aware of all income fluctuations. In contrast, others struggled to manage their finances, and were more **chaotic** in their household accounts.

(iii) Participants' attitudes to debt in this study were also broad-ranging. At one end of the scale were customers who were very **comfortable with debt**, at the other end were those who were highly **debt-averse**. It is important to note that it was *attitudes* to debt that had a greater influence over responses to overpayments rather than actual *levels* of debt.

(iv) Aside from attitudes to financial management and debt, there were some risk factors which could be linked to an overpayment occurring:

- working variable hours;
- experiencing a change in household status;
- having lower levels of literacy or numeracy; and
- when information was not shared regarding joint claims.

All these risk factors were evident in situations where the customer found their responsibility to check and update their claim to be too onerous and challenging because they **did not have the right information or skills to do so, or when their situation meant it was too difficult to** manage their claim correctly.

2.1 Introduction

In this chapter we describe the key characteristics of in-award and direct recovery customers who have experienced tax credits overpayments, drawing on the data gathered on customers' lifestyles, experiences of financial management, debt, working and family life. We shall cover the following main areas in this chapter:

- attitudes to financial management and debt,
- some key risk factors for customer overpayments; and
- the impact on the household of tax credits and overpayments.

2.2 The role of attitudes to financial management and debt

Customers displayed a range of attitudes and behaviours in relation to how they managed their finances, their approach to household budgeting and debt. Certain additional risk factors such as household situation or working hours made customers more likely to incur an overpayment than their financial management skills and attitudes would indicate. However, **attitudes to**

financial management and debt did influence customers' experience of overpayments and repaying them, a finding which provides an important context for customers' responses to in-award and direct recovery of overpayment debts. Chapter 3 illustrates the importance of good financial management in adhering to key responsibilities in managing tax credits claims.

Many participants changed their attitude towards financial management and debt at different points in their life. More careless attitudes towards debt were often replaced with more conservative views as participants grew older and had responsibility for others. However, even the most organised claimants could find themselves in disarray after a family crisis, such as a household break-up or serious illness, at which point they felt their behaviour was uncharacteristically chaotic with regard to finances. Attitudes and behaviour towards financial management and debt did change for many participants over the time that they had claimed tax credits, and these earlier experiences influenced attitudes towards overpayments. All financial management styles were potentially transitional with customers not necessarily holding a consistent position.

2.2.1 Attitudes to financial management

There were customers who were highly competent financially, even **meticulous**, about their incomings and outgoings, who were very aware of all fluctuations in income, alongside others who struggled to manage their finances well, and were more **chaotic** in their household accounts.

2.2.2 'Meticulous' financial managers

Customers who were meticulous about their finances accounted for their income and outgoings very carefully, and were able to detail how their money was spent, both on a weekly and monthly basis. This group included those with low incomes who were often **expert at managing their money**, as they often found themselves **juggling their income from week to week** to ensure all bills were paid and that the needs of their families were met. In these households there was very little room for error.

"The bills go out at different times, and it's all about working out when you can afford to pay this and that and still survive"

Male, Joint Claim, *Direct Recovery*, County Court Referral

Other customers in this group were those with more comfortable incomes who were keen to avoid debt, and those in employment related to finance or accounting.

Customers in this group mentioned that they always opened and responded to mail, recorded incomings and outgoings, knew how incomings were allocated each month, and recorded their interactions with services, banks, debtors, keeping correspondence from service providers/debtors. They wanted to be certain that they could refer back to a record of their communications with these agencies if there were any problems in the future. Where tax credits were concerned, in most cases these customers were generally **concerned about incurring an overpayment and understood the importance of ensuring that HMRC had accurate records of their circumstances and income**.

Good financial managers included those in households where members were in work (though often part-time) as well as where benefits, such as Disability Living Allowance, were claimed, or were, in addition, on a very low income (under £15,000), with children to care for. Those with more experience of the labour market tended to have a greater capacity for money management and were likely to fall into this group.

2.2.3 'Chaotic' financial managers

Less capable financial managers were **more likely to find themselves in financial distress and in need of credit**. These customers generally kept poor records of income, if any at all. Some tended to ignore mail related to debt and finances. They often **lived from week to week on whatever was in their bank account**, using credit for larger items, rather than planning their finances carefully and spending within their means.

This ‘chaotic’ behaviour with regard to their finances meant it was more difficult for them to manage their tax credits claim, particularly in relation to checking their award notices. These participants **typically relied on others to help them manage their claim**, asking friends, family or staff at their local branch of Jobcentre Plus to support them. These customers were less likely than ‘meticulous’ managers to understand overpayments when they arose and also **less likely to engage with HMRC immediately** when notified about them if in direct recovery.

These customers had a range of incomes and types of employment, but tended to have **low numeracy or literacy**, or to find the tax credits forms or award notices difficult to understand or complete. They tended to have **low awareness of their responsibilities in claiming tax credits** and so did not engage with communications from HMRC about tax credits, as they did not understand the context or the implications of letters or telephone calls. They therefore often ignored renewal notices or failed to check new award notices thoroughly, leading to overpayments. In turn, they tended **not to understand overpayments**, often seeing them as an error made by HMRC if in direct recovery.

It is important to note that some ‘meticulous’ participants became ‘chaotic’ managers at stressful periods of their lives, for example, when made redundant or during a household break-up. This meant that being a ‘chaotic’ manager of finances was also a transitional category, and some customers were at risk of falling into receiving an overpayment at times of hardship.

2.2.4 Attitudes to debt

Participants’ attitudes to debt in this study ranged from those who were very **comfortable with debt** and often had a range of debts they were servicing, to those who were highly **debt-averse**. It is important to note that it was **attitudes to debt that had a greater influence over responses to overpayments rather than actual levels of debt**, as explained in Volumes iii and iv of this study.

2.2.5 Customers who were comfortable with debt

Direct recovery customers who were the most comfortable with debt tended to have reached the later stages of HMRC’s debt interventions, and, despite typically having a range of debts, were relatively **untroubled by their debt to HMRC**. Their existing debts were often accumulated on credit cards (sometimes when they were younger and had less experience of the consequences of debt). Some of those participants **perceived debt as a normal and acceptable element of maintaining their current standard of living**, while others felt that debt was a tolerable problem that was difficult to escape. Other participants used debt management companies to help them consolidate and repay their debt. These participants tended to be regularly in arrears with their housing costs (usually rent and sometimes also council tax) and this was the most common type of debt after those accrued on credit cards.

A commonly expressed view amongst customers with children was that they **tolerated being in debt because it was important to them to ensure their children were well provided for**. For these participants, paying the mortgage and securing a better life for their children was a higher concern than repaying overpayments or other debts.

“My kids come first, the house, then the food...[HMRC] can come down at the bottom of the pecking order”

Female, Joint Claim, *Direct Recovery*, Legal Proceedings Letter, Paired Depth

Some participants who were comfortable with debts also **took correspondence from HMRC less seriously, ignoring letters and deferring payment** until threatened with court action if in direct recovery. These participants also added that long delays between HMRC communications made them feel that HMRC did not take collecting the debt seriously, which made them more inclined to delay payment. In some cases this meant that some customers were aware that they had been paid too much tax credits, but used the extra money as an ‘interest-free loan’ from government, which was preferable to loans or credit as there was no interest accrued. They were often **unaware of their responsibility to manage their tax credits claims correctly and report inaccuracies**, hence, in some cases, they were also not

aware that overpayments would be recovered and that the extra money they received was not simply an error that would be written off, but rather a debt that would be pursued by HMRC.

2.2.6 Customers who were debt-averse

Customers who were debt-averse had **often accrued a number of debts in the past** and may still have been attempting to pay off credit card and catalogue bills. It was important to them to have fewer repayment bills to pay and to owe less money. For many such participants, the challenge of meeting regular monthly household bills made it difficult for them to make progress towards this aim. Others had **large historic debts**, for example relating to past divorces or business debts, which they once again found difficult to pay off.

“You’re constantly playing catch up all the time. You’re having to catch up with your rent, your council tax, and then you’ve got the pressures of other debts as well mounting up, it doesn’t help”

Female, Single Claim, *Direct Recovery*, County Court Referral

Some participants recounted that they were now averse to debt having once been comfortable with it, often because they had accumulated debts when younger which they were now trying to pay back. Others cited a strong **aversion to debt as a result of their upbringing or cultural reasons** why they were not comfortable owing money to private or state agencies.

Participants who were also claiming a number of state benefits, notably Disability Living Allowance, tended to feel that it was often hard for them to avoid debt. These customers said that once regular expenses were met there was often insufficient money to pay for unexpected or one-off costs, such as new school uniforms, or replacing large electrical items, which often led them into debt. As these examples illustrate, these types of customers could be debt-averse attitudinally, but not behaviourally as they found debt almost impossible to avoid.

Nonetheless, once aware of an overpayment, the debt-averse were generally **keen to attempt to repay an overpayment as soon as possible**. As we shall explore in Volume iv of this report, these debt-averse customers were more likely to engage with HMRC communications regarding an overpayment, and make arrangements to repay the overpaid amount.

2.3 Key customer risk factors for overpayments

Aside from attitudes to financial management and debt, there were some risk factors which were likely to be the reason for an overpayment occurring. The evidence of this study demonstrated that tax credits customers who experienced the following sets of circumstances were more likely to have a history of overpayments:

- those who worked variable hours;
- those who experienced changing household status;
- those with lower levels of literacy or numeracy skills; and
- households where information was not shared regarding joint claims.

In this section we describe why these factors were the key reasons why households incurred overpayments. However, it is important to emphasise that there are other important factors relating **to operational issues and customer misunderstandings about their responsibilities which contribute to overpayments occurring**. These are examined in detail in Chapter 3 of this report.

2.3.1 Working variable hours

Tax credits customers must keep accurate records of variations in their income so that they can both notify HMRC of changes in circumstances and back check their income on award notices. Customers with variable incomes included those who worked unpredictable **overtime** as a core element of their employment, those whose working hours changed from week to week due to unpredictable **shift work**, and those in **seasonal work**. Those on variable incomes found it more challenging to manage their claim and avoid overpayments than those whose incomes

were fixed. Some participants in this study regularly topped up their low, hourly-waged income with overtime which also made it more difficult for them to keep track of their earnings during the year.

Others who faced problems managing their tax credits claim were those who had a number of jobs with different employers during the tax year as they found it difficult to check their annual review accurately, especially if they had not kept good records of their income.

Unpredictable incomes increased the likelihood of error and, consequently, an overpayment, or, in some cases, an underpayment. Some customers in this study had incurred an overpayment before HMRC had increased the ‘income disregard’ for changes in household income to £25,000¹, hence they related experiences of overpayment which would not have been occurred under this change in guidelines. As a consequence, some participants who had experienced overpayment deliberately *overestimated* their income when claiming tax credits to avoid further such experiences. Many customers with variable incomes were also especially mindful to report changes of circumstances and check their award notices to avoid having an overpayment at the end of the award period.

It was also found that participants on variable incomes, particularly those where it changed from week to week, tended both to fail to update HMRC with all financial changes, and/or to find updating HMRC a burden. This was because keeping HMRC notified of changes required both **enough time to ensure that updates were made**, and, additionally, a **good level of financial awareness and management to keep track of changes**. The demands of shift work, long hours and the other pressures of family life often meant that participants felt unable to report changes – they were simply too busy to manage this aspect of their claim. Some participants had not kept detailed records of their income throughout the year, did not feel able to do so because they lacked skill in financial management, or because they felt the information from HMRC was too complex for them to check accurately (see Chapter 3 for more detail)².

2.3.2 Changing household situation

Some participants had experienced a change in their household status, relating to **marriage**, a **break-up**, or **children moving** in and out of households. These changes were often accompanied by a period of emotional turbulence and/or a lack of clarity over the household status, which made reporting changes in circumstance to HMRC not only difficult to remember to do, but also difficult to do so accurately, as the following comment illustrates:

“They said I didn’t tell them that me and my partner got back together ... we split up for about eight weeks ... and as far as my knowledge at the time, it was permanent ... later on things weren’t so clear”

Female, Joint Claim, *Direct Recovery*, County Court Referral

The research suggests that, in household **break-ups**, some overpayments occurred where there had been a **delay in reporting the change of circumstances to HMRC due to the emotional upheaval** and broader ambiguities surrounding the changing household status. Some participants said that because of the trauma of a marriage or relationship ending, managing their tax credits claim and keeping HMRC informed fell very low on their list of priorities. It was also the case that a **change in household status occurred over a period of**

¹ Claimants’ awards are initially based on their previous year’s income. They have to report their current year income (if different) or any in-year changes in income as soon as possible and their awards are then amended and finalised at the end of the financial year. The first £25,000 of any difference between their previous year and their current year’s income, or any change in income within the year, is disregarded when calculating their final award. The disregard also applies to making changes to a current award. However, claimants are still expected to inform HMRC of any change when it happens; if left until renewal they may receive an overpayment for time in the renewal period when their award for the next financial year is incorrect. Prior to 2005, the income disregard level was £2,500.

² This issue is explored in more detail in the study on tax credits claimants’ understanding of processes relating to income, work and hours conducted by Ipsos MORI for HMRC in 2010.

time and not on a single day which, participants said, made it impossible to record precisely when the household status changed. This finding mirrors the outcomes of previous research for HMRC on tax credits and household break-ups³ in which it was found that many tax credits customers experiencing a break-up were unable to report the change in their status for over a month. This type of late reporting put them at greater risk of incurring an overpayment.

Participants who had experienced a break-up also often moved and changed address, including some instances where the participant had no fixed address for a period of time. This meant that they did not always receive correspondence from HMRC which was vital to managing their claim effectively. Some newly single claimants also faced the **challenge of managing a claim which may have been previously managed by their partner**, including completing and checking forms and information from HMRC.

Marriages were also a source of error in tax credits claims as this change of circumstance was reported late by some participants. Some participants misunderstood the process whereby a single claim would be terminated and a new claim created on the formation of a new household⁴ and thought that getting married made someone ineligible for tax credits. As we shall see in Chapter 4, reporting a change of circumstance such as marriage was often perceived as the prompt to the discovery of an overpayment, which led to some claimants **feeling that the overpayment was a “penalty” for marriage**, and that the system favoured claims from single people. This relates to a broader lack of understanding about the principles governing tax credits, which we shall explore in greater detail in the following chapter.

“A family friend said to me, she was getting tax credits. As soon as she told them she got married her claim was stopped. She's no longer on it – she got fined for it ... if you just call them and say 'I'm divorced, I'm separated now', that's what they want to hear”

Female, Single Claim, *Direct Recovery*, County Court Referral

Some participants also mentioned the challenges of managing a tax credits claim in a **family with step children**. Customers who were married and had young children from a previous relationship reported that their **children moved in and out of their household, often with considerable attendant upheaval**. This had implications for both their Child Tax Credit and Working Tax Credit claims if the children were young enough to be in need of afterschool care. Participants were generally aware of the requirement to notify HMRC if a child was living with them, as there were similar implications for claiming Child Benefit. Nonetheless, some found this difficult to remember to do when faced with a family crisis.

“[At] various times, our children have lived with us. We say we should have a revolving door; one leaves another one appears”

Male, Joint Claim, *Direct Recovery*, County Court Referral, Paired Depth

2.3.3 Literacy and numeracy skills

Some participants reported difficulties with literacy and numeracy and that made filling in forms particularly challenging for them. These participants **asked friends to help them complete and check their tax credits claims and award notices** as they struggled to read them and make the required calculations. Customers who struggled with literacy or numeracy found recording and back-checking their sources of income particularly challenging.

“It can be daunting. Yeah. Not that I can't read and write [at all], you know what I mean? But it can be daunting. Especially when they want information that you just can't provide”

Female, Joint Claim, *Direct Recovery*, County Court Referral

Further examples included one participant who admitted to completing her original claims

³Hall, S., Pettigrew, N., Williams, N., Simpson, N. (2009) Tax Credits and Household Break-ups, HMRC Research Report 78.

⁴ If you stop or start living with a partner, HMRC terminates the award and a new one is started.

inaccurately due to “not adding a nought” to her total income because she was “mathematically dyslexic” and others who struggled to make the calculations required to claim the childcare element of their Working Tax Credit. The second example reflects findings from our previous work on the challenges faced by customers in calculating this part of their claim⁵.

2.3.4 Lack of information-sharing in joint claims

For some participants, a lack of information sharing between partners has led to inaccuracies in the claims of some participants and, consequently, overpayments. While some couples took equal responsibility for a claim, there were some instances where **one partner took a lead role in managing the claim because they were perceived to be in a better position to do so.**

There were a range of reasons for this - better numeracy, more familiarity with completing official forms or more time available to spend on the household administration.

This type of **claim management worked well where couples communicated with each other about the claim**, and both partners were equally responsible in recording their income, back-checking changes of financial circumstances and estimating yearly income. Where this was not the case, some households experienced overpayments. In one example, a husband did not share information with his wife about money in a joint savings account⁶ which resulted in an overpayment. In another example, one husband neither passed on details of his income to his ex-partner nor notified HMRC of changes in this income, that resulted in an overpayment and increased tension between the separated partners.

Another customer found himself in receipt of an overpayment for a tax credits claim which his ex-partner had claimed without his knowledge. In examples such as these, great **resentment was caused when the overpayment was left to be serviced by one party** when it had been originally accrued in a joint household.

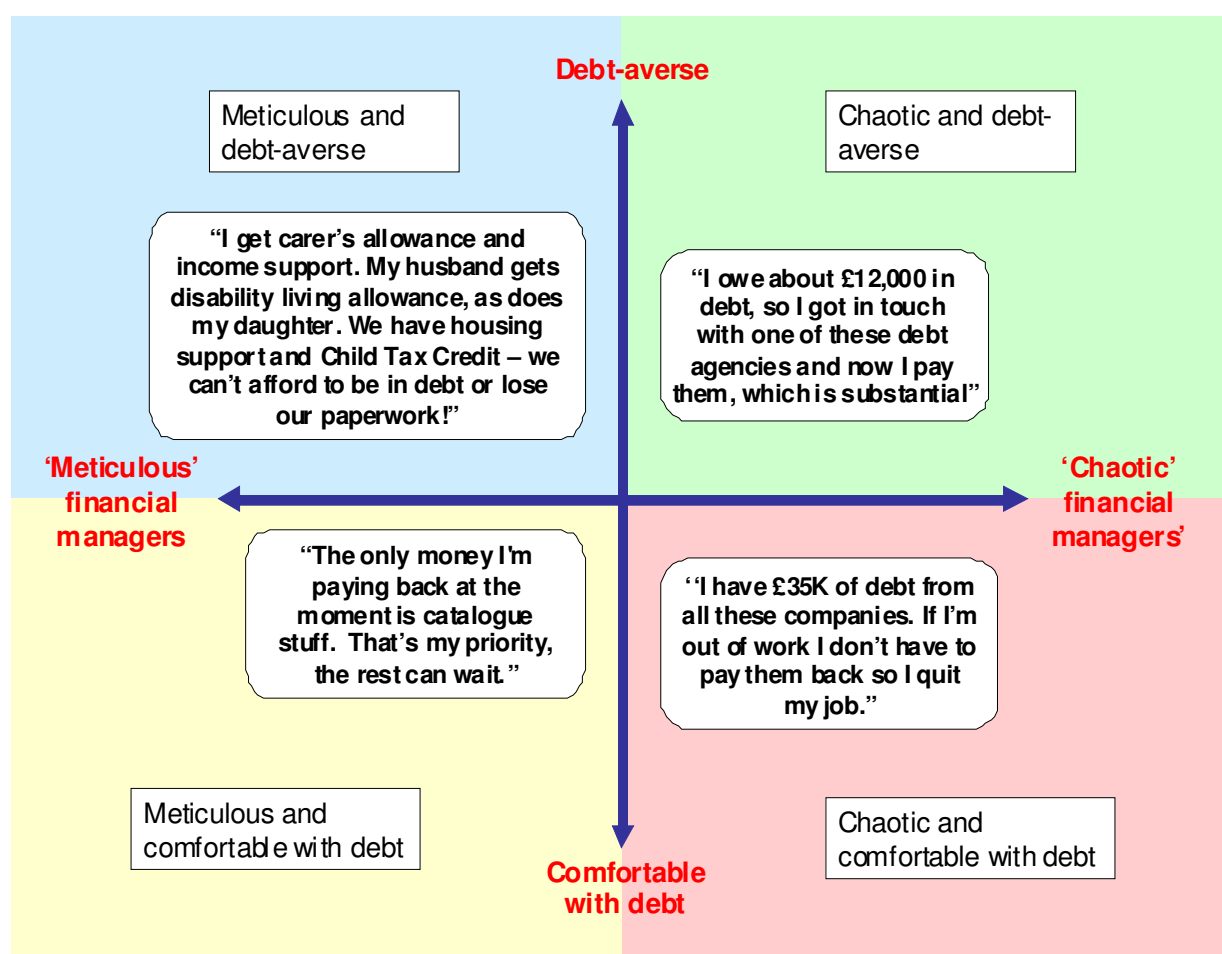
2.4 A typology of tax credits customers

The previous sections have described how customers' *awareness* of financial management has a bearing on their response to tax credits overpayment. Customer *attitudes* to financial management also influenced how tax credits were used in the household and on the impact of an overpayment in the household. This is important to acknowledge as such experiences also had a further bearing on perceptions of HMRC and of tax credits more broadly.

The following typology of customers has been developed by analysing tax credits customers' attitudes to financial management and debt and includes customers with both in-award overpayments and customers in debt recovery. Each quadrant represents a combination of having sound or poor financial management and being comfortable with or averse to debt. In the following diagram customer attitudes and experiences which typify those attitudes have been mapped on to the axes.

⁵Pereira, I. & Jenkins, S. (2009) Cognitive testing to investigate customers' understanding of processes relating to the childcare element of Working Tax Credit, HMRC Research Report 85.

⁶ Interest on savings would count as income for tax credits purposes

Figure 2a: A typology of customers experiencing tax credits overpayments

2.5 Conclusion

This chapter has illustrated that **overpayments are experienced regardless of attitude to debt or financial management ability**. These attitudes do, however, play a key role in shaping customers' approach to managing their tax credits claims and responding to an overpayment. In particular, those participants who were good financial managers were more likely to understand their responsibilities in managing their tax credits claim. We explore this in greater depth in Chapter 3 of this report.

Furthermore, there are a number of circumstances which were likely to cause overpayments and therefore put customers at risk of receiving an overpayment. These include:

- Having a variable income;
- Possessing weak literacy or numeracy skills;
- Experiencing a change in household status; and
- Failing to share information in a household.

The first two of these circumstances **constitute a risk because they make it harder for the customer to navigate the tax credits system correctly**; the system itself becomes a barrier to compliance because it is too complex for these customers which then prevents them from meeting their responsibilities. In the case of changes of household structure, the risk develops because other priorities take precedence at a given time. The risk associated with a failure to share information is hard for HMRC to manage because it is not systemic. Instead, the problem lies in the relationship between the parties making a joint claim.

Customers' **abilities in financial management and levels of aversion to debt were important in influencing the way they perceived overpayments, and how important**

overpayments were in their household. The typology described in this chapter shows how four main types of participants felt about tax credits overpayments, and the resonances of these key attitudes will be illustrated in forthcoming chapters which illustrate the importance of good financial management in adhering to key responsibilities in managing tax credits claims, in how much control customers felt they had over their claim and to what extent they felt that HMRC, rather than they, were responsible for the overpayment.

Finally, as the evidence of the final section of this chapter has suggested, **understanding of the tax credits system** and **customers' awareness of their responsibilities** are crucial factors in whether an overpayment is incurred. Certain risk factors, as described above in Section 2.3, increase the likelihood of an overpayment, but a range of difficulties experienced by customers in managing tax credits claims remain a vital factor leading to overpayments for all types of customers. In the following chapter we shall explore these difficulties and levels of customer awareness of how to manage tax credits claims in greater detail.

3 Experiences and perceptions of claiming tax credits

SUMMARY BOX

- (i) Only a **few customers were able to point to specific errors leading to overpayment occurring**, or demonstrated a good knowledge of the tax credits system.
- (ii) Although participants broadly understood that tax credits are an in-work benefit to boost low incomes, **participants were rarely able to describe the provisional nature of the system, or the importance of the renewals process.**
- (iii) Some customers were **used to claiming other state benefits which they found to be more straightforward** as they believed those benefits to be **paid on a flat rate basis and checked for them face-to-face by an adviser.**
- (iv) Many customers first heard about tax credits from friends or family and these sources often **propagated misunderstandings about how tax credits worked**, and entitlements. Participants often tried to understand their own entitlement by comparing tax credits claims with their peers and this led customers to perceive apparent contradictions in the system.
- (v) Many participants explained that they were **not aware of overpayments, or how an overpayment could occur** until after they had received one. **The term ‘overpayment’ created ambiguities**; some **perceived the term to mean that HMRC had made an error in calculation**, and so felt that resolving the issue was HMRC’s responsibility.
- (vi) The **media influenced some participants’ views of overpayments** and increased reluctance to respond to debt interventions among customers in direct recovery, as it communicated a strong message that the overpayment may have been HMRC’s fault.
- (vii) Customers did not understand a number of their responsibilities in managing their claim, and also had **additional expectations of HMRC**, assuming that it would check their claim and detect errors. When these additional expectations were not met, they contributed to customers feeling that HMRC was to blame for an overpayment.
- (viii) Typically, **customers were aware of the need to report changes in circumstances to HMRC.** This clarity was often attributed to HMRC media campaigns. However, many customers who **worked irregular or flexible hours** did not think of their work situation as a change in circumstance. Also, those who experienced stressful changing circumstances were not always able to report these within the 30 day deadline.
- (ix) Participants tended not to check their annual review and award notices to confirm details and ensure that there were no errors. For those that did so, their perceptions of **“checking” did not meet the standards required by HMRC.**
- (x) Customers struggled due to a **perceived lack of consistency in the dates on various award notices.** Customers were also often unable to tell the difference between the provisional and final award notices when shown the documents in the interview;

3.1 Introduction

Many customers in this study experienced fundamental difficulties in understanding the tax credits system which meant they also misunderstood their responsibilities in claiming tax credits. This was particularly the case where customers could be classified as ‘chaotic’ financial managers, but there were misunderstandings amongst all those who had received an overpayment. This chapter will explore the context for these misunderstandings, first describing four important reasons for low customer understanding of their responsibilities:

- the **lack of familiarity** with the tax credits system;
- a lack of understanding of the **provisional nature of tax credits awards**;

- **peer misinformation**; and
- **knowledge and perceptions** of overpayments.

The chapter then goes on to illustrate the role of these contextual issues on customer **perceptions of their responsibilities in managing tax credits claims** and the **impact of all these issues throughout the customer journey** of maintaining a tax credits claim.

3.2 Customer experience and knowledge before claiming tax credits

Few customers tended to be able to point to specific reasons for the error leading to their overpayment occurring, or demonstrated a good knowledge of the tax credits system. Those who understood the system tended to be those who had pursued the cause of their overpayment with HMRC and had since received an explanation for it. They were often also both ‘meticulous’ financial managers and debt-averse, in better-paid jobs and with a stronger understanding of how tax credits worked. Among Direct recovery customers, these participants were those who had responded to the first Notice to Pay letter from HMRC and for In-award customers, they tended to be among those who had received only one overpayment⁷.

However, participants in the study tended to be unable to explain the cause of their overpayment. Some of these **participants expressed the view that tax credits were different to other state benefits, which they were used to claiming, but found it difficult to explain why**. These customers generally did not understand the importance of the renewals process or the provisional nature of their claim. **Peer misinformation** and the impact of the media portrayal of overpayments also played a part in distorting perceptions about how tax credits worked.

3.2.1 Lack of familiarity with the tax credits system

Some customers, who often had experience of claiming other state benefits, **conceptualised tax credits in the same way as fixed conditional or universal benefits** such as Child Benefit, Disability Living Allowance or Jobseeker’s Allowance, that is as an additional supplement to a low income, at a set rate, which maintains a basic standard of living.

These types of participants were **used to receiving benefits from government which they did not have to manage and assess alone**. They made comparisons between these fixed benefits and tax credits, finding the former much easier to manage as they were believed to be **paid on a flat rate basis, checked for them by a face-to-face adviser**, and there were therefore *fewer responsibilities for the individual to manage* their claim. These benefits were felt to be **conditional upon reporting fewer, or simpler, changes in circumstances**.

This led to a range of difficulties in that customers not only **did not understand their responsibilities** in making their claim, but also found it hard to understand **how much they should broadly receive** and, therefore, whether there was an error in their award.

“I did think ... this can't be right, but nobody told me any different ... I didn't know what to calculate and I didn't know what my expectations were”

Female, Joint Claim, *Direct recovery*, County Court Referral

Some participants **found it difficult to differentiate tax credits from other forms of benefits because they were all associated with the services provided by Jobcentre Plus**. In some instances, where Jobcentre Plus advisers filled out the tax credits form for customers, there was even less understanding of the differences between tax credits and other forms of benefit, leading to confusion around the different obligations that tax credits entailed. Furthermore, some participants claiming a range of state benefits who were less able financial managers could only understand the total amount they were receiving, and not how each benefit differed which made it more of a struggle to define their obligations to managing their tax credits claim.

⁷ See chapter 1.4 for further details of ‘Notice to Pay’ and ‘No Overpayment Recently’.

“They told me all the things I could be getting – “because you’re earning this amount, your total benefits each week will be this amount” – that’s how I understood it”

Female, Single Claim, *Direct recovery*, Legal Proceedings Letter

3.2.2 Understanding of the provisional nature of tax credits

Although participants broadly understood that tax credits are an in-work benefit to boost low incomes and/or mitigate against child poverty, **participants were rarely able to describe the provisional nature of the awards, or the importance of the renewals process** in verifying the accuracy of that year’s claim⁸. Participants understood their responsibilities in this process in terms of **whether their actions would lead to the award being stopped, rather than ensuring the accuracy of the claim** and avoiding overpayments. Some participants did not understand that their tax credits were **conditional** and were only finalised when the customer provided proof of their income at the end of the year. These customers, therefore, assumed that HMRC made *final* decisions on awards for the forthcoming year at the renewals stage for the entire year, concluding that any overpayment later incurred must be due to HMRC error.

“It’s hard to get your head around how it’s worked out...they think it’s explained properly, but people perceive things in different ways. Because you’ve not understood it properly then you’re put under this added pressure”.

Female, Joint Claim, *Direct Recovery*, Legal Proceedings Letter

Furthermore, customers interpreted the provisional award as a final decision made by HMRC, with **the term “award” signalling this strongly rather than something that they still needed to check the details of for themselves.**

“It’s called an award – it sounds final. The figure’s set in stone and I don’t need to do anything further about it”

Male, Single Claim, *Direct Recovery*, Legal Proceedings Letter

Some customers understood that their award was based on estimated earnings, but they **did not know that this rate could be revised at the end of the year**. For this reason, they did not understand the implications of inaccuracies in their personal details as reported on award notices and other correspondence from HMRC.

Claimants who were used to receiving a flat-rate benefit found it difficult to make the conceptual leap to receiving an *estimated* benefit which is checked and possibly amended at a future time. Given that the process of retrospectively checking a benefit was alien to these tax credits customers, it was not fully understood as a crucial part of responsibilities in claiming tax credits.

3.2.3 Peer misinformation

Many customers had first heard about tax credits from friends or family, and these sources often **propagated misunderstandings about how tax credits worked**, and about entitlements.

Participants often tried to understand their own entitlement by comparing tax credits claims with their peers, and this led customers to perceive apparent contradictions in the system. For instance, they would **compare themselves to friends or family members in similar circumstances, and often found they received notably different levels of support**. This added to a sense of confusion around how tax credits awards were calculated.

One couple who had compared their claim to their friends’, discovered a large difference between the amounts, despite the same number of children and believing they had “roughly” the same income. Other customers reported similar experiences, with the difference ranging from minor sums to hundreds of pounds. This fuelled a **perception that levels of payment seemed**

⁸ Customers must check and return the Annual Review between April and July to validate their previous year’s claim.

to be arbitrary.

“I know people that are in exactly the same situation as me on the Income Support, everything’s the same. Two children exactly the same, yet our payments are different. [I] don’t get that”

Female, Joint Claim, *Direct Recovery*, Telephone Call from Debt Management

Friends also had a large **impact on customers’ understanding of how overpayments came about, and how widespread overpayments were**. One customer described how she would report every extra hour she worked in a month, because she had heard from her friend that overpayments would occur if she did not. Others described how their friends would not apply in case they were overpaid, due to the overpayment experiences of their peers.

“I’ve a mate with five kids, and I’ve been telling him for what, four and half years he can claim tax credits and he won’t claim it. Because of the overpayments”

Female, Joint Claim, *Direct Recovery*, Legal Proceedings Letter, Paired Depth

In light of this evidence, it appeared that assistance from friends and family sometimes did not help customers understand their claim, or the amount that they were eligible for.

3.3 Customer understanding of overpayments

As described in this chapter, many customers with overpayments did not fully understand how tax credits worked. Furthermore, many participants in the research explained that they were **not aware of overpayments, or how an overpayment could occur until they received one**. Although generally participants understood that the tax credits system was sensitive to changes in customer circumstances, a key problem was that they **did not understand the implications of providing inaccurate personal details**, as they had not heard about overpayments before they started claiming.

This **lack of information tended to result in many participants believing that an overpayment was the result of an error in reporting or recording figures relating to income**. The many participants who did not understand the provisional nature of tax credits payments, or who had misunderstood how they were paid due to information from a friend, tended to feel that overpayments were an error on HMRC’s part, rather than a potential and relatively normal consequence of payments based on estimated amounts, or a consequence of not checking an award notice for errors thoroughly.

Furthermore, **the term ‘overpayment’ created ambiguities** about their role and responsibilities in managing their overpayment as well as their tax credits claim for some customers. Some **perceived the term to mean that HMRC had made an error in calculation and payment to the customer**, and so then felt that resolving the issue was HMRC’s responsibility.

In comparison, **the word ‘debt’ was clearly understood by customers**, many of whom had experienced credit card and other debts, and associated the term with personal responsibility. As can be seen in Chapter 2, some customers were uncomfortable with debt and tried to avoid it; they also understood that they were obliged to repay a debt. To those who were more comfortable with debt, an ‘overpayment’ did not weigh on the conscience. The relationship between attitude to debt and response to overpayments is discussed further in Volume IV.

Finally, the **media also had a profound influence on participants’ views of overpayments**. Some participants had only become aware of overpayments through media coverage; citing “Tony Blair’s write-off”⁹ of overpayments in 2004/ 5 as their reason for being unconcerned about their overpayment as they believed that this write-off was ongoing. Media coverage also **increased reluctance about responding to debt interventions among customers in direct recovery**, as the media communicated a strong message that overpayments may have been erroneous. This tended to cause confusion, and these participants could be unsure as to what

⁹ This is the claimants’ views/recollection and not HMRC policy.

action to take when they received notice of overpayment.

“I was thinking, what can I do? And then I found out in the news that the government really messed up and a lot of people were given wrong overpayments. So I became cautious of what to do next”

Male, Joint Claim, *Direct Recovery*, Legal Proceedings Letter

3.4 Customer perceptions of responsibilities in managing tax credits

As we have seen, many customers did not have a strong understanding of how the tax credits system works or of how overpayments come about. This, evidently, had implications for how customers understood their responsibilities in claiming tax credits.

This research suggests that, typically, **customers’ understanding of their responsibilities in claiming tax credits did not match HMRC’s expectations of them.** In a recent information publication, HMRC have explained customer responsibilities, and the responsibilities held by HMRC in a tax credits claim in detail¹⁰. These responsibilities are summarised below:

Figure 3a: Responsibilities in managing tax credits claims

HMRC should:

- Give the correct advice
- **Offer support** in explaining the award notice
- Accurately record information **and pay the correct amount** when customers **make/renew a claim**
- **Send a new award notice within 30 days** after a **change of circumstance**
- **Amend and send a correct award notice** after a mistake is discovered

Customers should:

- Give **accurate, complete and up-to-date information**
- **Return annual declaration by end of July**
- Tell HMRC about any **change of circumstance within one month**
- Tell HMRC if they **do not receive a new award notice within one month** of contacting
- **Use the checklist** and **tell HMRC** if anything is **wrong, missing, or incomplete**
- Check their **payment matches the award notice.**
- Tell HMRC of any **mistakes on an award notice within one month**
- **Phone the Helpline** if they **do not understand their responsibilities**

Nonetheless, many customers did not understand some of these responsibilities, and also had **additional expectations of the responsibilities** of HMRC which included:

- HMRC would **cross-check customers’ income through internal processes;**
- **HMRC calculations and processes to be accurate and authoritative;** and
- HMRC would **detect errors and inform customers.**

When additional expectations were not met, they contributed to customers’ feeling that HMRC was to blame for an overpayment, as explored in the following section.

¹⁰ What happens if we’ve paid you too much tax credits?, HMRC Code of Practice 26, available at: <http://www.hmrc.gov.uk/taxcredits/things-go-wrong/overpayments/how-happened.htm>

3.4.1 Customer who believe that HMRC cross-check their income through internal processes

Some customers saw the Department of Work and Pensions, HMRC, and ‘the state’ in general as one entity that can seamlessly pass information between agencies. This led them to believe that they had less responsibility for their claim as ‘government’ had all of the information required. Those customers in employment viewed HMRC as the ‘tax man’ who has access to all of their personal information. It can therefore seem illogical to them that HMRC wants their income information in addition to that which it already receives through PAYE contributions. They therefore did not see the importance of checking and challenging the figures presented to them by HMRC, and took a passive attitude towards the claim.

“At the end of the day, all the paperwork was filled in ... and they all interlink anyway”

Female, Single Claim, *Direct Recovery*, County Court Referral

This perception led participants to blame HMRC and the government more broadly for the overpayment. This is important because such perceptions of blame are crucial to how people respond to the overpayment debt interventions, as explored in Volume iv of this report.

3.4.2 Customers who expect HMRC calculations and processes to be accurate

Most participants in the research had felt a **strong sense of trust in HMRC’s calculations and processes before they received an overpayment.** Many cited this as the reason they did not cross-check figures on their award notices, or check that amendments had been made to new award notices they received during the tax year. Where processes were perceived to have failed, HMRC was held responsible, as exemplified by the following comment.

“If you tell someone to stop paying me because I’m not entitled to it and they continue paying me, whose fault’s that?”

Male, Joint Claim, *Direct Recovery*, Field Force Visit

There was also a sense from some that where there might be a mistake, they feared telling HMRC, because of a perception that the ‘taxman’ is usually right and that **HMRC’s decisions were authoritative.** This was more common amongst claimants who were more debt-averse.

“It’s the taxman – how do I know if what he’s putting in and taking out is right or wrong? All I know is, you don’t cross the taxman”

Female, Single Claim, *Direct Recovery*, Legal Proceedings Letter

Accuracy of processes was a key issue where **recording changes of circumstances** was concerned. Many participants felt that they had notified HMRC of changes in circumstance, but that these **changes had not been recorded and processed**, in particular by call centre staff. Customers on variable incomes who felt they had gone to great lengths to report changes in their working lives felt particularly frustrated by this perception of an HMRC error which, in turn, led to **considerable resentment of the system.**

“We’re saying that we informed them of all the changes, they’re saying, we didn’t. It was a telephone call. We’ve got so many different statements from them over that period of time ... that that proves that we were in contact with them”

Male, Joint Claim, *Direct Recovery*, Field Force Visit

These participants therefore felt that the accuracy and efficiency of confirmation systems should be improved when reporting changes, especially when doing so over the telephone.

3.4.3 Customers expect HMRC to detect errors and inform customers

As most customers think HMRC systems are integrated with others in government, they **felt that HMRC was better equipped than they were personally to detect errors in tax credits claims.** The evidence of this study suggests that customers assumed that HMRC had all the

information it needed to make a tax credits calculation so it was therefore straightforward for HMRC to check the data. Participants tended to **expect HMRC to have the capability to detect when an error in their income had been reported** – for example by cross-checking with PAYE rolls. Other examples that participants raised included a belief that HMRC could check their details regarding their childcare costs and verify forms, or could use marriage register offices' records to detect when single claimants had got married. For these reasons, customers underestimated the role they as customers needed to play in managing tax credits claim and were therefore both alarmed and surprised that errors could occur.

“As far as I understood it, all the claim forms went through a computer system, which are infallible ... But if you'd filled it in wrong there was nobody querying that”

Female, Single Claim, *Direct Recovery*, County Court Judgement

Furthermore, because participants **did not understand the cause of their overpayment** and also **did not fully understand their own responsibilities in managing their claim**, they were more likely to believe that the overpayment was a “mistake”, especially if they had pursued queries with HMRC, for example by using the telephone helpline.

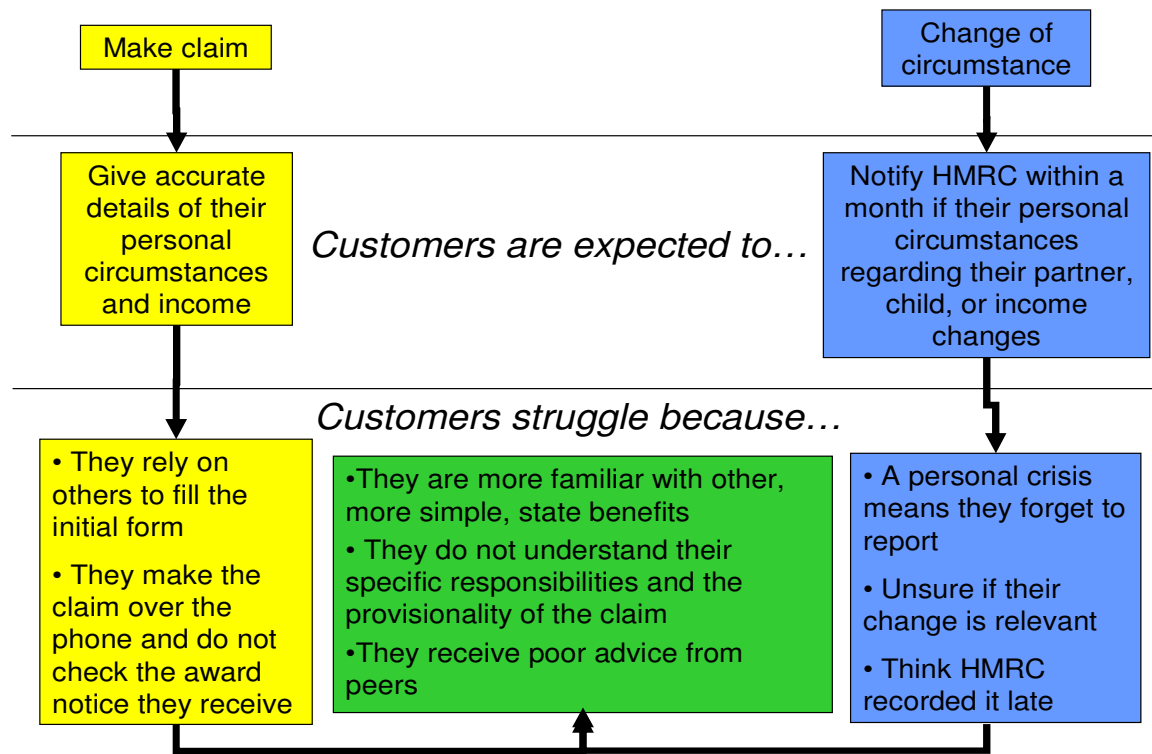
“I was shocked at the amount they were going to award us, so that's why I rung up and said, 'are you sure we're allowed this? ... and they said 'everything's fine as long as everything's correct on your application'. And I thought it was, so I left it alone”

Male, Joint Claim, *Direct Recovery*, County Court Referral

3.5 Sources of error in the customer journey of a tax credits claim

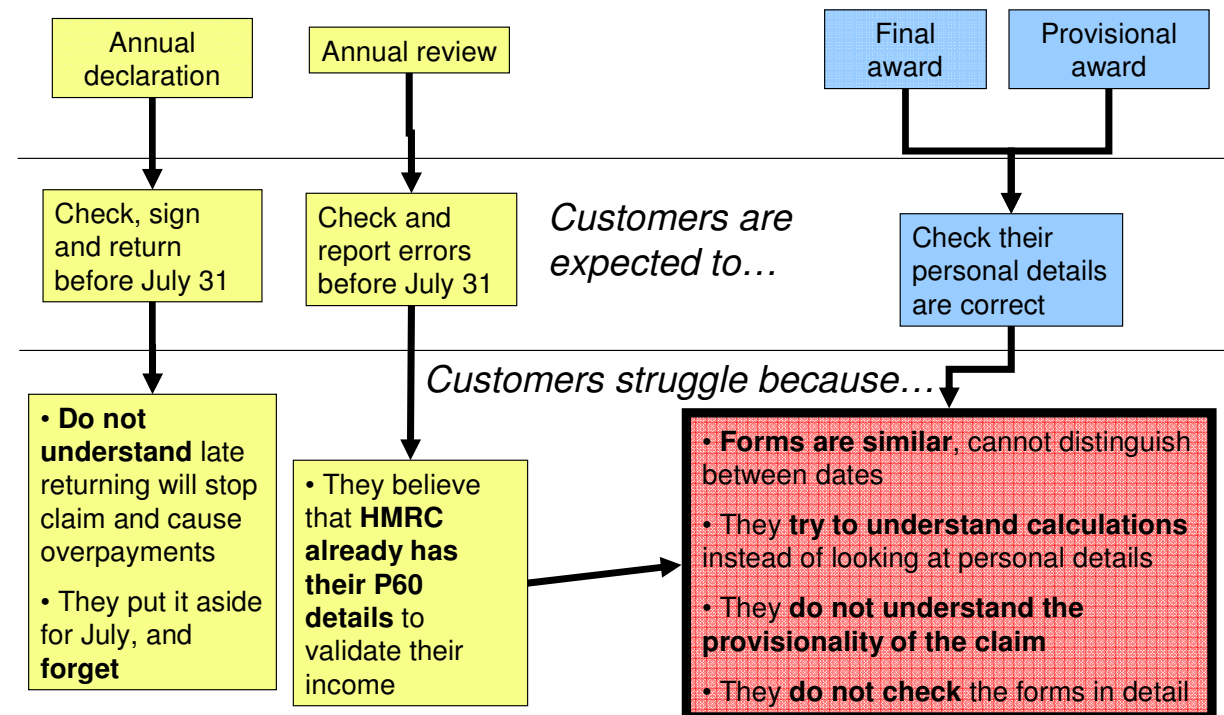
Summarised by the following two figures, this section will examine **sources of error throughout the customer tax credits claim journey** in detail as well as why customers did not take action if they identified a problem with their claim. We shall also draw on the findings of the chapter so far, which have given a context for some of the error and confusion over claiming throughout.

Figure 3b Sources of errors in making claims and reporting changes of circumstance



The following figure summarises the key sources of error in the **renewals process**.

Figure 3c: Sources of error in the renewals process



3.5.1 Reporting changes of circumstances

Typically, **customers were highly aware of the need to report changes in their circumstances to HMRC**. They were particularly aware that they have to notify HMRC if their household composition changed or their income varied. This clarity was often **attributed to HMRC media campaigns**.

“Yes, we know it’s important to report any changes....it gets drilled into what with all the adverts on the telly and the letters that come through the door”

Male, Joint claim, *Direct Recovery*, Field Force visit

However, there were some circumstances in which customers appeared less clear about the need to report such as changes in their childcare costs or in state benefits such as Disability Living Allowance.

There were also various circumstances which *customers* felt did not reflect a change to their situation, but were *officially* changes in circumstances based on the rules of the system. Many customers who **worked irregular or flexible hours**, or who worked overtime or seasonally, **did not consciously think of their work situation as a change in circumstance**.

“If I had to ring them up every time I was going to change me hours I’d be ringing them up every day. So I don’t, I just say what I’m going to more than likely earn at the end of the year”

Male, Joint Claim, *Direct Recovery*, Legal Proceedings Letter

Others discussed one-off changes that did not permanently change their circumstances. A bonus in a pay-cheque, one month where childcare costs changed and then returned to normal – these were not viewed by some customers as a ‘change in personal circumstance’ but simply a temporary anomaly, and so they neglected to tell HMRC about it.

3.5.2 Reporting within the 30-day deadline

Customers have a month to inform HMRC of changes in their circumstances. Those who were unaware of this were typically those whose financial management was more chaotic, and who found it very difficult to manage their household incomes. However, even these participants were aware that they needed to update HMRC when changes in their household or income situation occurred and most did so by calling the tax credits helpline.

Changing life circumstances and **stressful periods affected whether customers reported changes within the 30-day deadline**. Some customers felt very strongly that the **timing of the requirement was unreasonable**, and for this reason they did not feel that the overpayment they incurred as a result of delaying was fair. As we shall see in Volume iv of this report, this perception was an important barrier to effective recovery of debt from HMRC.

“If I lose my job today they expect me to call them today to tell them that I’ve lost my job. It’s not possible ... it’s the last thing on my mind”

Female, Single Claim, *Direct Recovery*, County Court Letter

3.5.3 Managing the renewals process

During the renewals period of April to July, customers are asked to check for any ‘*wrong, missing or incomplete*’ details on award notices and the annual review and to report any errors. They are also asked to use a **checklist** which is provided with the renewals pack in April to support them in checking the details correct. They must complete and return the annual declaration. The following table sets out their responsibilities in the process in detail.

Figure 3d: Documents in the renewals process

Document	Description	Customer responsibility	Time of year received
Annual Review (with checklist)	Summarises the claim for the award period that has ended in March. It sets out the personal details that are held by HMRC and used to calculate the previous year's entitlement.	Customers must confirm details are correct and report any errors before the end of July. They can do this using the tax credits telephone helpline. Further to this, customers are asked to report their actual income for that year.	In the renewal pack sent in April-June
Annual Declaration (with checklist)	The form customers are asked to complete to report their actual income for the previous year.	Must be completed and returned as soon as possible. This can also be managed using the tax credits telephone helpline. If not returned before end July, the claim is terminated (or annulled) and any payment made since April becomes an overpayment.	In the renewal pack sent in April-June
Final Award Notice	Sets out exactly what has been paid out to a customer for the award year that has ended in March and is based on the information set out in the annual review and any changes reported as part of the renewal process.	Customers must confirm details are correct and report any errors as soon as possible.	July
Provisional Award Notice	Gives details of the tax credits award for the year that has started in April.	Customers must confirm details are correct and report any errors as soon as possible.	July

Cognitive testing revealed a number of difficulties experienced by participants in meeting these responsibilities, including **difficulties with the format** and **difficulties understanding what to check on award notices**.

3.5.3.1 Difficulties with the format

Cognitive testing of the award notice forms demonstrated that customers found some aspects of the layout and language in award notices difficult to understand. Firstly, **there was a strong sense among participants that they had received the same award notice several times**, and often spent a long time sorting paperwork relating to their claim.

“They send you the same form about six times; this one is exactly the same as that one”

Female, Joint Claim, *Direct Recovery*, County Court Letter

Customers often appeared to struggle with checking forms due to a **perceived lack of agreement in the dates on award notices** and the dates customers felt applied to their changes of circumstance. Some customers felt that the dates on their award notices did not match the dates they had reported to HMRC as related to their changes. Customers were also

often unable to tell the difference between the provisional and final award notices when shown them in the interview; some simply said they **thought they were duplicates**. Customers also **did not make a connection between the provisional award notices for the year that has just started and the final award notices they received for the year that has just ended**, making clear the underlying lack of understanding surrounding the provisional nature of tax credits.

Finally, the **volume of correspondence** was also a source of confusion for some participants. **Customers with joint claims found it confusing when two letters arrived** – one addressed to each person¹¹. They were not sure whether this meant that they both owed the amounts separately, or that each person was receiving a request for the same overpayment.

“When they send a statement out, they send one to me and one to [my partner]. Yeah, we’re both named on it but we get one each time we get a different claim or something changes, we’re getting four letters through, which you get to the stage where you’re getting eight of them come through in a month”

Male, Joint Claim, *Direct Recovery*, Field Force Visit

3.5.3.2 Difficulties with understanding what to check on award notices

For the few participants who did check their award notices, their perceptions of **“checking” encompassed a range of processes, most of which did not meet the needs required by HMRC**. In these cases, “checking” included:

- **looking only at the total entitlement** to see if it was approximately correct;
- **checking only personal details**, such as the names and ages of children and **failing to check working hours or income**; and
- **reviewing the entitlement figure only** because they wanted to know how much they would be receiving in tax credits and presumed this to be an already accurate account.

Most participants **had not paid attention to the instructions on how to check the forms** on the front page of all award notices. For those that did, the instructions were sometimes confusing. The instruction directs them to *“check the details on this form and tell us if anything is wrong, missing or incomplete”*. Participants often **took this to mean that they had to check the accuracy of the main calculation** rather than their own personal information.

Customers **did not generally use the checklist** accompanying the forms¹², and felt that these could more usefully be incorporated into the forms themselves to prompt them more accurately on what to check. Furthermore, customers noted that **details which required checking needed to be clearly highlighted on the form**.

The **accuracy of HMRC calculations was a preoccupation** for many customers, and it was a common error for customers to **try to check the calculation rather than checking whether the details of their income are correct**. Those who did check their forms tended to focus on these figures and did not understand how they were supposed to confirm the accuracy of these.

Further to this, the **terminology used in the forms was difficult to understand** for some. As an example, one couple commented that they had difficulties understanding the meaning of “basic” and “advanced” rate for Working Tax Credit and sought advice from the helpline.

“I’m not sure what I’m supposed to be looking at. See “basic”, I guess that’s what everyone gets and then I get less because of my wage but I don’t know if that’s right because that’s their figures”

Female, Plymouth, Joint Claim, *In-award*

11 HMRC policy changed in 2010 in response to feedback from customers. Only one copy is sent for a joint claim. Following a household breakdown HMRC will still write to former partners separately.

12 HMRC sends out checklists for the annual review and annual declaration with renewals packs. These checklists are accessible at <http://www.hmrc.gov.uk/Taxcredits/forms-and-leaflets/forms.htm>

For In-award customers, the overpayments section of award notices was also confusing. Some customers **did not know how many overpayments they had received from reading the notices**, and expressed a desire for clearer information on this as well as how much they had paid back in total. They felt this would give them greater control of the overpayments as they could monitor it in a similar way to their household finances or credit card bills.

“You hardly get any information, we’d like to know exactly how much we’ve already paid back, it seems endless”

Male, Luton, Joint Claim, *In-award*

Regarding the **annual declaration, participants generally understood that the continuation of their award depended on completing and returning the documents**, although not all were aware of the requirement to check and agree the details on the annual review. Most customers said they would call the helpline rather than complete the form, to both validate and renew their claim because the helpline was convenient and they felt it reduced the chance of error as they could give the figures to HMRC rather than needing to complete the form themselves.

Customers’ relative level of comfort with regard to their responsibilities in returning the annual declaration was because they knew that the continuation of the claim depended upon them doing so. This was a strong example of how **customers framed their responsibilities in terms of ensuring that they completed actions that would ensure their tax credits were not stopped, but found greater difficulty completing actions that ensured that their claim continued accurately**. As the declaration only asks customers to report their income, this aspect contributed to a wider impression that income alone drives tax credits calculations and overpayments and was the most important thing to check.

3.6 Seeking assistance in managing tax credits claims

As we have seen, some customers felt that their perceived role in checking award notices was difficult and onerous, and did not feel confident in doing so correctly. These customers **wanted support to ensure they had completed tax credits applications with the right information**. The following comment, from a customer who made her tax credits application herself without support from the telephone helpline, illustrates this sentiment.

“There was no way of spotting an error on the form. If you’d filled it in wrong there were nobody querying that ... and there was no way of me checking that I was receiving the right money”

Female, Single Claim, *Direct Recovery*, County Court Referral

Customers also discussed their experiences of using the **HMRC tax credits helpline**, the **literature that accompanies the annual review forms**, **online resources** and **face-to-face support at Jobcentre Plus** to assist them with their claims all of which are examined below.

3.6.1 Using the HMRC Tax Credits helpline

Overall, customers were **positive when talking about using the HMRC tax credits helpline to manage their claim** throughout the year. Most customers found the staff polite, patient and helpful, explaining what information they needed to give in order to make or amend their claim. Several customers also explained that they preferred to manage their claims over the phone rather than simply using the forms, as this was an easier way for them to understand what information they were passing over and what exactly it was that they would be receiving.

“Sometimes I’ve sat and read something, and I’ve sat and read it three or four times, and I’m thinking to myself, am I reading it wrong? And when I’ve rung and something’s been pointed out and explained, I’ve gone ‘Oh right, yeah, I understand’”

Female, Single Claim, *Direct Recovery*, Legal Proceedings Letter

In many cases, customers who called to notify HMRC of a change of circumstance were warned that the recalculation might result in an overpayment if they had reported late. In one example, a woman called to notify that her partner had moved back in some time ago, but that she would not know his exact income until they received his P60. HMRC advised her to wait until the renewal period when the P60 was available to confirm the income, but warned her based on rough income estimates what the overpayment was likely to be because of late reporting. In instances where HMRC staff had alerted customers to this before the first letter came through, the customer felt ready to pay back what they owed, and were grateful for HMRC's assistance.

"I find them very open. I've never had the experience of them trying to hide things to get something out of me. I find them very helpful"

Female, Single Claim, *Direct Recovery*, First Notice of Overpayment.

The main theme to emerge about the HMRC tax credits helpline concerned customers who called up for clarification of how their overpayment had happened. Many participants who did this **felt that they were not given satisfactory details about how and why this had occurred**. They stated that staff were unable to clarify what exactly triggered the overpayment, and where the error was made. However, when discussing how customers viewed the helpline for managing their claims, experiences were generally positive.

3.6.2 Using HMRC printed guidance

Customers typically felt that the guidance information about how tax credits work and how to check their renewal notices **took too long to read and was difficult to understand**. Those who did seek out HMRC's printed guidance tended to be those with high levels of literacy and numeracy yet even these participants felt that the high volume of information available made their tax credits claim seem even more complicated than they had originally thought.

"You have to read up so much on the websites, on the forms, they're not simple, in order to realise that yeah, okay, you may be entitled to claim something...I'm an accountant, but even I understand only three quarters of it"

Male, Joint Claim, *Direct Recovery*, Legal Proceedings Letter

With regards to overpayments, customers who were shown the information booklets "**What happens if we pay you too much tax credits?**" and "**Why do Overpayments happen?**" during interviews found them helpful to varying degrees and, on balance, tended to prefer the latter. This was because they stated that the **language was clear and the pictures and real-life case study examples made the booklet relevant to them**.

"Those case studies that they include will be relevant to some people. It is user friendly, easier to understand. It's gone for the personal touch"

Female, London, Single Claim, *In-award, No Overpayment Recently*

Participants actively engaged with this document and wanted to read it, sometimes even reading the entire booklet during the interview. The positivity towards this booklet stemmed from customers' **desire to better understand their overpayment and, because of this, they thought the booklet should be sent out with the first notice of overpayment**. Customers also thought that the booklet might then help them to better manage their claims in the future as they would understand precisely why and how overpayments happen.

"At least [in it] they are sort of saying, okay we have overpaid you these could be the reasons why"

Female, Luton, Joint Claim, *In-award, Overpayments*

There was limited recognition of the booklet "**What happens if we pay you too much tax credits?**" when it was presented in the interviews. The 'Your Responsibilities' section was received positively by some as it was helpful to have a simple, clear list outlining exactly what they needed to do to manage their claim, which they had not seen previously. Overall,

customers felt the literature was helpful but that the key issue would be sending it at the right time to ensure it was read.

“You get so much stuff, you probably wouldn’t bother [to read it] if it came with everything else. If it said you’ve been overpaid, here’s a thing to help you find out why that’d be better”

Male, Plymouth, Joint Claim, In-award, No Overpayment Recently

The key tended to be **gaining an understanding of their overpayment to help them manage their claim more effectively** in the future and the “Why do Overpayments Happen?” booklet was seen as an effective source of assistance.

3.6.3 Using the HMRC online calculator and other online resources

Most participants **had not used this calculator and were generally not aware of its existence**. Some participants said that they did not have access to the internet and would therefore be unable to use it. Nonetheless, many liked the concept because they felt it was important to have a better idea of what their actual claim should be so as to enable them to better detect errors as illustrated by the comment below.

“It wasn’t till later down the line that I did the checker and I realised that something was wrong”

Female, Single Claim, *Direct Recovery*, County Court Referral

However, others participants found that the calculator was less helpful; when the figure it presented them with did not match the figure they received they were unsure what to do next, or why there was a mismatch.

“When I done an online check to see with this calculator, it wasn’t going to give me anything. So I didn’t even bother to, fill that [the annual declaration form] in and send it off, I just ignored it”

Female, Joint Claim, *Direct Recovery*, Field Force visit

Some used the online resources as a source of assistance in managing their claim, either to help understand what they were eligible for, or to try and understand how their overpayment had occurred, and what the likely outcome would be.

Some customers mentioned other media, such as the news and internet, also acted as sources of assistance. One couple described how they had used **online forums** to try and understand what they were entitled to, when they had not understood their award notice or the explanation from HMRC helpline staff. They explained how they read websites where claimants had posted their experiences, their personal situations and how much they were receiving, which they said **confused them even further about what they were entitled to**. Customers also used such websites to try and understand and manage their overpayment, but said that online forums only gave examples of negative experiences rather than assistance which, in turn, increased the sense of blame some felt toward HMRC regarding overpayments.

3.6.4 Using Jobcentre Plus and face-to-face support

Some customers had experience with claiming benefits of less complexity than tax credits, which meant they **had low expectations of what responsibilities they would have in managing a tax credits claim**. Many of these customers first heard about tax credits through Jobcentre Plus, when inquiring about their eligibility for state financial assistance. The Jobcentre Plus advisor helped with their original claim and also gave them HMRC guidance about how to manage their claim going forward. In some cases, **customers said that using Jobcentre Plus for assistance provided a human face to the process**, and the advisor helped them understand why it was that they were eligible, and what it was that they were responsible for reporting to HMRC. For others, however, the association of tax credits with other benefits by

virtue of their use of Jobcentre Plus' advisors made it very difficult for customers to distinguish between the money they received from tax credits and other benefits and, subsequently, may have caused confusion about their responsibilities regarding the management of their claim.

"I heard from the Jobcentre...it wasn't very clear...they gave me loads of leaflets, but quite honestly I found it quite difficult to understand and work out how much I would personally be able to claim"

Female, Joint Claim, *Direct Recovery*, First Notice of Overpayment

Some debt-averse customers **used external companies to help manage their claim – such as debt help and advice services**, or independent sources of advice. These were often customers who spoke English as a second language and preferred to receive specialist advice from accountants who spoke their native language, or, in some cases, customers whose debt problems had become so extreme that they had turned to private debt management companies to consolidate what they owed. Customers with low levels of understanding of the tax credits system used debt management companies to try to find explanations of how their overpayment had come about.

Others **used external legal advice companies** to manage the appeals process of the overpayment, expressing that they had a better chance of winning their appeal against HMRC if they were represented by a paid-for professional legal company. Lastly, there were customers (typically poor financial managers) who used external assistance in order to negotiate with HMRC about the amount that they could afford to pay each month. Typically these customers had multiple overpayments and debts to other organisations.

"We're going through a debt management agency at the moment...they sort all our bills out...And they talk to people and say what we can afford and what we can't afford"

Female, Joint Claim, *Direct Recovery*, County Court Referral, Paired Depth

3.7 Conclusion

As the evidence of this chapter suggests, customers' **lack of understanding of how the tax credits system functioned**, especially with regard to the provisional aspect of their claim, and their **general familiarity with benefits which were less complex to claim** meant that there was a tendency for customers not to **fully understand their responsibilities in managing their claim**. This lack of understanding was prevalent but was particularly the case with those who could be classified as 'chaotic' financial managers.

Furthermore, customers' understanding of their responsibilities in claiming tax credits did not match HMRC's expectations of them. Customers' **additional expectations of the responsibilities** of HMRC meant that they responded more passively than required in managing their claim. Due to these expectations they felt that it was incumbent on HMRC to ensure that their claim was correct, rather than it being the responsibility of the claimant.

As we shall see, **customer misperceptions of HMRC's role and misunderstandings about their responsibilities in claiming tax credits persist throughout the customer experiences of claiming and when in receipt of overpayments**. Furthermore, customer perceptions of HMRC's role in overpayments also have an important role to play in shaping attitudes around claiming tax credits and responses to how overpayment debt is recovered. We shall therefore refer back to the content of this chapter throughout the report; the findings presented here form a vital context to the story of customer error and response to overpayment.

Volume iii - Debt recovery from an on-going award

SUMMARY BOX

(i) The way in which *In-award* customers felt about receiving an overpayment was mostly **dependent on the number of overpayments they had previously received**, their attitude towards financial management and the importance of tax credits to their household income.

(ii) The **method of recovering overpayments through deductions from an ongoing award** created a marked difference in customers' awareness and attitudes towards repayment. Lack of awareness of the amount being deducted from an award was high, and some customers were completely unaware that any money was being deducted.

Customers with higher, stable incomes were less concerned about deductions being made; they were able to adjust quickly to the new award level and did not report any significant impact on their households. However, **for customers living on lower, fixed incomes, the impact of the deductions was greater**, with some customers having to change the way they met essential household costs.

(iii) Customers' **experiences of overpayment recovery from an ongoing award had a significant impact upon how they managed future tax credits claims** and the likelihood of receiving further overpayments. There were two main drivers of this.

The first was **customers' understanding of how their overpayment had occurred**. If a customer could not attribute their overpayments to a specific mistake or action on their part then they often continued to manage their claim in the same way. Conversely, if customers surmised an incorrect cause they often changed the way they managed their claim in line with this incorrect assumption. This resulted in more mistakes than before and increased the likelihood of their receiving a further overpayment or underpayment.

The second driver was **the extent to which the customer felt they could control the success of their tax credits claim**. This was often influenced by the customer's experience of contact with HMRC, particularly in cases of queries and appeals. Stronger financial managers often had a better understanding of the tax credits system and felt more in control of their claim. Customers who felt that they did not have the power to take control of their award and their overpayment were less likely to change the way they managed their claim and so be more likely to receive further overpayments.

4 Introduction

In this section we shall examine perceptions and experiences of debt recovery from an on-going award of two types of *In-award* customer groups. Throughout, we shall examine differences in responses and experiences between the two groups, with reference to factors which may have had an impact upon their management of subsequent tax credits claims. In this section we shall cover:

- key characteristics of the In-award sample;
- reactions to overpayments and deductions, and;
- impact of overpayments on management of subsequent claims.

5 Key characteristics of the In-award sample

The term '*In-award*' describes customers who were receiving a tax credits claim when they were notified of an overpayment *based on that claim from a previous award period*. In these cases, the overpayment was recovered through deductions from that ongoing award rather than through direct debt recovery of an award that had ended. Participants in the *In-award* group were separated into two groups according to the number of overpayments they had experienced:

- '**No Overpayment Recently**' customers had an outstanding overpayment from the period 2004/05 to 2006/07 but not one in 2007/8 or 2008/9. Please note that although these customers are referred to as 'No Overpayment Recently', some participants in this group had experienced two overpayments in between 2004/05 and 2006/07. This group was of interest as they appear to have 'learnt' from their experience of getting an overpayment and avoided getting an overpayment more recently. The characteristics of this group and any reasons for not getting an overpayment recently were explored.
- '**Overpayments**' was the name given to those who had both an outstanding overpayment from the periods 2004/05 to 2006/07 and also at least one from the periods 2007/08-2008/09. This group was of interest as they did not appear to have 'learnt' from their experience of getting an overpayment and had got a number of overpayments.

5.1 Key characteristics of 'No Overpayment Recently' group.

Generally 'No Overpayment Recently' participants were **good financial managers**; in fact, many could be described as meticulous¹³ in their management of their household finances. In most cases, this attitude to finances was reported as pre-dating the overpayment.

Keeping records of monthly incomings and outgoings was common amongst this group, with a few using Excel spreadsheets to do so. They tended to demonstrate a good knowledge of their finances and reported that this was important to them, either because monthly cash flow was tight for them or because they felt **more comfortable knowing** their position financially.

"I keep a spreadsheet... I do like to know what is going in, what is going out and sort of know where we are...I like to feel comfortable that we are not sort of short or anything"

Male, Plymouth, Joint-Claim, In Award, No Overpayment Recently

Participants in the 'No Overpayment Recently' group tended to be fairly averse to debt. They generally reported having credit cards, hire purchase agreements and other forms of credit, but the use of these was normally explained in terms of **convenience and the rewards they offered (like points or insurance) rather than as a means of obtaining credit**. Participants in this group said that they **normally paid all bills on time**, so as to avoid an accumulation of debt.

"I have some store cards because you get a good deal, but that's it, I got into debt at Uni, and I don't want to get back there again. If I can't get it I wait"

Female, Luton, Single Claim, In Award, No Overpayment Recently

5.2 Key characteristics of 'Overpayments' group

In terms of financial management 'Overpayments' participants tended to be less meticulous than 'No Overpayment Recently' participants, but only a few could be described as chaotic¹⁴ in their financial management. Although most participants in this group had **a fairly general idea of their incomings and outgoings, few reported maintaining detailed**

¹³ For further explanation of these issues please see Section 2.4 – Financial Management Typology

¹⁴ For further explanation of these issues please see Section 2.4 – Financial Management Typology

accounts or records but rather logged this information 'in their head' as opposed to on paper or a computer. Participants in this group were often much **clearer on their incomings rather than their outgoings**, knowing when either a wage or benefit would be paid into their accounts, and the amount, sometimes to the penny. They were much **less sure of their outgoings**, and were often unable to say exactly how much they paid each month for fixed bills such as rent. Some 'Overpayments' participants had previously **experienced problems with debt** and reported either having been 'blacklisted' in terms of credit rating or visited by bailiffs. For these reasons, current use of credit was not common amongst these participants either because they could not access it or because previous experiences had made them more **debt-averse**.

"I used to [have credit cards] but not now. I know better. When my husband threw a card on the table and told me to use it, I didn't understand how it worked. You could give me one with a million pounds on it now and I'd say 'no thank-you'"

Female, London, Single Claim, In-award, Overpayments

6 Reaction to overpayments and deductions

6.1 Introduction

In this chapter we shall explore the responses of *In-award* customers when they received a notice of overpayment. It will examine how they reacted when they initially received the overpayment and the key factors that influenced how they responded to the notice. When *In-award* customers received a notice of overpayment their initial feeling was often an indicator of any action they would then take. In this section we shall cover:

- customers' feelings about receiving a notice of overpayment;
- awareness of overpayment amounts and deductions;
- perceptions of deductions;
- impact of deductions from awards; and
- negotiating deductions.

6.2 Customers' feelings about receiving a notice of overpayment

'No Overpayment Recently' participants were often confused when they received notice of an overpayment simply because they had not received one before, and were unsure of what it was or how it had come about. Following this, 'No Overpayment Recently' participants tended to respond in one of two ways. For stronger financial managers, receiving an overpayment was a cause for concern and they were **keen to understand their overpayment** in order to better manage their claim in the future. This attitude was often accompanied by the feeling that they may have inadvertently claimed money which they were not entitled to. This often led to the participant querying the overpayment in order to understand the source of error.

The second common reaction of 'No Overpayment Recently' participants to receiving an overpayment was to ignore it. This reaction was normally described by participants who were not reliant on tax credits as part of their household income, and was often accompanied by the feeling that the overpayment was caused by an administrative error on the part of HMRC, and would be unlikely to happen again. Although these customers sometimes queried the overpayment by phone, they were unlikely to follow the call up with further queries or appeals. The fact that this group had then not received a subsequent recent overpayment was due to their existing ability to fulfil their responsibilities most of the time, rather than having learnt something after receiving the overpayment.

'Overpayments' participants tended to be frustrated and sometimes resentful at receiving notification of overpayment. For some customers the notice of overpayment was a source of anxiety and they were very concerned about it because they had previously made an effort

to determine the causes of their overpayments and did not feel that HMRC had adequately explained the source of error to them. Consequently, although some continued to query and appeal each overpayment they received; most became **resigned to receiving overpayments**. Indeed, a few said they ‘joked’ about receiving a new overpayment each year as they thought they were an **inevitable** part of the tax credits system.

6.3 Awareness of overpayment amounts and deductions

Both ‘No Overpayment Recently’ and ‘Overpayments’ participants felt that the Award Notices showing their entitlement and deductions were too complicated to understand, and so many would **‘skip to the bottom line’ of the form** which shows what they would receive after deductions. For some, this lack of engagement with the forms meant that they were **completely unaware of any deductions** being made from their award as they had never read that section of the Award Notices.

“I don't look at the figures on the forms in that much depth, I'm not interested in what they're keeping back, just what they give me. I always just skip to the final figure on the last page”

Female, Plymouth, Single Claim, In-award, Overpayments

This meant that some ‘Multiple Overpayment’ participants were **unaware of how many overpayments they had received**. Many said that they remembered receiving letters notifying them of the overpayment, and were also aware that information on overpayments was included in their Award Notice. However, often participants would assume that this information was always related to the same single overpayment, and had not noticed that additional lines of figures were appearing on their Award Notice, or that despite deductions, the total amount to repay was increasing rather than decreasing.

This lack of engagement with the recovery of overpayments also meant that in some cases participants were not thinking through how their overpayment debt may affect them in the future. Although participants were mostly aware of when they would no longer be entitled to receive tax credits, not many participants were concerned about **what may become of the debt then**. This problem was particularly acute for participants who only claimed Child Tax Credit and whose children were about to leave full-time education. While some participants voiced **concerns about entering direct recovery when their claim ended**, most did not seem to be thinking ahead, or in some cases even acknowledging that they would not repay all of their overpayment through deductions alone.

“They'll just keep taking it off my money until it's paid, I won't have to pay it [myself].”

Female, Luton, Single Claim, In-award, No Overpayment Recently

6.3.1 Perceptions of deductions

Apart from those living under severe financial hardship, *In-award* participants seemed to be fairly **passive about the deductions made from their award** despite their views on whether or not they felt that they should be repaying the overpayment. Most participants described their experience in terms of being ‘notified’ of the deductions which were going to be made which led some participants to **feeling resigned** to deductions.

“They're in control of my money so it doesn't matter what I say or do they take it”

Female, London, Single Claim, In-award, Overpayments

In some cases, this feeling of lacking control over overpayment recovery led participants to **not view the overpayment as a debt** at all. Participants’ descriptions of previous experiences of debt recovery with private companies normally involved demands for payment through letters and phone calls, and in some cases visits from bailiffs. In contrast, their experience of *In-award* overpayments was simply a notification that they had been overpaid and that the amount would be deducted from future awards. This process did not

require any action from the claimant which meant that it was often not seen as a 'real' debt but an internal administrative process which was **HMRC's concern rather than their own**.

"No, it's not a debt, at least not one that I think about. A debt is something I have to pay back, I don't pay this back, they just give me less"

Male, Luton, Joint Claim, In-award, Overpayments

6.4 Impact of deductions from awards

Participants from the 'No Overpayment Recently' group tended to feel that they had adapted well to receiving a lower award entitlement and that the deductions had a fairly low impact on their lifestyle. This was particularly common amongst participants living on higher incomes, and those who had been overpaid relatively small amount. For many there was a general sense of "**you don't miss what you don't have**" which supported the feeling that deductions from awards were preferable to receiving requests for repayment from their own bank accounts.

"I'd rather not know what they take, let them get on with it; I just need to know what I'm getting"

Male, London, Joint Claim, In-award, 'No Overpayment Recently'

Some participants, particularly from the 'No Overpayment Recently' group who were **living with low, fixed incomes**, felt upset about the decrease in their tax credits payments and commonly described it as a "**double whammy**". They explained that not only were they receiving less because of the deductions to repay the overpayment, but that their award before the deductions was also lower than the previous year because of the change of circumstances that had resulted in the overpayment. For some, this reduction had a significant impact on the household and while some were able to adapt to a new income and change their household budget accordingly, others said that this was not easy to do.

"How do they know that I could cope without the money... not only was I going to get less money but they were actually taking as well so it is like a double whammy for me"

Female, Luton, Single Claim, In-award, 'No Overpayment Recently'

'Overpayments' participants, often felt that they **could not 'rely' on tax credits payments for important bills**. This is because those with a high number of overpayments perceived that they were receiving fluctuating amounts due to overpayment deductions. This sometimes occurred during an award period if an error was discovered between renewals, which meant that they were entitled to less Tax Credits and may also have received an overpayment. For some, this meant that they did not see their award as a constant reliable amount of money. This led many participants to say that their award tended to be earmarked for more 'flexible' household expenses such as shopping, and in particular for the food shopping, which was spontaneously mentioned by many participants living on low incomes.

I do struggle on the money I've got because my wages haven't gone up but everything else has gone up so, yes, I do struggle, if its £10 less a week, then I've got £10 less to buy or pay for my bills and food.."

Male, Plymouth, Joint Claim, In-award, 'Overpayments'

Although most participants from both groups said that they did not want to receive money which they were not entitled to, customers in low income households still felt justified in feeling upset at their award entitlement. This seemed to be because they had been unaware that they were being overpaid at the time and believed that they were entitled to the money. These feelings were particularly prevalent amongst those who did not know what caused their overpayment as they could not identify where they were at fault.

6.4.1 Negotiating deductions

Awareness of the right to negotiate the amount deducted from an award was low amongst both groups, even amongst those on the lowest incomes, who had described experiencing the greatest hardship caused by deductions. For those who said that they had called to negotiate the deductions, many said that they did so not because they knew they were allowed to, but because they said they would be unable to cope on their new award and so felt they had no choice but to try and negotiate.

“I called them and said they couldn’t take what they wanted, how would I feed the kids?”

Female, London, Single Claim, In-award, ‘Overpayments’

Those few who did call HMRC to negotiate the amount deducted reported the helpline staff were very open to negotiating an amount, which they seemed surprised by, which may be because they had not known that they were within their rights to do this. They tended to be happy with the outcome of their call, as they had been able to discuss and agree a payment plan with HMRC helpline staff, who, they felt were sympathetic to their situation.

6.5 Conclusion

The main factors which determined a participant’s reaction to receiving notice of an overpayment were the number of overpayments they had previously received, their attitude to financial management, and the importance of tax credits as a source of income. These factors influenced the level of desire the participant had to understand the cause of their overpayment and in turn, the likelihood of a participant querying and appealing their overpayment. This desire for greater understanding was linked to customers’ need for control in the management of their tax credits claim to prevent further overpayments.

The impact of deductions made from an ongoing award varied greatly between participants and was principally connected to the participant’s financial status and the amount by which their payments were reduced. Customers living on relatively high incomes, particularly those in the ‘No Overpayment Recently’ group described being fairly passive and unconcerned about the deductions made from their award, regardless of whether or not they felt that the overpayment had been their fault.

It was only for participants who reported living under significant financial hardship, and who counted on their tax credits payments to cover essential household costs, who described experiencing anxiety about the deductions, particularly if their payments were decreased by a significant amount. Although some of these participants reported that they had called HMRC to negotiate the amount deducted from their award, it was clear that most participants were unaware that these negotiations were possible.

7 Impact of overpayments on management of subsequent claims

7.1 Introduction

The way in which customers experienced the process of overpayment recovery from an ongoing award had a significant **impact upon how they managed future tax credits** claims and the likelihood of receiving further overpayments. Successful management of a tax credits claim required customers to assume personal responsibility for ensuring that the information on which the claim was based was accurate and reported in good time, as described in Section 3.4. It seems that that there were two main factors determining whether or not *In-award* customers changed the way in which they managed their tax credits claim after receiving an overpayment. These are highlighted below and are covered in this section:

- The importance of understanding how overpayments happen
- The importance of feeling in control of a claim and being a good financial manager

7.2 The importance of understanding how overpayments happen

Good understanding of both how the tax credits system worked and what was required of the customer as well as how an overpayment came about, were all felt to be important by participants when discussing the **extent to which they had changed the way they managed their claim**. As has been discussed in Section 6.2, participants, particularly in the 'Overpayments' group, reported that they felt confused and resentful when they first received notification of an overpayment. It seems that principally this **confusion and anger was a result of their not understanding why the overpayment had happened** given that they tended to feel that they had fulfilled the role required of them as a customer. However, as discussed in detail in Section 3.4, customers are both **unaware of some of the responsibilities expected of them** or misunderstand information they receive.

"It was income. I ended up getting a bit more than I'd originally said, but I told them, and they said "it won't affect you this year, don't worry" then I got an overpayment. How is that my fault if I told them?"

Male, Plymouth, Joint Claim, In-award, 'No Overpayment Recently'

This **perception of having met their responsibilities** was common amongst participants from both 'No Overpayment Recently' and 'Overpayments' groups, and was normally what led participants to querying and appealing overpayments they had received. Indeed, in many cases this led them to blaming overpayments on HMRC, and this meant that often they **did not examine their own management of the claim to discover the cause of the overpayment**.

"They won't accept they're wrong. They're the ones that calculated it and they're the ones who said we were entitled to all this money and then they said 'you didn't give us the relevant information' but every time there was a change of circumstances we phone in, it's not our fault if they don't use what we give them properly."

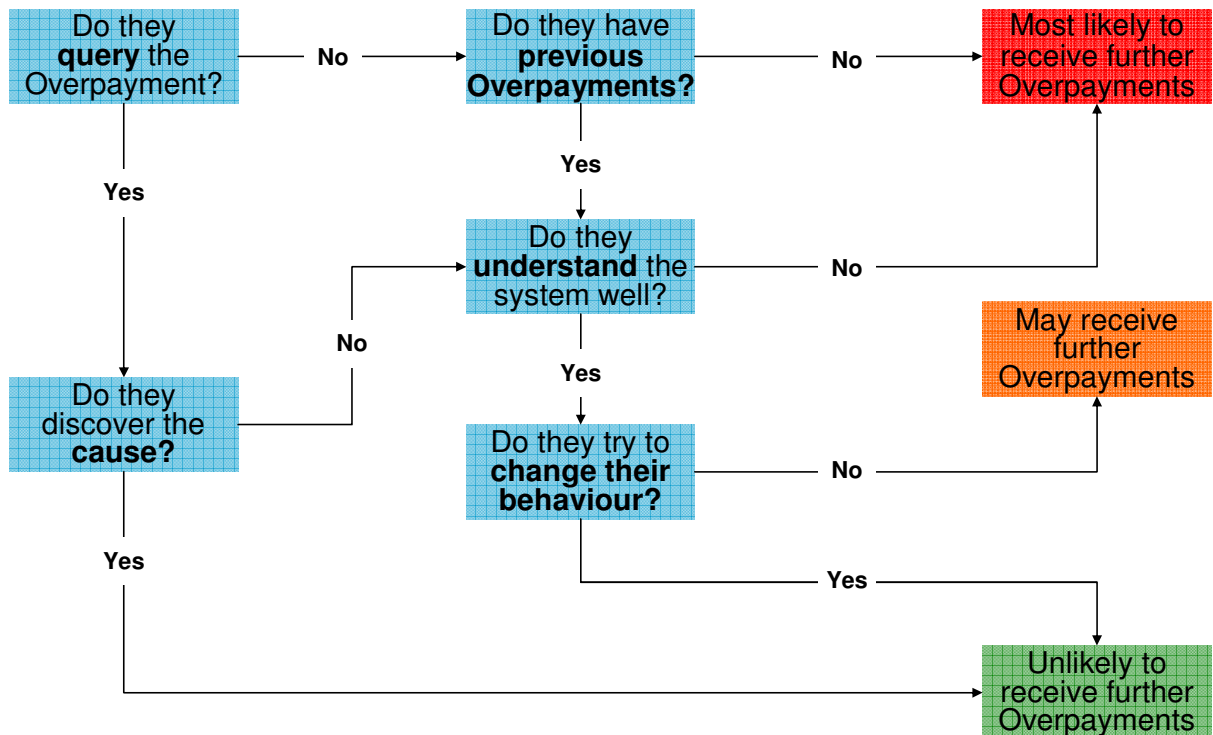
Male, London, Joint Claim, In-award, 'Overpayments'

Lack of understanding about what had caused their overpayment meant that participants either did not change the way they managed their claim at all because they did not know how, or they **made ad-hoc changes which they thought 'might help' prevent future overpayments**. In a few cases, these changes resulted in participants making more mistakes than before, and increased their likelihood of receiving either overpayments or underpayments. One example of this was a 'Overpayments' customer who had received five overpayments who decided not to update HMRC on changes to his working hours throughout the year as he did not believe that these had been recorded correctly by HMRC

in the past, which had resulted in overpayments. Another ‘Overpayments’ customer said that he had not notified HMRC that he had been made redundant five months previously because he believed that HMRC would increase his award and he would receive an overpayment which he would not be able to afford to pay back. This concern came from his perception that his previous overpayments had been caused by HMRC making mistakes in calculating his award after he had updated them on a change of circumstance.

The diagram below shows how querying of overpayments and achieving a greater level of understanding about how overpayments happened can decrease the likelihood of further overpayments or underpayments.

Figure 7a – Impact of overpayments experience on future claims



7.3 The importance of feeling in control of a claim

Participants in both groups talked about ‘control’ when discussing both management of a tax credits claim and experiences of overpayments. What they meant by this was the extent to which they felt they had power over their claim and overpayments. As discussed in previous sections, misunderstandings around how the tax credits system works along with the belief that they had fulfilled their responsibilities and HMRC had not, led participants to **feeling powerless over both receiving overpayments and the recovery of them.**

“No power, there’s nothing you can do, you’re powerless aren’t you?”

Female, Luton Single Claim, In-award, ‘No Overpayment Recently’

One factor which determined whether or not a participant felt they had ‘control’ over their claim was the level of understanding they had of the tax credits system. Participants who believed that they had **good knowledge of the system tended to report feeling more in control** when managing their claim as they felt that they knew what was expected of them.

“Yeah I know how it works, I’m self-employed so I get the whole provisional thing, it’s about tax years so that’s why they ask you report changes”

Male, Luton, Joint Claim, In-award, ‘No Overpayment Recently’

Those who were confused about why information needed to be provided or how it was used often reported feeling ‘powerless’. Others described feelings of apathy, either because they did not view their claim or overpayment as a priority or because they felt that it was **HMRC’s responsibility to deal with the claim rather than their own**. These feelings were often strengthened by the way in which *In-award* overpayments are recovered; for instance, the passivity described earlier over deductions and participants’ lack of knowledge around the number of overpayments they had received or how much they had been overpaid. All of these attitudes had a significant impact upon participants’ perceptions over **whether they could or should assume a greater level of responsibility over their claims**.

“What would I need to change about the way I do things when they are in control of everything?”

Female, London, Single Claim, In-award, ‘Overpayments’

7.4 Conclusion

In order for customers to assume the level of responsibility needed to ensure that claims are managed effectively it is important that they understand both **how** the system works and **why** it is important that they fulfil their obligations to HMRC. They also need to feel that they have control and ownership over the outcome of the claim. Those who were stronger financial managers tended to have a better understanding of the tax credits system and were in a better position to try and understand why they had been overpaid. However, both groups would benefit by acquiring a greater level knowledge of how the system works (please refer to Chapter 14 - Service design recommendations), and by understanding that their actions can make a difference to the successful management of a claim.

Volume iv – Debt recovery from a terminated award

SUMMARY BOX

(i) **The extent to which customers blamed HMRC for the overpayment debt was a key barrier to debt recovery.** This was because customers who felt that the overpayment was HMRC's fault were generally less likely to repay; they were unwilling to take responsibility for servicing a debt which they did not believe was their fault.

(ii) A number of participants reported that they would like to see proof of how the overpayment had occurred; without a clear explanation of this, **the overpayment seemed to customers to be both arbitrary and unlikely to be correct.**

(iii) **Most direct recovery customers, regardless of financial competence, wanted far more information about how the overpayment had occurred,** so they could better understand why they needed to pay.

(iv) For some, a **time lag of several months between when they were told that the overpayment debt was incurred and when they found out about it** caused anger towards HMRC, and made them less likely to respond immediately to debt interventions. The time lag also meant that it was hard for customers to recall their circumstances around the overpayment and to challenge it.

Many participants reported a **long time lag between contacting HMRC and receiving any further information from them** which, in turn, meant they were more likely to:

- **ignore the overpayment request,**
- **believe the reported amount of the overpayment might be wrong** and may be corrected in the future; and
- **feel that HMRC did not take the overpayment debt seriously.**

(v) A number of participants, particularly those who had received a telephone call or a number of letters from HMRC, complained that the debt recovery system was too process-driven and formulaic. This **caused resentment of HMRC and meant that customers felt that HMRC was not responding to their personal circumstances.**

(vi) Participants who felt HMRC had made an error or who did not feel happy with the service they had received often **felt resentful about the way HMRC pursued the debt** and were upset by perceived bad experiences of service or the debt recovery process.

(vii) Many customers who had reached the later stages of debt recovery felt that **the process sent mixed messages about the social role of tax credits** in that they felt that tax credits were supposed to support, not penalise those on low incomes.

(viii) Some in receipt of an overpayment, particularly those in direct recovery, were **convinced that HMRC had recorded their circumstances incorrectly,** and felt they were unable to check the information from the details of their claim provided to them on their award notices because the income data was aggregated on the confirmation form.

(ix) Many participants did not respond to an overpayment request immediately because **other circumstances in their lives took precedence over the debt.** Such circumstances included **household break-ups, problems with health, sudden care responsibilities, coping with new employment circumstances or moving house.**

(x) **Perceived inconsistencies in HMRC communications** raised a number of issues. Some participants felt dissatisfied that they had had to explain situations such as the direct recovery of a single overpayment to a number of different HMRC staff in responding to HMRC communications. Some also suggested that helpline staff seemed unsure or confused about the cause of overpayments and what would happen next.

(xi) Participants in direct recovery generally felt that **the overpayment was a low priority** in comparison to other household debts and costs. **Such sentiments were particularly common among those on very low incomes**, who struggled to meet the needs of their household.

8 Introduction

In this section we shall examine perceptions and experiences of debt recovery from direct recovery of a terminated award. Customers in direct recovery fell into five different groups, depending on the level of debt recovery intervention they had reached (all customers should have progressed through the preceding interventions prior to reaching the level they were categorised into.) The five groups of customers in direct recovery are outlined below:

- **Group 1/ “Notice to Pay”**: customers who had received the Notice to Pay, or an additional reminder letter issued by Debt Management;
- **Group 2/ “Debt Management telephone call”**: customers who had received a telephone call from the Debt Management telephone centre;
- **Group 3/ “Local Recovery letter”**: customers who had received a letter from the Local Recovery office which advised them that legal proceedings would be taken;
- **Group 4/ “Field Force officer”**: customers who had received a visit from a Field Force officer; and
- **Group 5/ “County Court letter”**: customers who had received a letter informing them that their case had reached the County Court

In addition, some customers in direct recovery had also been given differential treatment by HMRC on the basis of financial hardship. These customers were known as **financial referral** customers. This process by which they were referred was discretionary, and participants were not necessarily aware that this was their situation.¹⁵

Throughout this volume, we shall examine differences in responses and experiences between the groups, with reference to factors which may have contributed to the participants’ responses to the overpayments and how this experience had an impact on their response to debt recovery interventions. This analysis builds towards a detailed description of a customer typology of response to overpayment debt recovery. In this section we shall cover:

- an exploration of the main barriers to overpayment debt recovery from terminated claims;
- reactions and responses to overpayment debt recovery interventions;
- response to debt management strategies; and
- a typology of direct recovery customers.

¹⁵ For more details of the sampling of direct recovery participants, please refer to Chapter 1.4

9 Barriers to debt recovery

9.1 Introduction

The research uncovered a number of barriers and risk factors relating to direct recovery customers which meant that overpayment debts were more likely to remain unrecovered. These have been divided into:

- **customer-side barriers** to recovering debt;
- **attitudes to HMRC and tax credits** as barriers to repayment and;
- barriers that **relate to the service delivery** in the debt recovery process.

9.2 Customer-side barriers to recovering debt

Participants in direct recovery experienced a number of important practical and perceptual barriers towards debt recovery. In this section we explore the following barriers:

- a lack of understanding of the overpayment debt;
- a family crisis or major life change;
- overpayments being considered a low priority; and
- changing addresses.

9.2.1 Lack of understanding of how the overpayment occurred

It was important for participants to understand the cause(s) of their overpayment as this meant that they were more likely to repay the overpayment debt. **Participants who did not understand the source of their overpayment and felt HMRC were to blame tended to stop claiming tax credits** and to recommend to friends and family not to claim them, especially if they had received an overpayment which was larger than £500. They typically felt resentful of the whole experience, often blamed HMRC for the error and were less likely to repay the overpayment quickly.

“Nobody pays a bill if they don’t know what the bill is for. Yeah, because a credit card debt is entirely your fault isn’t it, you’ve run that up, you’ve, you’re responsible for it. I don’t feel I’m entirely responsible for this”

Male, Joint Claim, *Direct Recovery*, Field Force Visit

Many participants in direct recovery reported that they would like to have seen proof of how the overpayment had occurred. **Proof was required to help them understand how the overpayment had happened**, which in turn would make them more likely to respond to requests to repay. Without a clear ‘paper trail’ and explanation, the overpayment seemed to customers to be both arbitrary and possibly incorrect.

Furthermore, for those that did receive an explanation, **many were dissatisfied with the explanation offered**. For instance, some participants felt that HMRC staff sounded unsure and confused in giving information about their overpayment. These feelings, along with those of initial anger about the overpayment, which were almost universally raised by customers in direct recovery, led to hostility to the recovery process from some participants.

“We got the schedule through and it said you owe this money, I thought oh no that can’t be right, so phoned up and asked them what it was about because there was no real explanation ... and they just said “we’ve given you too much”

Male, Joint Claim, *Direct Recovery*, County Court Letter

9.2.2 Family crisis or major life change

Many participants in the research did not respond to an overpayment request immediately because **other circumstances in their lives took precedence over the debt**. Such circumstances included household break-ups, problems with health, sudden care responsibilities or coping with new employment circumstances.

Furthermore, the timing of receiving a notice of overpayment added an additional level of resentment, and hence a barrier, for many participants facing a crisis or major life change. Recent research has suggested that people in low-income families were “more likely to find themselves in debt following a drop in income, for example following unemployment, separating from a partner or having a baby”¹⁶. These are all circumstances, of course, under which tax credits customers would have to notify HMRC of a change in their circumstances. Unfortunately, in a number of the cases in this study, **customers perceived that reporting a change in household or employment status had triggered a review of their tax credits status** leading to a notice of overpayment which they found upsetting. Customers did not tend to understand that as they had reported changes late, they were no longer entitled to what they had previously been receiving and would therefore have to repay the overpaid amount.

9.2.3 Overpayments were considered a low priority

In terms of repaying, participants in direct recovery generally felt that **an overpayment was a low priority in the household finances** because very little in their life changed if it was not paid. This was in contrast to their views about credit card debts or getting in arrears with their rent, which many customers feared and tried to avoid, as these debts were more aggressively pursued. Such sentiments were particularly common among those on very low incomes, who struggled to meet the needs of their household.

“At the time it was not a priority. Going to Asda and buying food and having enough money for petrol, that was the priority at the time”

Female, Joint Claim, *Direct Recovery*, County Court Letter

Customers who had responded to the first notice of overpayment, were, however, different to other groups in this respect. These participants did not have a great deal of experience with other debts, either through better financial management, or as a result of having a more stable income. They did not feel pressure to prioritise debts and were inclined to repay their overpayment as soon as possible.

“I hate being in debt, it makes me depressed, this overpayment is the first real debt I have ever had.”

Female, Single Claim, *Direct Recovery*, First Notice of Overpayment

9.2.4 Changing addresses

Participants who changed addresses regularly or did so around the time of their notice of overpayment were **less likely to respond immediately to a notice of overpayment**. Changes of address also meant customers did not always receive the appropriate stages of the debt recovery process which, in some cases, made them less likely to repay.

To illustrate, many of the participants we spoke to who moved house a lot had received a County Court letter yet were unaware prior action had been taken against them; they had not received a telephone call from the Debt Management telephone centre, nor received a visit from a Field Force officer.

¹⁶ Goode, J ‘For love or money? Couples’ negotiations of credit and debt in low-income families in the UK’, *Journal of Poverty and Social Justice*, Vol 17:3, October 2009

In the case of a relationship break-up, participants understood that they needed to inform HMRC of a change of address in order to continue claiming, but had often not done so if their separation was relatively recent, or they were only in temporary accommodation. This could also happen when customers thought they were no longer eligible to claim as a result of, for example, a new partner earning over the threshold for making a new tax credits claim.

9.3 Attitudes to HMRC and tax credits as barriers to repayment

In this section we examine some distinct views about HMRC and its processes which formed considerable barriers among customers to repaying overpayment debt. We explore:

- attitudes towards the social role of tax credits; and
- a perceived lack of wider empathy from HMRC.

9.3.1 Attitudes towards the social role of tax credits

Some customers who had reached the later stages of debt recovery felt that **debt recovery of overpayments sent mixed messages** about the social role of tax credits. They expressed the view that **tax credits were supposed to support, not penalise** those on low incomes. This feeling was particularly prevalent among customers who did not understand the conditionality that underpinned their claim and so were unhappy when that conditionality was later invoked in the form of an overpayment.

“At the end of the day you paid this money to people that needed the money, regardless of the circumstances. We shouldn't be made scapegoats to pay it back”

Female, Joint Claim, *Direct Recovery*, County Court Letter

9.3.2 A perceived lack of wider empathy from HMRC

A number of participants, particularly those who had received a telephone call or a number of letters from HMRC, felt that the **debt recovery system was too process-driven and formulaic**, especially when it came to managing the debt recovery and responding to queries about the overpayment. This meant that customers felt that HMRC was not responding to their personal circumstances which, in turn, caused resentment.

“I've asked them to stop paying us the tax credits but they're still paying us. They don't seem to be willing to help us. Whatever we say to them, they just carry on doing whatever they're programmed to do”

Male, Joint Claim, *Direct Recovery*, Field Force Visit

Suggestions and treatment from HMRC staff that were perceived to be inappropriate¹⁷ left the most lasting impression of bad service with some direct recovery customers and generated most resentment towards HMRC *in a small number of cases*. For example, one participant said they were told that they should find employment with less variable or seasonal hours so as not incur an overpayment, and another, who was unemployed, reported that it was suggested she should use her time to look after her children rather than seek work. One customer reported being encouraged to take a loan in order to pay back the overpayment, which she felt was an inappropriate suggestion as she believed it contradicted the government's stance on credit and consumer debt more generally. **Such experiences made customers resent HMRC and less inclined to repay their overpayment debt.**

9.4 Service side barriers to recovering debt

The following **communications and service issues** were barriers to recovering debt from participants. Customers *reported* that these barriers originated with HMRC, hence they have

¹⁷ Helpline staff are briefed to supply information about claims or the claimant's responsibilities within the tax credits system and they may discuss with customers how they can repay their overpayments. Staff should not offer advice to customers on how they should arrange their affairs.

been grouped together. However, some of the responses were actually a function of the way some customers misunderstand how the system works.

In this section, an account of customer perceptions of HMRC service is presented and the following issues addressed:

- inconsistencies in communication from HMRC; and
- the time lag between interventions.

9.4.1 Inconsistencies in communication from HMRC

Some participants felt very dissatisfied that they had had to explain situations such as the direct recovery of a single overpayment to a number of different HMRC staff in response to communications from HMRC about overpayments. They felt that they were explaining themselves from the beginning with each new staff member, which they found tiresome, especially when their circumstances were complicated. This also reinforced a lack of faith in HMRC's management of their overpayment recovery because there was no consistent log of their experience throughout the process. This made their engagement with HMRC onerous and time-consuming, making them less likely to repay their overpayment quickly. Such customers wanted a personal manager for their case, who would know their experiences and deal with them in a consistent fashion which, they felt, would enable HMRC to resolve cases much faster.

There were also some cases where customers **felt that they had been given contradictory information by HMRC about their overpayment**. For example, one participant showed their interviewer a number of letters from HMRC requesting that they repay different amounts for what the participant understood to be the same overpayment¹⁸. These perceived inconsistencies in communications made customers question the accuracy and efficacy of the tax credits and debt recovery system which, in turn, left them more likely to ignore future correspondence from HMRC as they did not understand the purpose of it. .

Finally, the **visual similarity of communications** raised problems for some customers in engaging correctly with correspondence about overpayments. One customer assumed that HMRC had sent the same letter twice, and ignored the second version which notified her of a £4000 overpayment, as opposed to nearer £2000 in the first letter. Due to the similarity of the letters she did not notice the different amounts, until she rang HMRC to query why it was taking so long for her repayments to clear.

9.4.2 Time passing between interventions

Overall, direct recovery customers reported that HMRC was not proactive enough in responding to them when they were in touch about an overpayment, and that there was often a **long time lag between contacting HMRC and receiving any further information from it**. The time lag meant that customers were more likely to:

- **ignore the overpayment request**,
- **believe the reported amount of the overpayment might be wrong** and may be corrected in the future; and
- **feel that HMRC did not take the overpayment debt seriously**.

In turn, these issues made customers less likely to respond to debt recovery interventions. Customers also felt that the time lag between letters made HMRC seem unprofessional and disinterested in its pursuit of the debt.

"I didn't get another letter until about eight months later ... so you think ... if they're not chasing it, neither will I"

Female, Joint Claim, *Direct Recovery*, Field Force Visit

¹⁸ The letters would be for overpayments from different awards, or a reducing balance for the same overpayment.

This related to the fact that participants reported that **overpayment debt was felt to be much less aggressively pursued than other debts** which were often chased in person. This meant that they often de-prioritised overpayment debt in comparison to debts such as rent arrears and credit card debt. Many participants felt that they had waited for HMRC to ‘chase’ them further for payment because there was no apparent urgency or threat if they did not start paying it back, in sharp comparison to, for example, credit card debts.

‘They don't send you [anything] else, so you think it's gone away’

Female, Joint Claim, Direct Recovery, County Court Referral

Customers contrasted HMRC's overpayment requests with that of the more aggressive, threatening approach employed by the corporate world; credit and finance companies, for example, tended to talk early on of court appearances, charge fees and interest to late payers.

‘If you get the bailiff letter for example it seems quite aggressive. You owe this, you're going to have to pay and, obviously the interest goes up but luckily with this [tax credits overpayment] it doesn't... And I thought, oh do I? Oh well, lucky me ... I'll pay you when I'm ready.’

Female, Single Claim, *Direct Recovery*, telephone call from Debt Management

The time lag between communications also meant that it was hard for customers to recall their circumstances to contest the overpayment, and many had, by the time they received an overpayment notice, already got rid of the associated paperwork which would enable them to back check on what had happened.

‘I haven't got copies of the forms or anything because it was years ago ... and I'm not dealing with that now because ... it's been and gone’

Female, Joint Claim, *Direct Recovery*, County Court Referral

To rectify this, some customers suggested that it would be helpful were **HMRC to provide them with a clear timetable for repayment or for when other debt recovery interventions would occur**. Others also suggested that statements on a quarterly basis, outlining how much of the overpayment had been cleared to date, would help them manage their household finances much better.

9.5 Conclusion

The evidence of this chapter demonstrates that the most important barriers to recovering overpayment debt are perceptual, related to **how customers perceive the balance of responsibilities for the overpayment between themselves and HMRC**, and **customers' experiences of the debt recovery interventions**. Customers who perceive an error on HMRC's part for the debt are much more difficult to recover overpayments from, but their perception of the error is often related to their **lack of understanding of their responsibilities in claiming tax credits** and how the system operates as well as the difficulties they may face meeting the responsibilities that HMRC requires of them.

These problems may be compounded if their overpayment is not explained to them sufficiently. Those participants who did not understand how their overpayment came about were more likely to blame HMRC for the error, and were less likely to repay straight away. We shall explore the effect of the interventions on different customer groups in detail in the following chapter.

10 Responses to direct recovery overpayment debt interventions

SUMMARY BOX

(i) In this section we illustrate how different types of customers responded to HMRC communications, and at which point debt repayment was triggered. In most cases the triggers to debt repayment can be segmented by the **extent to which customers blamed HMRC for the overpayment**, and the **sense of debt aversion that individuals had**. Broadly speaking:

- those who were **debt-averse** and/or who understood the way the tax credits system worked were more likely to react to earlier stages; and
- those who felt the **overpayment was not their responsibility**, or who had **low levels of understanding of the system** were likely to react at later stages.

(ii) Customers who ignored the first Notice to Pay tended to be poor financial managers and/or those who were comfortable with debt. Customers who were keen to settle their overpayment at this first stage typically showed signs that they understood how their overpayment happened and the balance of responsibilities between HMRC and themselves.

(iii) Customers who responded to Debt Management telephone calls tended to be those who had hoped their overpayment was an error, but felt either pressurised or reminded to take action by the telephone call. The terminology “Debt Management”, with its connotations of bailiffs, appeared to be a trigger to taking the overpayment more seriously.

(iv) Customers who responded to the legal proceedings letter felt the original letters were too gentle, but that **this letter was much stronger, leading customers to believe that HMRC was serious about reclaiming the debt**. They reacted to certain trigger words, notably, ‘enforcement proceedings’, ‘legal costs’ and ‘local debt recovery office’.

(v) Of all the interventions investigated, the visit to customers’ homes by a Field Force officer was viewed by customers as the most effective at triggering customers’ agreement to repay a tax credits overpayment debt. This was because the intervention led to customers understanding their overpayment, and feeling that they had experienced a greater degree of consistency and continuity of customer service. Although this did not always appear to be followed-up by implementation of a Time to Pay (TTP) agreement.

(vi) Customers who responded to the County Court referral were typically those who were to some extent comfortable with debt but who had resisted payment for a number of reasons including an inability to pay.

(vii) Participants’ response to the tone and severity of debt recovery interventions depended heavily on their understanding of the tax credits system as well as their own overpayment, and their experiences of tax credits to date. For those with a higher level of understanding of how the tax credits system operates, and why their overpayment had occurred, the early letters of overpayment were effective in triggering a repayment. Those with less understanding required more coercion, and so the strong tone of the telephone call and later letters was effective.

10.1 Introduction

Customers reacted differently to the various HMRC overpayment direct recovery interventions according to their attitudes towards debt, financial management, and their experiences and views of HMRC as an organisation. In this section we illustrate how different types of customers responded to HMRC communication, and at which point debt repayment was triggered.

In most cases, the triggers to debt repayment can be segmented by the **extent to which customers blamed HMRC for the overpayment**, and, by extension, how well they understood why they had been overpaid, and the **sense of debt aversion that individuals had**. In summary,

- those who were **debt-averse** and/or who **understood the way the tax credits system worked were more likely to react to earlier stages**; and
- those who felt the **overpayment was not their responsibility**, or who had **low levels of understanding of the system** were likely to react at later stages.

For each stage of HMRC communication about an overpayment, we outline customer responses as well as which type of customer was likely to respond and repay their overpayment at this stage, and why.

10.2 Notice to Pay letter

Customers whose reaction was to settle their overpayment at this first stage typically showed signs that they understood how their overpayment had happened and the balance of responsibilities between HMRC and themselves. In some cases, this was because individuals admitted that they had updated HMRC too late about a change of circumstance, or that HMRC had warned that there might be a delay in changes being recorded and the award being recalculated. In these circumstances, customers *expected* their overpayment so were more receptive to paying it back when the letter of notification came through.

“I told them on the phone about my partner moving in, but I only had rough estimates of his income. They said to wait for his P60 in April, and then they would do a recalculation. They did warn me I would be overpaid though, so I was mentally prepared when the letter came through.”

Female, Single Claim, *Direct Recovery*, First Letter of Notification

Customers who **ignored the first notice to pay tended to be poor financial managers and/or those who were typically comfortable with debt**. They ignored the initial letters because they either wanted to forget about the overpayment and worry about it later, or hoped it was an error and it would rectify itself, as illustrated in the following comment.

“I think that’s what I did, I waited till it got worse. And it never really did get that bad. I just kept putting it to the back of my head, like yeah, next time I’ll deal with it, and I didn’t.”

Male, Joint Claim, *Direct Recovery*, telephone call from Debt Management

Lack of timeliness of response to customers who responded to initial letters caused considerable resentment. A couple of participants had responded to the initial letter with a reply, on some occasions more than one. However, they received no response to their letter(s) and when they finally spoke to someone at HMRC they were told it was not the policy of the Department to reply in writing. Participants found this frustrating, especially given they had made contact at an early point but were still receiving demand letters.

‘I think I wrote nine letters... When all of a sudden I come home from work one day and lo and behold, there’s another letter, doesn’t mention anything about the letters that

I've sent them and it just says, the same, basically the same letter but the date's changed, you owe us this money'

Male, Joint Claim, *Direct Recovery*, telephone call from Debt Management

In contrast to other direct recovery customers, customers who responded to the Notice to Pay or first reminder letter were happy with the level of customer service they received from HMRC staff over the phone, feeling that queries were dealt with effectively and explanations were given where required. Their experiences suggest that **positive and sympathetic experiences of HMRC customer service meant that customers were more likely to repay overpayments quickly**. This may have been driven by the higher level of understanding these customers had of the tax credits system.

"When I called I was offered to pay back in instalments, I wasn't expecting that. It was really good though as I couldn't have paid it back all at once."

Female, Single Claim, *Direct Recovery*, First Reminder Letter

Most customers found the wording of the initial Notice to Pay letters clear and easy-to-understand. However, those who were concerned about understanding their overpayment felt that initial letters should contain a contact name and number for an HMRC case-worker who could explain how the overpayment occurred in detail and support the customer with information about what to do next. In situations where the customer lacked an individual contact point, they did not feel adequately supported and did not know where to turn for assistance. In many cases this not only made the process more stressful but often led to inaction and customers required further interventions from HMRC.

Finally, those customers in this study who were asked about the **IDMS99 letters**, proposed as a follow-up to the initial Notice to Pay letter, felt that they would promote action if they were *able* to pay. These customers, however, were quick to respond to the initial Notice to Pay letter and were more inclined to settle debts, especially with HMRC, as quickly as possible. Participants noted that the threat of court action mentioned in the second letter was a particular prompt to action, as this was a situation they were particularly afraid of.

10.3 Debt Management telephone call

Customers who responded to Debt Management telephone calls tended to be those who had hoped their overpayment was an error, but **felt either pressurised or reminded to take action by the telephone call**. As this section will illustrate, their views of the intervention were very wide-ranging.

On the positive side, some stated that the person they spoke to was **helpful and polite** and explained fully why the overpayment occurred. Even if they still did not fully understand what had happened, they appreciated the sympathy shown and tended to feel less anxious about the debt, and were more likely to begin paying it back.

Others, however, felt that the Debt Management telephone calls were **less sympathetic**. Although participants found it difficult to differentiate between HMRC's different business units (i.e. whether they were speaking to the main helpline or to Debt Management) it appeared that most of the perceived negative treatment seemed to stem from the contact they had with the Debt Management department.

"The telephone calls I received from a debt person were rude. It's almost as if she was basically saying that you sat on this, you know you owe them money, get on with it, get it paid. I think she should have started off by saying, do you have an appeal out? And did you fill out the forms? What's the circumstances? What's the situation at the moment? And she didn't"

Female, Joint Claim, *Direct Recovery*, telephone call from Debt Management

Those participants who had ignored the previous letters did not feel particular pressure to take action after receiving a call. This was because they still did not take the threat seriously, and believed it would take HMRC some time to start taking back the money owed. These participants had a different set of attitudes to those who responded to the telephone call; they were generally reluctant to engage at this point because the overpayment was not enough of a priority in their household, or they were not sufficiently afraid of the consequences of failing to act.

Other customers in this group had previously made calls to HMRC regarding the overpayment and may have been disputing the overpayment or waiting for HMRC to get in touch with them. These customers were **annoyed by the fact that HMRC Debt Management called them when they were in the middle of an appeal, or when they had already telephoned the helpline to query the overpayment**. They felt that Debt Management and the telephone helpline team should have communicated with each other, sharing the case history, so that they were not pursued when they had in fact acted on the overpayment notice.

Some participants reported that they start making repayments once they received a call from Debt Management. **The terminology “Debt Management” appeared to be a trigger to taking the overpayment more seriously** given the term’s connotations with debt collectors and bailiffs. This worried such customers a great deal and made them likely to respond.

“He said, “yeah, we’re just debt collectors ... we’re not tax credits people” ... so I paid £600 off as best I could”

Male, Joint Claim, *Direct Recovery*, telephone call from Debt Management

10.4 Legal proceedings letter

Customers who reacted to this stage of intervention included those who had a low level of understanding of their overpayment and the system, but had a tendency to be debt-averse, and took notice of the stronger wording in these letters. Conversely, those who ignored the legal proceedings letter had a similar low level of understanding, but were more comfortable with debt.

For those that responded to this intervention, the arrival of the letter led many to believe that the overpayment had to be correct even if they did not understand it personally, and that the consequences of ignoring it would be greater.

“We believe what they say to be honest. Because we think, well they sort it out, they deal with it, then they were going to take us to court, and we try to avoid that as much as we can.”

Female, Joint Claim, *Direct Recovery*, Legal Proceedings Letter, Paired Depth

Many participants in this group felt that this more strongly-worded letter meant that HMRC was indeed serious about reclaiming the debt. Trigger words and phrases were those with legal connotations, such as **quoting “Section 29 of the Tax Credit Act 2002”**, which proved to some that enforcement activity can be commenced due to an overpayment, which they felt had not been communicated in the previous letter. Other trigger words included the mention of **‘enforcement proceedings’** and **‘legal costs’**. Some customers described feeling scared by this which prompted them into beginning to pay back their overpayment. As one customer explained, she felt that the overpayment total was high enough already, and that she could not afford the cost of legal proceedings in addition.

Finally the inclusion of a **local debt recovery office** in the letter was a huge trigger for some customers, who associated “local” offices with bailiffs. The word “local” had a powerful effect on many participants, bringing the intervention close to home. For many, the thought of people entering their houses and being taken to court as a result of their overpayment was frightening. The threat of being taken to court was often a trigger to repayment for those who

wanted to avoid this from appearing on their records. This was enough to cause customers to call HMRC and start paying back what they owed.

“I panicked straight away...we’re trying to get back on our feet, we want obviously to get a mortgage in a few years’ time, we don’t want any CCJs on our record”

Paired interview, legal proceedings letter, multiple overpayments

However, for a few participants, the suggestion of the involvement of a local debt recovery agency on the legal proceedings letter confused customers as to who they should contact, leading to them ignoring the correspondence altogether.

10.5 Home visit by Field Force officers

Customers who responded to the visits from Field Force were overwhelmingly those who **had not understood their overpayment and had appreciated the help and support offered by Field Force officers.**

Of all the interventions, the visit to customers’ homes by a Field Force officer appeared to be the **most effective at triggering customers’ agreement to set up a Time to Pay arrangement to repay a tax credits overpayment debt as reported by customers.** This was to a great extent because the intervention meant customers felt they experienced a **greater degree of empathy** from HMRC, and **greater consistency and continuity of customer service.** Customers were pleased to be able to speak to a single individual who gave a convincing answer to queries, which helped alleviate some of the confusion they had felt earlier.

A key aspect of Field Force officers’ success was that they were **able to explain why an overpayment had occurred**, which, especially in the eyes of more resistant customers, made the overpayment appear more legitimate, thereby making them more likely to repay. In addition, those customers who had hoped or believed that the overpayment was a mistake or might be forgotten about by HMRC, felt that the visit of an officer to their home meant that HMRC took the debt very seriously.

Several participants found Field Force officers to have **polite and helpful attitudes** to their situations, which made them more receptive to their suggestions. This was important where participants had had negative experiences of HMRC staff on the telephone, either on the tax credits helpline or from the Debt Management team. The sympathetic approach of the Field Force officer helped overcome the resentment generated by earlier negative experiences.

For those who were having trouble finding money to repay a debt, the Field Force officer was also considered helpful because they talked them through all the paperwork from HMRC, and **helped them to calculate their income, outgoings, and amounts owed, coming out with a sensible amount to pay and schedule of repayments** which felt much more manageable than the sometimes intimidating large sums which were stated on letters. However, this did not always appear to be followed-up by implementation of a TTP agreement. Customers were generally happier to have agreed to repay a sum that was within their range of affordability and took their personal circumstances into account.

“It was probably the first sensible conversation we’d had about this in three years ... she helped me work out how much I could afford to pay”

Female, Joint Claim, *Direct Recovery*, Field Force visit

A number of participants were pleased that Field Force officers were able to offer detailed advice on their case, or advise them how to take their case forward. Officers addressed issues such as childcare cost queries, advising on how to lodge an appeal, putting through a ‘financial referral’ application, and providing reassurance when HMRC had made an error, helping customers to “close the case”.

“The lady was very sympathetic ... she contacted the social fund and tax credits to help me get childcare costs”

Female, Single Claim, *Direct Recovery*, Field Force visit

However, **some participants reported less positive experiences** of the Field Force visit. Some Field Force officers appeared not to have all the details of a customer’s case to hand, for example being unaware that an appeal had been lodged, or being unable to provide a breakdown of a customer’s overpayment. Some participants also reported feeling “bullied” into agreeing to payment at a rate higher than they were comfortable with, and others found the officers “aggressive”, or “unsympathetic”. Others were frustrated by the Field Force officer’s inability to terminate an overpayment claim even when they appeared to agree that it was unfair or unwarranted. For such customers, this experience reinforced the impression that the tax credits system was too focused on administrative processes.

“It helped, finally to be able to talk to a person who understood. But I’m still frustrated that there was nothing even they could do to stop the administrative machine rolling onwards... When they said that in their experience HMRC wouldn’t budge, would go to court, we agreed to pay because we had had enough of the stress, we didn’t have time to go through the courts!”

Male, Joint Claim, *Direct Recovery*, Field Force visit.

A minority of participants in the sample had not actually met a Field Force officer in person, claiming that they had not tried to contact them beyond slipping a letter through their door. From this research, it is not possible to verify these assertions, or establish how widespread this experience is.

“If they can’t be bothered to knock on the door and talk to us why should we do anything?”

Male, Joint Claim, *Direct Recovery*, Field Force visit

Finally, **there were also some customers who were not affected or influenced to repay their overpayment by the Field Force visit**; these were generally to be individuals who had multiple debts to repay.

“I get other people knocking on the door asking for money so another one isn’t going to bother me is it?”

Female, Joint Claim, *Direct Recovery*, Field Force visit

Overall, a visit from the Field Force officer seemed to be the most effective of all interventions in encouraging customers to make arrangements to pay. This was either because customers felt that their concerns were being addressed and their requests for clarification answered, or because they realised that HMRC was taking the overpayment seriously enough to send out a member of staff to visit them personally.

However, it is also worth considering how this stage of the debt recovery process links in to other stages and is followed up. A few participants had heard nothing since the Field Force officer’s visit and, for this reason had not bothered to make payments at the Post Office or to set up a direct debit. This lack of behaviour change from customers is unfortunate as it points to a missed opportunity to capitalise on the change in attitude achieved by the Field Force officer at the time of the visit.

10.6 County court referral

Customers who responded to the County Court referral were typically those who previously had problems with debt but had resisted payment for a number of reasons. They were, in several cases, **unable to repay HMRC** or were **fearful of being in touch with HMRC because they already had a number of creditors and did not want to add another**.

Others in this group were those who had failed to understand why the overpayment had happened and blamed HMRC for it. They responded to the County Court referral because they feared a County Court judgement against them.

Among those who had received a County Court referral, **participants recalled a large range of different experiences of the debt recovery process** – from recalling receiving only the initial letters, to receiving letters and phone calls but no county court referral, to receiving all the letters including the county court referral in a very short space of time, but with no Debt Management telephone calls or Field Force visits in between. A number of participants in this group said that they were not aware of the judgment, which may be due to the fact that they had not received the letter, or it had been sent to a previous address and had not been forwarded. This may go some way towards explaining why some customers reach this stage of the process without attempting to repay.

Participants who had responded to this intervention felt it had been an effective way of ensuring that they paid – some participants said they had been quite scared by the court notice, or were very keen to ensure that they did not have a County Court Judgement against them, and it was this fear which finally prompted them into a response.

However, for those who still blamed HMRC for the overpayment, the county court referral was **highly stressful and meant they were resentful of both HMRC and overpayment**. In spite of this though, the notification of county court proceedings would often force them to comply as the prospect of being taken to court was too important to ignore.

“They threatened me with some kind of action... that made me stand up and take notice. Basically that’s what made me phone up that day.”

Female, Joint Claim, *Direct Recovery*, Debt Management telephone call

Those customers who participated in this stage of the research, and were aware of county court proceedings against them, generally had not been present at court when their case had been heard. A number of these participants noted that they had only found out about hearings after the event¹⁹ and in some cases this led to resentment as customers believed that it was HMRC’s responsibility to keep them informed about court proceedings.

The evidence in the study does, however, suggest that there were **customers who had not responded to the threat of court proceedings**, had deliberately not co-operated with HMRC and had refused to attend a hearing. This group held a **strong conviction that they were not responsible for the overpayment as they believed it to be a result of HMRC error**. This group of customers also appeared to be different from other customer groups in that they were in greater financial hardship and were, in some circumstances, unemployed. They typically had little fear that the court would force them to pay as they had no means to do so.

10.7 Terminating claims

Several participants described experiences of terminating their claim at some point during their tax credits claim year. Whilst some participants spoke of terminating their claim due to a sudden change in their household status which meant they were no longer eligible there were some participants who chose to **terminate their claim because they had come to perceive tax credits as a hindrance, and feared repeat overpayments**. In these cases, most customers felt that the overpayment had overshadowed the help that tax credits provided, and so decided to try coping without their award.

Typically those who terminated their claims for these reasons had faced a direct recovery

¹⁹ This may be because of problems in notifying customers of their appeal hearing; the responsibility for which lies with the Court.

overpayment. They tended to have a **low understanding of the system in general, as well as little understanding of the responsibilities of the customer** to check their award and notify HMRC of any changes in circumstance. Several families who ended their claim were earning money through overtime, and did not understand their responsibility to notify HMRC of their fluctuating income. One example came from a couple who were repaying £40 a week as in-award instalments, but were finding it financially too difficult. Not understanding their obligations to pay back what they owed even when not claiming, they thought that by terminating their claim and relying on the husband's overtime instead, they would avoid repeat overpayments. When their repayments then stopped, they received the local recovery letter, but did not understand how this had occurred.

"We were struggling, the house is on the market, and we had reduced payments and it was £40 a week. We were still claiming, but we just thought, too much hassle, I can't be bothered to keep ringing up. So we stopped, and then they sent us a final bill"

Female, Joint Claim, *Direct Recovery*, Legal Proceedings Letter

There were also customers who terminated their claim, or chose not to renew for another year because they felt they did not understand the system well enough and were worried they would therefore receive overpayments as a result. Several participants expressed the view that although they understood that they were eligible to still claim tax credits, their experiences of overpayments had dissuaded them from continuing to claim. Here again the lack of understanding from these customers in the system and their obligations leads people away from claiming tax credits when they are still eligible to do so.

"Even though I was eligible for tax credits, I turned round and said, I'm not going to apply for it because I'm not having this situation again."

Male, Joint Claim, *Direct Recovery*, First Notice of Overpayment

Some stable households went back into award after terminating a claim because they found they could no longer manage without the additional income from tax credits. One couple, returning to claiming tax credits after a previous termination, even tried to avoid further overpayments by exaggerating the income of the husband at the renewal stage, in the hope that they would be underpaid throughout the year and therefore avoid an overpayment.

"We've actually put his top wage higher, just to hope that we don't get penalised the following year"

Female, Joint Claim, *Direct Recovery*, County Court referral, Paired depth

10.8 Conclusion

Participants' response to the tone and severity of debt recovery interventions **depended on their understanding of the tax credits system as well as their own overpayment, and their experiences of tax credits to date**. For those participants with a higher level of understanding of how the tax credits system operates, and a greater understanding of how their overpayment had occurred, the early letters of overpayment were effective in triggering a repayment. This was also the case for those who were highly debt-averse, as they were more intent on avoiding debt altogether. For those participants who required more coercion, the strong tone of the telephone call and later letters was effective. However, if such customers felt that HMRC was to blame for the overpayment, the threat of court action often exacerbated their resentment of HMRC and pushed them to dispute the overpayment.

For those who were afraid of being forced to pay, and who were convinced that HMRC would recover the debts, and did not like to be in debt themselves, letters and/or a telephone call sufficed to trigger repayment. However, it is important to note that many customers were progressing forward in the stages of debt recovery interventions not because of resistance to repaying, but because they felt themselves to be still seeking explanations of how the overpayment had occurred, and who was at fault. Where participants did not receive an explanation in letters or over the telephone, they often agreed to repay monies owed after

meeting a Field Force officer who explained the basis of the overpayment.

The **Field Force visit was also crucial in making customers feel like the solution to the problem was a negotiated one**, which notably improved customer willingness to pay. The role of county court referrals in inducing repayments is more complex – whilst it is clear that there are some customers who are highly resistant to repaying, often because they do not have the means to do so, other customers appeared to have reached this stage unwittingly as a result of administrative and communication problems, or because they had not received all the correspondence they should have from HMRC.

11 Responses to debt management strategies

SUMMARY BOX

(i) On first hearing of the overpayment, **those customers who were most debt-averse and feared owing money to HMRC tended to agree to pay it back**, particularly if the overpayment was a few hundred pounds or less. This was motivated by a desire to close the matter with HMRC.

(ii) **Many participants were unaware that they could repay in instalments**. Not all participants were offered this option at the beginning, and were often initially reported feeling frightened at the thought of having to pay off a large sum at once.

(iii) To some participants, particularly those who felt that their claim had been handled in a sympathetic way, **Time To Pay (TTP) was well-received as it made the overpayment seem less burdensome**. Many of these participants reported having discussed their overpayment with an HMRC Field Force officer.

(iv) Generally **the reaction of customers to TTP depended on the amount they had been asked to pay back**, whether this felt affordable, but also whether it had been agreed upon as part of a negotiation with HMRC, or whether they felt it had been forced upon them. It was also more likely that those who were debt-averse and frightened of the implications of an overpayment would pay back their debt to HMRC at a rate which they found difficult to manage.

(v) **Customers who had been offered special treatment by HMRC because of financial hardship tended to speak very positively of the experience**. They felt that HMRC had been very sympathetic to their situation, and were able to defer repayment until they could afford to. They found this helpful as they often found it difficult to manage to pay for basic costs in their household, such as food and housing costs.

(vi) In general, the **appeals and disputes process had not assisted many customers in the study in resolving their overpayment situation satisfactorily**. Many were not aware that this option was available to them. Those who had experienced an appeal or dispute felt that they would like to see more explanation of the process and greater transparency during it. Furthermore, many participants were unwilling to encourage further investigations which could lead to an increase in the amount they owed.

11.1 Introduction

In this chapter we explore the issues described in order:

- customers' perceptions and experiences of repayment options;
- the experiences of financial referral customers; and
- perceptions of the appeal and dispute processes.

11.2 Perceptions and experiences of repayment options

On first hearing of the overpayment, **those customers who were most debt-averse and feared owing money to HMRC tended to agree to pay it back, particularly if the overpayment was a few hundred pounds or less**. This was motivated by a desire to close the matter with HMRC, and participants with smaller overpayments (under £500) reported that they were often able to pay it off in a lump sum. There was also a particular group of customers who were so concerned about the prospect of being in debt, that they

were keen to ensure that the overpayment was paid off as soon as possible.

Some reported that they had **used credit in order to repay their overpayments** – for example, one customer had remortgaged her house to pay off a number of debts from credit cards as well as tax credits overpayments, and another had used her husband's Visa card to do so. Generally customers realised that this was not a sustainable option, but felt that they had few other choices to avoid progressing further towards the threat of a court judgement.

Some participants in the research were **unaware that they could repay in instalments** (Time to Pay, TPP), and for those who had been offered the option, there was a mixed reception to this facility. Not all participants were offered this option at the beginning, and often reported feeling frightened at the thought of having to pay off a large sum at once, as the following comment of a participant who was later offered TTP suggests.

“The first thing I did was pick up the phone to them and they said ... you've got up to seven days”

Female, Joint Claim, *Direct Recovery*, County Court referral

Others said they were **not offered TTP at all, which further added to existing resentment of the overpayment**. For those who were offered it, but felt strongly that they were not responsible for the overpayment, TTP did little to mitigate their anger.

“They get really stroppy when you can't give them the amount that they want ... they make you feel like they're doing you a favour, and yet you feel like a criminal”

Male, Joint Claim, *Direct Recovery*, County Court referral

For some participants, particularly those who felt that their claim had been handled in a sympathetic way, TTP was well-received as it made the overpayment seem less burdensome. Many of these participants reported having discussed their overpayment with an HMRC Field Force officer. Those who were good financial managers were able to understand the principle, and conceded that they would be able to repay in instalments. However, those who were less confident in managing their finances or faced great difficulties meeting their expenses still found TTP daunting.

“If they wanted to take a fiver a week I could, but if they wanted anything more than that ... it would really upset things”

Female, Single Claim, *Direct Recovery*, County Court referral

Generally **the reaction of customers to TTP depended on the amount they had been asked to pay back**, whether this felt affordable, but also whether it had been agreed upon as part of a negotiation with HMRC, or whether they felt it had been forced upon them²⁰. In most cases, customers felt that whilst the Debt Management telephone centre staff were often forthcoming in suggesting TTP when customers owed larger amounts of money which they found difficult to pay, customers were not always sure what they could manage to repay and, in addition, did not feel they were able to negotiate on this issue. The Field Force officer helped them understand what they could afford to pay back in a reasonable manner. Others were resisting TTP because they could not afford the additional cost and were often disputing their overpayment.

It was also more likely that **those who were debt-averse and frightened of the implications of an overpayment would pay back their debt to HMRC at a rate which they found difficult to manage**. For example, one couple described paying back £40 a

²⁰ HMRC has introduced a new simplified framework for agreeing Time To Pay (TTP) direct recovery debts. The focus is now on asking claimants what they can afford to pay and Debt Management will no longer ask claimants to provide details of income and expenditure unless the projected TTP agreement will exceed 10 years' duration. In addition, Customer Contact can now agree TTP for up to 3 years' duration meaning that more claimants will be dealt with on their first contact with HMRC.

week, but being too scared to call HMRC and inform staff it was too much for them because they were afraid it might adversely affect other benefits they were claiming.

“Everything spiralled, and we were trapped...Now Family Tax Credit got back in touch and said we really need to start making payments. Well I’m struggling, I can pay £20 a month, but it got to the point where I needed to stop again, but I felt I couldn’t”

Female, Joint Claim, *Direct Recovery*, Legal Proceedings Letter, Paired interview

Overall, whilst TTP did, in some cases, make an overpayment feel more manageable and therefore acceptable to customers, participants were clear that the way in which the repayments are structured would benefit from some improvements, particularly with regard to advice and encouragements to make payments. Some queried why the payment had to be made by direct debit from their bank account, and why it could not be deducted from the tax credits payment they received. Participants did not think in terms of having separate awards from different periods of their lives, but thought of the payments as a continuous system. Finally, some participant reported that they had used TTP as a way of further deferring payment, by setting up the direct debit, and then simply cancelling it.

11.3 Financial referral cases

Financial referral cases, that is customers facing the greatest difficulties in repaying their overpayments, were offered the opportunity to defer payment if necessary, or to pay over a longer period than 12 months, as part of a graduated response to customers facing difficulties in making repayments.

Customers who had been offered special treatment by HMRC because of financial hardship tended to speak very positively of the experience. They felt that HMRC had been very sympathetic to their situation, although some participants nonetheless resented the repayment to some extent as even a small repayment had a major impact on their household budgeting. Most of the customers who had been referred were highly averse to debt, and had reacted quickly on hearing of the overpayment; only a few of participants had been referred once they were threatened with legal proceedings or received a visit from a Field Force officer and had then contacted HMRC.

Most financial referral cases were deferring repayment until they could afford it. They found this helpful as they were often finding it difficult to manage to pay for basic costs in their household, such as food and housing costs. Some of those who had been referred had also started making payments but had contacted HMRC to inform them that they could not afford to keep them up. They found HMRC to be helpful in adjusting to their circumstances.

“Yeah I’ve told them, I’ve actually, I had to send them a letter saying I got laid off, but as soon as I get my wages again I can start paying.”

Male, Joint Claim, *Direct Recovery*, Financial Referral

11.4 Perceptions and experiences of appeals and disputes

Despite the fact that some participants remained confused about how the overpayment occurred, many were either paying it back, or had been paying it but their payments had now been deferred due to their financial circumstances. In fact, some of those paying the money back were doing so despite currently appealing against it. The reasons for this were two-fold. They were **unsure if their appeal would be successful and they were worried about the repercussions of not paying it back** (that is, that they would be taken to court).

“I queried the overpayment and she said you can dispute it... she said they have inspected me and [asked if HMRC have] all my receipts and I said yes. But I thought let’s just face the reality here and pay it back. In a sense at that time they managed to help me out. I know it’s a loan and I’m just thinking of it as a loan. I’m now repaying it back.”

Female, Single Claim, *Direct Recovery*, Debt Management telephone call

In general, it appeared that the appeals and disputes process had not assisted many customers in resolving their overpayment situation satisfactorily. In fact, many customers encountered during this research were not aware that this option was available to them.

Other customers were relatively reluctant to engage with the appeals process; they were concerned about disputing the overpayment, fearing that, once investigated, the overpayment increase or other benefits might be cut off. These customers could not understand how their tax credits payments were calculated, and, as a result, were wary that HMRC might find they owe more, and they would not be able to prove or disprove this.

Appeals and disputes were generally viewed suspiciously by most who had experienced them. Customers had little understanding of what had happened during their appeal, and felt they **would like more transparency in the process**. Those who had received notification of the outcome of their appeal were also frustrated as they still were not clear about what had happened to cause an overpayment, and why they were responsible for it. Many of these customers were left feeling that their views and evidence had not been explored and that the process of appealing was bureaucratic with little meaning.

Some participants who had completed an appeal form were, at the time of the interview, still waiting to hear the outcome. Such customers **felt that the process was disorganised and that they had not been kept informed about the status of their appeal**. Indeed, some participants mentioned that they had had to complete an appeal form on two or three separate occasions because HMRC claimed not to have received the previous forms. This not only held up the process but left participants feeling anxious about whether or not anything was happening as a consequence.

Other participants had lodged an appeal, but were **frustrated by the fact that this did not appear to have stopped the process of overpayment communications from HMRC** in the meantime, and that those on the Debt Management telephone line, or Field Force officers were not aware that there was an appeal in process. This irritated and worried many customers, as they were not sure whether these additional communications meant their appeal had been rejected, or just that different departments within HMRC were not communicating with each other.

“We got several [letters] in the space of a couple of weeks ... while we were appealing we were still getting demands”

Female, Joint Claim, county court referral, no previous overpayment

11.5 Conclusion

Time to Pay generally made a difference to participants’ willingness to pay, as breaking down overpayments into smaller instalments made it feel more manageable, and even those who did not accept that they were at fault agreed to pay on the grounds that it was less stressful to sacrifice a small amount of money in comparison to continuing exposure to HMRC’s debt recovery processes. The **appeals and disputes procedure was considered to be much less helpful**, as it did not give clear enough explanations for decisions made.

12 A typology of responses to overpayment debt

In this section we shall describe a customer typology of responses to overpayment debt recovery interventions. This typology builds a picture of customer types, drawing on characteristics described in the findings presented in volume ii of this report, and will illustrate responses to overpayment debt drawing on the experiences of debt interventions described thus far in volume (iv).

12.1 A description of the typology

A typology of how customers with different characteristics responded to overpayments has been developed and 'mapped' onto the different elements of HMRC's debt recovery.

The key elements of the typology are as follows. When first hearing about an overpayment, participants fell into two broad types of initial responses:

- those who **engaged** with the overpayment immediately; and
- those who were **disengaged** from the overpayment process.

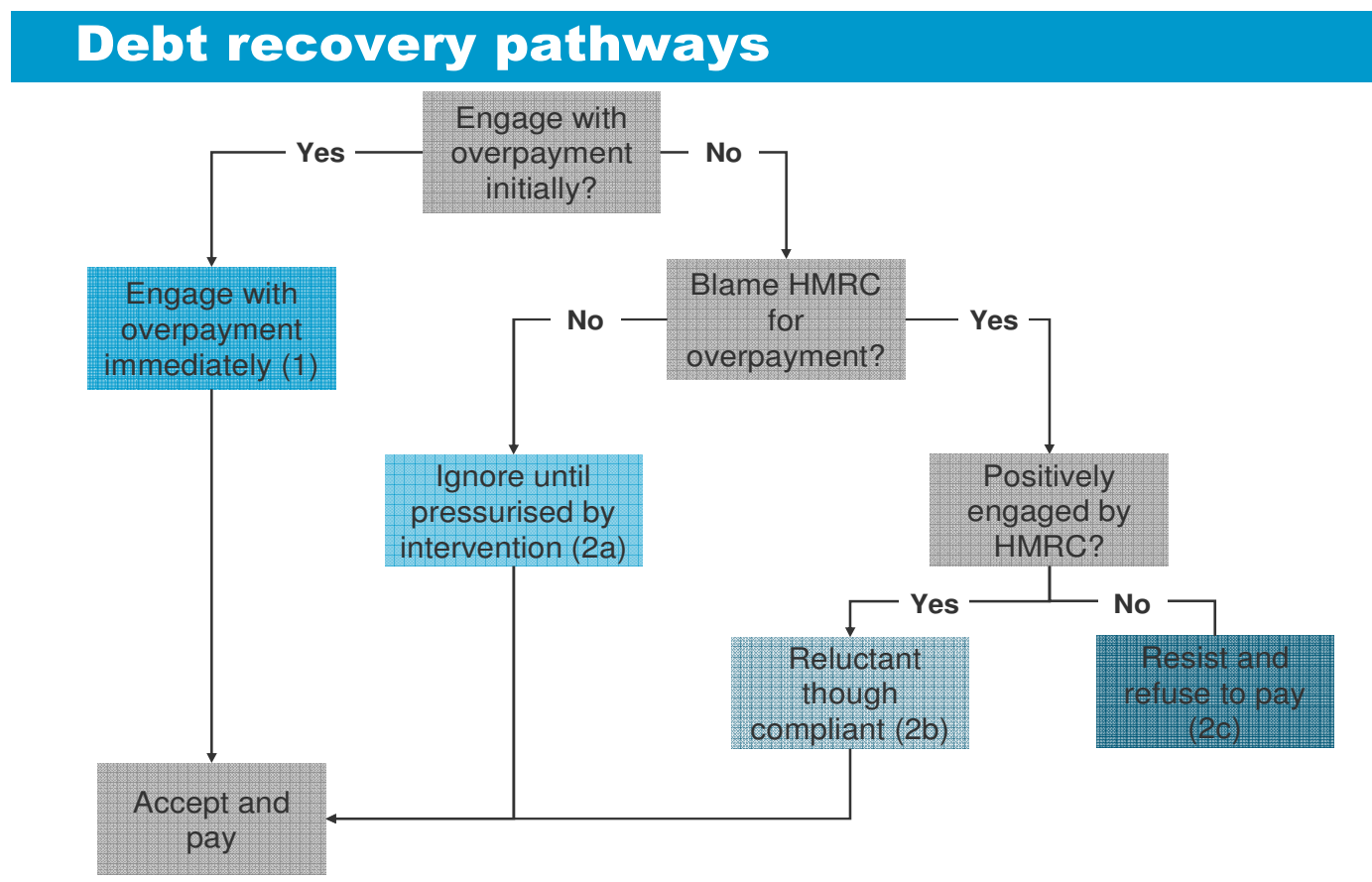
As the following diagram illustrates, all those customers who engaged with the overpayment notice generally accepted the overpayment and agreed to pay it back.

However, those customers who were disengaged from the overpayment on initially hearing about it followed a range of paths:

- those customers who ultimately understood that they had made an error or had a good knowledge of the tax credits system which mitigated against blaming HMRC for the overpayment **ignored the overpayment** until pressurised into doing so;
- those customers who felt HMRC were to blame for the overpayment, but later had good experiences of debt recovery resisted the overpayment until positively engaged with, hence are **reluctant though compliant**; and
- those customers who both blamed HMRC for the overpayment and felt they had had bad experiences of the debt recovery process were likely to **resist the overpayment and refuse to pay**.

The route through the debt recovery process taken by disengaged customers depended on whether or not they **blamed HMRC for the debt**, and on **how they perceived their experiences of the debt recovery process**, as the following diagram illustrates.

Figure 12a: Direct recovery customer pathways



The following sections will paint a richer picture of each of these types of customer, showing how their attitudes to financial management and debt, personal circumstances, perceptions of HMRC and sense of who is to blame for the overpayment are relevant to their customer journey through incurring an overpayment to repaying the debt.

12.2 Customers who engaged with the overpayment (1)

These customers were generally very worried about their overpayment when they heard about it, and took action immediately, usually by calling HMRC’s telephone helpline.

This type included customers who had a **range of levels of debt**, but all were **generally debt-averse and were unhappy about incurring a new or indeed, further debt**.

Generally this group were **good financial managers and relatively financially literate** – they were able to understand and negotiate Time To Pay with HMRC if required without the assistance of a Field Force officer.

Generally, customers who accepted to repay the overpayment shortly after being notified were **in steady employment, or had another source of income** (e.g. a partner in work) which made it less difficult to figure out how to find the money to repay HMRC.

There were however some customers in this group who were not well off, but also paid back quickly – this was because they **feared that if they did not pay off the debt their other benefits would be stopped**. These participants generally had a high level of respect for government and taxes, some of them explained this in terms of taxes (and tax credits) being public money, and therefore stated it would be wrong to refuse to give these back.

In other cases, this feeling was **less of respect and more of fear toward HMRC**. In such instances, these customers were not very well informed, and were under the impression that it would be impossible to dispute the government’s decision.

“You need to abide with it or you get yourself into trouble ... it's just like paying your tax”

Female, Joint Claim, *Direct Recovery*, County Court referral

12.3 Customers who ignored the recovery until pressurised (2a)

This group of customers was not alarmed by the initial notice of overpayment for a range of reasons, both circumstantial and attitudinal. They may well have understood how overpayments might originate or have realised that they themselves had made an error. In other cases, **customers did in fact suspect HMRC was to blame for the overpayment, but were too unsure of the system and what the consequences would be to actively challenge the debt**, they preferred to ignore it. All of these customers **required additional pressure to move repaying the overpayment higher up their financial priorities**.

Customers with a relaxed attitude towards financial management and debt were more likely to be indifferent to being notified that they had been overpaid. Customers whose first response was indifference had often received a small overpayment, and were untroubled by the information as they knew they could deal with it in one go if it was chased by HMRC later on. **Customers who were in greater hardship were more likely to ignore the overpayment for longer** because they felt they had other more pressing financial concerns, and many also hoped that their difficult financial situation would lead HMRC to be lenient on them, or even write off the debt.

Customers in this group were **less likely to be good financial managers** than those who responded to the overpayment immediately. This slightly chaotic financial situation meant that they often forgot about a debt recovery letter and did not prioritise responding to it. Other customers fell into this category more simply because they were **more comfortable with debt and credit**, and thought they could deal with the consequences later

Some had incurred very large overpayments and were **fearful of facing repaying** them, often hoping they were an error that would be rectified. This attitude was also inadvertently encouraged by the time lag between HMRC interventions, and the fact that HMRC did not pursue the debt as aggressively from the outset as other private sector organisations do.

“The thing is I ignored it for a hell of a long time [but] they did leave it for a hell of a long time as well.”

Female, Single Claim, *Direct Recovery*, telephone call from Debt Management

These customers sometimes felt intimidated by the amount of money they were asked to repay and hoped that the problem would correct itself if they waited. Several in this group had a sense that HMRC could have made a mistake, but they were not confident enough in their calculations and reasoning to dispute or query how it occurred. These customers tended to be less literate and numerate in general than other groups.

“I keep thinking to myself well maybe they've gone back through it and realised that it's all a mistake and the letter just hasn't quite caught up with me”

Female, Joint Claim, *Direct Recovery*, County Court referral

Many of these customers had very low incomes and knew they would find it difficult to repay the overpayment. They did not respond to the initial notice of overpayment because they had difficulties managing financially from living from week to week. Tax credits debt was therefore something that, in comparison to other financial demands, could wait.

“I buried my head in the sand and, which I shouldn't have done but, I was just trying, literally, trying to keep my head above water with rent and everything else”.

Female, Joint Claim, *Direct Recovery*, County Court referral

Other customers **did not have enough time or energy to deal with the overpayment at**

the time of notification, and hence deferred contact with HMRC. This was often due to a family crisis, or change in circumstances such as the birth of a new child.

“I think with one thing and another it hadn't taken priority ... I'm not making excuses but I'm working full time, my husband's trying to get a job, I had my mum here nearly all the time last year ... you can't see a light at the end of the tunnel”

Female, Joint Claim, *Direct Recovery*, County Court referral

Many customers were initially resentful of HMRC for not noticing the overpayment sooner, but ultimately felt that they should repay because they considered tax credits to be public money, or because they were convinced the HMRC were powerful enough to compel them to repay. What convinced some customers to engage was the Debt Management phone call, but others required a letter warning them of legal proceedings in order to respond. For many in this group, the word “legal” was a trigger which conveyed the seriousness of the issue. For those who had not received any of the previous correspondence due to a change of address or similar, the notice of referral to county court usually had the same effect.

“They threatened me with some kind of action... that made me stand up and take notice. Basically that's what made me phone up that day.”

Female, Single Claim, *Direct Recovery*, telephone call from Debt Management

12.4 Customers who resisted the overpayment until positively engaged with HMRC (2b)

These participants **generally felt that HMRC was to blame for the tax credits overpayment**. Most crucially, they tended **not to understand how their overpayment had come about** and, as such, were resistant to repaying as they felt that the overpayment was not “their” debt. These customers responded to interventions where the nature of the overpayment was explained to them, whether this was as a result of a call to the tax credits telephone helpline or a visit from an HMRC Field Force officer.

These customers were a mixture of people who were good and less able managers of their finances, and also had a range of attitudes to debt. Their most important characteristic was that of a continued sense of grievance towards HMRC; they **tended to blame HMRC for the overpayment and the error**, and felt that to be asked to pay back overpaid benefits was unfair.

“You shouldn't have to pay for their mistake”

Male, Joint Claim, *Direct Recovery*, County Court referral

These participants were often juggling their finances to make end meet, and some also found themselves with more pressing situations to deal with first, such as illness or death in the family, meaning the overpayment was sidelined. These customers often prioritised other outgoings, such as mortgages, utilities and credit card debts over their overpayment debt because those debts 'made sense' to them and they could understand their origin. These participants felt that they had done everything correctly to fulfil their requirements to HMRC. Many had busy lives and felt that they had made considerable efforts to manage their tax credits claim.

“If I'd continued claiming or hadn't told them or updated the details and this has arisen, then fair enough. But I did, I did everything that I was supposed to do.”

Female, Joint Claim, *Direct Recovery*, Telephone call from Debt Management

12.5 Customers who resisted and disputed the overpayment (2c)

These customers felt strongly that they should contest the overpayment, generally because they had a **strong conviction that HMRC had misrecorded their circumstances despite**

being give the correct information. These customers perceived themselves to have had negative experiences of the debt interventions throughout the recovery process, which hardened their views.

Participants in this group could be good or weak financial managers. Those who were good financial managers were often well-informed about how tax credits and overpayments functioned. This resulted in them feeling justified in resisting paying back the overpayment.

In addition, this group included customers who knew they had claimed incorrectly, but, because tax credits operated so differently to other types of benefits, they did not understand their responsibilities or the consequences of mismanaging their claim. Some such participants were sometimes happy to let the overpayment go on longer than it needed to, as they did not believe that the onus was on them to rectify the situation as illustrated by the comment below.

“It's not my problem, it's your problem. I filled in a form, end of [story], you paid, nobody' told me any different”

Female, Joint Claim, *Direct Recovery*, County Court referral

Customers in this group perceived themselves to have had bad experiences of HMRC debt recovery interventions, which they felt to be unsympathetic, and even bullying. One participant reported that he felt 'hounded' by the Debt Management telephone calls and the number of letters he had received in a very short space of time. The customer did not feel at fault because he strongly believed the error to have been HMRC's, and he also had a good knowledge of how tax credits worked. He understood the specific origin of the error which had led to the overpayment, and held HMRC responsible.

“They did not stop the heavy-handed tactics with me ... then they threatened me with court as well”

Male, Joint Claim, *Direct Recovery*, County Court referral

12.6 Conclusion

Attitudinal characteristics related to financial management and aversion to debt had an important bearing on how participants responded to a notice of overpayment. Group 1 “Notice to Pay” participants dealt with their overpayment almost immediately and were typically strongly averse to debts of any kind. Furthermore, they tended to understand how their overpayment had originated and were less likely to blame HMRC for the overpayment.

However, customers requiring a range of interventions to recover debts were often those most comfortable with debt, and also, therefore, in many cases, those customers in the greatest financial distress. These customers tended not to understand where their overpayment had originated from. Furthermore, their attitudes were hardened if they also had what they perceived to be a 'bad' experience of the debt recovery process, making them more likely to dispute the overpayment. These customers – who were comfortable owing money, who did not understand their overpayment, and who had felt what they thought to be a bad experience of dealing with HMRC – were those most likely to require the later debt interventions.

(v) Overall conclusions and recommendations

13 Overall responses to overpayment debt

In this section we present an overall typology of responses to tax credits overpayments, bringing together the key findings of all the volumes in this study, and our analysis of responses to tax credits overpayments for customers who are both in-award and in direct recovery.

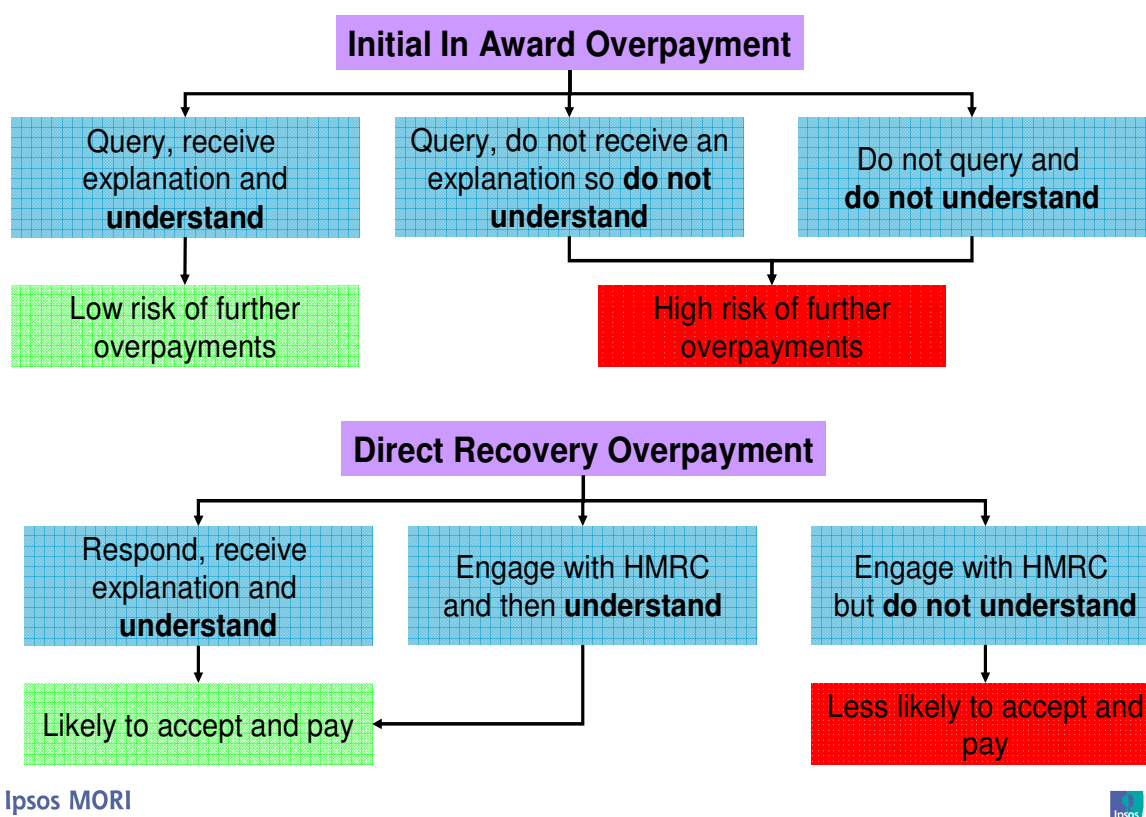
13.1 Key factors for behaviour change and debt recovery

The studies of In-award and Direct Recovery claimants have illustrated the key importance of the following issues in understanding why customers incur repeat overpayments, and in inducing them to repay the overpayments more quickly:

- the value of customers **understanding the tax credits system**, and particularly the **responsibilities** incumbent on them in managing their claims;
- the importance for most participants of understanding **why their overpayment happened**;
- customers' **experiences of HMRC customer service and communications**.

The following figure illustrates how these factors played out in the experiences of typical customers in the research, and presents an overall journey of tax credits customers in response to overpayments.

Figure 13a: Customers' overall responses to tax credits overpayments



As the diagram illustrates, **understanding the cause of the overpayment is the most important issue** for customers. Customers who have a good knowledge and understanding of their responsibilities in managing tax credits are more likely to achieve this understanding sooner and are less likely to find themselves incurring repeat overpayments, or finding

themselves at the later stages of direct recovery. Customers who have also had a good experience of HMRC customer service, particularly where their overpayment has been satisfactorily explained to them, are also less likely to incur repeat overpayments, and to respond earlier to direct recovery interventions.

Where customers were confident and competent in managing their claims, they were more likely to be able to address errors and change how they managed their claim following an overpayment. For these reasons, it is important for HMRC to communicate the key responsibilities in managing tax credits claims as effectively as possible, as is ensuring that those who require extra support in managing their claims, such as those with literacy support needs, receive it if possible.

Furthermore, **interactions with HMRC staff, letters and literature were also hugely important to how customers responded to overpayments.** Where these interactions allowed customers to understand how their overpayment came about, they were more likely to repay their debt to HMRC more quickly in the case of direct recovery customers, and more likely to change their behaviour so that they did not receive further overpayments. In the following chapter we shall explore some customer suggestions as to how improve the existing communications, interactions with staff and understanding of tax credits customer responsibilities.

14 Service improvement recommendations from customers

14.1 Introduction

Many customers in the study had strong views on how they felt HMRC's service regarding overpayments could be improved. As explored in Volumes iii and iv, a lack of understanding of customer responsibilities in tax credits claim management, and a lack of understanding of how individual overpayments originated were two key problems which led to customer error, and meant that customer behaviours did not change and outstanding debts were hard to recover (direct recovery). A further problem associated with current systems was that customers felt little control over how their overpayment was managed which reduced their ability to prevent errors recurring.

In this chapter we present customer suggestions for improving aspects of the tax credits and overpayments reclamation system, drawing on the findings from earlier chapters. These recommendations are from customers; further cost-benefit analysis work would be needed by HMRC to determine which (if any) should be priorities.

14.2 Recommendations on the tax credits claim and renewal process

In this section we discuss customer suggestions for improving the claim system and contact with HMRC throughout the management of a tax credits claim. The figure below summarises some of the key customer recommendations regarding making and managing a tax credits claim.

Figure 14a: Customer service recommendations for making and managing claims

SLIDE 1		
Making a claim	Understanding responsibilities	Managing a claim
<p>Service Improvements:</p> <ul style="list-style-type: none"> • Simplify starter pack to one page • Offer face-to-face support through JCP • Use opportunity to profile customers for risk factors 	<p>Service Improvements:</p> <ul style="list-style-type: none"> • Emphasise customer responsibilities throughout process • Emphasise customer liability throughout process 	<p>Service Improvements:</p> <ul style="list-style-type: none"> • Send email/ text message/ posted checklist reminders mid-year • Add a discretionary 'grace period' after a family crisis • Improve accuracy of recording and confirmation systems
<p>Why?</p> <ul style="list-style-type: none"> • They rely on others to fill the initial form • They make the claim over the phone and do not follow up by checking the notice 	<p>Why?</p> <ul style="list-style-type: none"> • They do not understand: responsibilities or the provisionality of their claim • They receive poor advice from peers • They are more familiar with other benefits 	<p>Why?</p> <ul style="list-style-type: none"> • They have a personal crisis • They are unsure if their circumstance is relevant • They think HMRC records it late

► At the point of making a claim, customers suggested that **additional face-to-face support** and **greater simplicity in claim packs** would be appreciated. Many had relied on the support of others to help them make the claim, or, if having made a claim themselves, demonstrated in interviews that they did not understand key issues relating to managing their tax credits claim.

In Chapter 2 we outlined some key risk factors leading to overpayments for customers claiming tax credits. Our analysis of the customer journey through tax credits claim management has demonstrated that certain customers are more likely to experience a number of overpayments than others, notably those with low literacy and numeracy, those working variable hours, and those experiencing a change in their household structure.

► Some customers who had experienced a number of overpayments indicated that they would like greater support. This could be achieved by **identifying customers with these and other risk factors early in the claim** which may help HMRC to provide the correct kind of support later, such as face-to-face help, advice on handling claims in the context of a household change or break-up, or a telephone advisory service targeted at such individuals who experience overpayments.

As described in Chapter 3, many customers did not understand the nature of their responsibilities in claiming tax credits, and many did not acknowledge their liability when overpayments occurred because they did not understand that it was incumbent on them, rather than HMRC, to ensure that there were no errors in their claim, and that changes of circumstances were registered correctly.

► Some customers indicated that they **needed clearer guidance about their responsibilities at the start of their claim, and clear reminders and prompts throughout**. Where appropriate, they also needed information about the ramifications of mismanaging a claim: many participants did not know about overpayments until they had received one. A number of customers felt that reminders could be effectively delivered by text message, and that face-to-face guidance on checking award notices would also be helpful. Customers also suggested that television and radio were important channels for them, and that HMRC campaigns using these channels had had an impact on their understanding of tax credits procedures, especially reporting changes of circumstances. We discuss how customers would prefer responsibilities to be communicated in Section 14.3.

During a claim, as discussed in Chapter 3, customers are aware of the importance of reporting changes of circumstances, but many forget to report on time due to challenging family situations.

► As explored in that chapter, those circumstances (such as a household break-up, or children moving in and out of the family home) may last a considerable time. Customers who had been in these situations suggested that they would have appreciated **a discretionary ‘grace period’ for late reporting**. They felt that this would mean that they would be less likely to feel penalised for experiencing unhappy circumstances, an effect of the way overpayments are currently managed as discussed in Chapter 3.3.

Where changes of circumstance were concerned, customers would like more evidence that their change had been registered correctly. Some also felt that they also needed to be made aware of revised award notice.

► Several suggested that changes reported should be followed up with a telephone call from HMRC, as customers did not understand how to check their revised award notice forms.

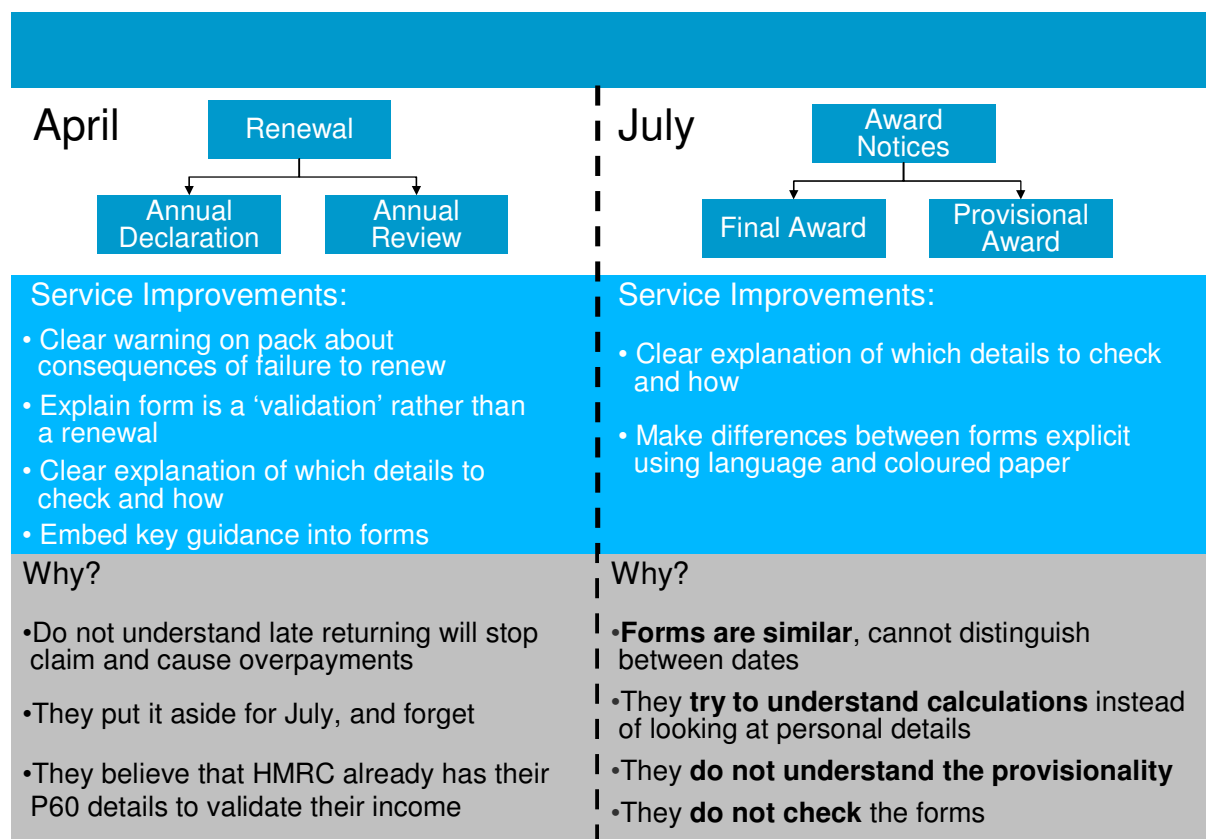
“To make sure the information you are giving is correct, rather than just sending you a paper

form, they can follow you up with a phone call to say we're just checking to make sure"

Female, Joint Claim, *Direct Recovery*, Telephone call from Debt Management

The following diagram summarises suggestions for improving the **renewals process** from the customer viewpoint.

Figure 14b: Customer service recommendations for managing the renewals process



When customers received renewal packs, cognitive testing and observational data demonstrated that customers experienced many problems understanding and meeting their obligations to HMRC.

► To address the most important of these issues, customers' lack of understanding of the provisional nature of their claim, **customers indicated that they needed a clear, simple explanation that the annual review was a validation of their previous year's claim.** Customers felt that clearer signposting about the consequences of lack of timely renewal needed to be included on the front page of the annual review, along with additional information which explained that if they did not want to continue claiming they needed to inform HMRC rather than simply not returning the form. Customers also felt they needed to understand the potential consequences of failing to renew at an earlier stage. They suggested that this could be addressed through receiving clear information about how to manage renewals at an early stage in the claim process, and access to additional help managing their claim if they needed it.

The design of the forms raised a number of problems for customers..

► Customers expressed a strong preference for **clearer guidance on what to check or**

complete and how to do so, and that this **guidance should be embedded into the forms**.

*As calculations were seen as complicated and not transparent, customers wanted **more support in being able to understand their entitlement**.*

► To make the system more transparent it was felt that there should be a **'flowchart of entitlements' or a diagram showing a benchmark of how much people with differing circumstances should get**. This resource already exists online, and the evidence of this study suggested that customers may benefit from being signposted to it as it would make it easier for people to work out if they are being overpaid as it would help highlight potential problems and errors in their claim. Many customers believed that it was important to check the figures in their award notices, although customers are only required to check that their circumstances are correct. A benchmarking tool was seen as desirable by such customers as it would help them in spotting errors. Other customers had a preference for being signposted to the correct sections of award notices to check.

Where award notices were concerned, the similarity of the annual review, final award notice and provisional award notice contributed to pervasive misunderstanding about what the purpose of the forms was. Customers often could not distinguish between forms and did not understand their obligation to check them. From the customer viewpoint it was important to be able to tell the difference between the forms, and understand how to check them.

► Customers therefore suggested **printing the forms on different coloured paper** and, once again, **embedding clear guidance into the forms**.

14.3 Recommendations on the tax credits communications

Customers had a very high awareness of reporting changes of circumstances, in some cases over-reporting changes. They largely attributed this to HMRC's media campaigns on the subject.

► The effectiveness of these campaigns suggested that from a customer viewpoint similar **media campaign on checking award notices and renewals** could be useful. Awareness of these aspects of tax credits management was low, hence customers were confused about how overpayments happened.

► Customers would also benefit from very clear signposting on all tax credits award letters on which sections they needed to check for accuracy and how to do so. Customers suggested that this signposting be integrated into the main form.

*Many customers, especially those **working variable hours and those with children older than pre-school age**, expressed a desire for HMRC to be in contact more often than once a year and through different channels as their circumstances changed so often and they needed more support and advice on managing their claim.*

► These customers felt that they would appreciate a **mid-year reminder by text or email** to enquire if their claim was up-to-date. Customers commented that such reminders would be useful to them in encouraging them to consider whether their circumstances had changed, and did not feel that they would be bothersome.

14.4 Recommendations on the debt management process

Overall, many customers felt that a **more personalised approach** to debt management was required, because standard letters and call centre staff were not always able to take into account personal circumstances, or understand what contact customers had already with HMRC regarding their debt so far.

► At a basic level this meant that customers felt that **they would like the telephone helpline staff to have more information about how their overpayment occurred** beyond the details of amount owed and to deal with the customer empathetically.

► There was also a demand for more information on **Time To Pay (TTP) and making appeals**, and customers were keen to see these offers from HMRC **communicated more clearly, more widely and at an earlier stage**.

*Some customers suggested that they should be assigned a ‘case worker’ from when they first hear about their overpayment, whose contact details should be referred to in the first letter they received. What was very clear was that **customers wanted to understand how their overpayment happened as soon as possible** in the process as this made it more likely that they would improve the management of their claim and would be more likely to repay an overpayment.*

► Customers were **very impressed by the booklet ‘Why do Overpayments Happen’** and **felt that this should be sent out with any first notice of overpayment**. This booklet was only tested with *In-award* customers and those who had responded to the first Notice to Pay in Direct Recovery, but customers in later stages of debt recovery commented that they would have liked to have seen something similar which explained how their overpayment might have occurred. This could be useful for all customers in receipt of an overpayment.

Customers who had been offered TTP found this to be a very good arrangement, and were satisfied with its flexibility. Customers who were most in need of this service were those with very low incomes who also depended on other state benefits as key sources of income, and those who had large overpayments (i.e. over £1,000) as they often found the prospect of repayment concerning.

► Customers **would like to have been offered Time to Pay early in the direct recovery process**, as for many the prospect of owing a large amount of money worried them, and, as the evidence of the views of *In-award* customers demonstrates, most were **much more comfortable with monies owed being deducted from existing claims**, rather than having to try to find the money from other sources. Time to Pay made overpayments less daunting and more manageable.

Many customers who had experienced appeals found the process confusing and felt that it lacked transparency because they were not aware that they were not to be present at the appeal itself.

► Customers therefore wanted to be kept informed about the current status of their appeal throughout the process.

14.5 Recommendations on the debt recovery process

Customers had strong views on how the debt recovery process could be improved, and the evidence of customer experiences in the research also pointed to several important recommendations on improving the debt recovery process. Most importantly, **customers wanted to know why their overpayment happened at as early a stage as possible**. An

early explanation was often seen by customers as the most effective intervention regarding behaviour change and debt reclamation. This was particularly important for customers who felt daunted by a large overpayment and those who blamed HMRC for the overpayment because they did not understand their responsibilities in the process. These populations cut across our typology, and the need to understand how an overpayment happened was not dependent on competence in financial management or aversion to debt.

Figure 14c: Customer service recommendations for early stages of debt recovery

Notice of overpayment	<i>In Award</i> overpayment (during ongoing claim)
<p>Service Improvements:</p> <ul style="list-style-type: none"> • Explain the origin of the overpayment • Send out 'Why do overpayments happen?' • Train helpline staff to explain how overpayment happen • Personalise information on letters 	<p>Service Improvements:</p> <ul style="list-style-type: none"> • Make information on number and value of overpayments on Award Notices clearer • Send a separate letter detailing how much will be deducted during the award period and an estimated date of when the overpayment will be fully repaid
<p>Why?</p> <ul style="list-style-type: none"> • They don't understand why they have been overpaid • They blame HMRC for the overpayment 	<p>Why?</p> <ul style="list-style-type: none"> • They don't realise that they have multiple overpayments or what they add up to • They aren't aware of how much is being deducted from their award or that they may have an outstanding amount to repay when they stop claiming

It was evident that explaining overpayments at an early stage catalysed responses to debt recovery and also supported positive behaviour change in claim management.

► Customers felt that **sending out the booklet “Why do Overpayments happen?”** and **ensuring that helpline staff were suitably trained to explain overpayments** would go a long way to supporting customers at the point of being notified about an overpayment and, more widely, reducing customers' blame of HMRC. This, as we have described in Chapter 9, was often the result of misunderstanding HMRC's role in the management process.

Customers in the In-award group learned about their overpayments through Award Notices

► These customers therefore suggested that HMRC **made information about the number and value of overpayments** clearer on these notices.

Furthermore, customers were not aware of how much was being deducted from their award or that they may have an outstanding amount to repay if they stopped claiming.

► As such, they felt that **a separate letter explaining how much would be deducted and when the overpayment would be repaid** would be useful.

The following slide summarises service recommendations relating to the direct recovery debt interventions.

Figure 14d: Customer service recommendations for direct recovery debt interventions

Reminder Letter	Debt Management phone call	Legal proceeding letter	Field Force officer	County Court letter
Service Improvements: <ul style="list-style-type: none"> • Explain the cause of the overpayment by directing customers to helpline • Send a more strongly worded first letter • Follow up with interventions more quickly: after a month • Give information about Time To Pay 		Service Improvements: <ul style="list-style-type: none"> • Target later interventions according to risk factors • Use Field Force officers with most vulnerable customers early on • Send Field Force officer automatically on second direct recovery overpayment 		
Why? <ul style="list-style-type: none"> • They don't understand the overpayment • Letters do not alarm them • Are worried but want to forget about the problem • Time lags between interventions mean they don't think HMRC care • They simply can't repay 		Why? <ul style="list-style-type: none"> • They don't understand why they have received an overpayment • They blame HMRC for the overpayment • They have had negative experiences of HMRC customer service and feel they have no control over the situation 		

Customers often ignored early interventions because they hoped that the problem would go away, or deprioritised the overpayment in comparison to other debts.

► Some customers therefore felt that the **early letters should be clearer and harder to ignore**. In order to provoke customers to respond, they needed to state more clearly that the overpayment was a debt the customer now owed and that it was an urgent matter. This would be an effective way of persuading those **customers who are more debt-averse and good at financial management** to respond at the earliest stage, rather than delaying a response until the communications from HMRC felt more threatening. Our findings also suggest that mentioning the threat of legal proceedings at an early stage may be the most effective way of engaging this group who would be most likely to pay, but may also need help in doing so. **Customers were not aware of TTP from the first letter, and this may need to be highlighted more clearly** to add a further incentive to repay debts promptly.

Customers also felt strongly that they did not understand their overpayment, as discussed, and this often formed a powerful barrier to debt recovery (see Chapter 12 for details).

► They suggested that the first notice of overpayment should have **an explanation of how the overpayment originated**, or should signpost customers to sources of support and advice clearly. Customers felt that overpayment letters should not only provide details of how the overpayment occurred, but also a **detailed breakdown of amounts owed and any amounts repaid**. They felt that this letter should additionally include options on how to repay HMRC, and should be **followed up a telephone call which checked customer understanding** of the situation.

Customers wanted to understand how the debt recovery process would progress, as this would have helped them determine their actions. Furthermore, as described in 9.4.2, a time lag of months between overpayment debt interventions, especially between letters from HMRC, meant that many customers felt that HMRC did not take the overpayment seriously.

► Customers therefore suggested that **HMRC should provide them with a clear timetable for repayment and for when other debt recovery interventions would occur**, which would have allowed them to understand what to expect, and, in retrospect, would have been useful for them in terms of prioritising their actions regarding the overpayment.

► They also felt that there should be very short periods between the debt management stages, of no longer than a few weeks. This would mean that customers would be less able to ignore demands from HMRC and more likely to be in touch quickly to arrange payment.

*Many customers found the Field Force visit to be less a source a pressure than one of support and enlightenment about their situation. This was the most effective of the debt reclamation techniques among customers who had decided not to repay. Customers felt that it helped them understand their overpayment and their options to repay, which they found empowering. It was a particularly effective strategy among the most vulnerable groups such as those with **severe mental health support needs, very challenging household circumstances and very weak literacy or numeracy**. Those who did feel helped by the Field Force visit would have preferred the visit earlier in the debt recovery process, **soon after they receive their overpayment, especially when the overpayment was large (over £500) and could be daunting to the customer**. Some of these customers indicated that they would like more support and may also need ongoing help with tax credits, which could involve visits from HMRC staff, to avoid overpayments.*

14.6 Conclusion

Overall, customers generally wanted **greater support from HMRC in explaining overpayments**, and by extension, **understanding the tax credits system so that they could avoid overpayments in the future**. Most customers found the system and the information provided by HMRC, especially when printed, very challenging to negotiate, or felt it was difficult retrospectively when errors occurred and they could not understand why. Naturally, certain groups, such as those with very chaotic lives or with weak literacy or numeracy, were more likely to experience difficulties, but the problems described faced by customers were widespread and could be addressed by putting customer understanding first.

The design recommendations suggested therefore also raise a number of interesting areas for further research on **co-design of processes, systems and materials**. The evidence of this study suggests that understanding customer experience provides valuable insight into broad approaches on reducing customer error and improving debt reclamation. This indicates that further development of appropriate and potentially successfully processes could be robustly approached through involving the customer in designing the revised materials, systems and processes outlined in this chapter.

Appendices

Note on presentation

Verbatim quotes are attributed throughout this report identifying the participants by gender, whether their tax credits claim is single or joint, and, where relevant, with additional information about the nature of their overpayment. For **direct recovery claimants**, attributions also include information about the stage of debt recovery they reached, so that attributions read as follows: (*gender, single or joint claim, direct recovery, level of debt recovery*).

e.g. (Female, Single Claim, *Direct Recovery*, Field Force Officer)

For **in award** claimants, where relevant, attributions include details of which 'group' they fell into, according to the criteria given by HMRC outlined in section 1.3. Attributions therefore read as follows: (*gender, single or joint claim, direct recovery, relevant group*).

e.g. (Female, Joint Claim, *In-Award*, 'Single Overpayment')

All comments are from single depth interviews, unless otherwise stated. Where case studies and customer journeys are described, participants' names have been changed throughout.

Discussion guides

The following amendments were made to the discussion guides throughout the project.

The discussion guide for the **Group 5** (County Court letter) was amended to include questions on participants' views of HMRC as an organisation, whether participants used the HMRC online tax credits checker, and whether they knew that a new award notice would be sent to them within the year if their circumstances changed.

For **Group 4** (Field Force visit) the discussion guide was amended to include more in-depth exploration of the processes customers go through (if any) when it comes to checking and verifying that their claim and award are correct. An additional question was also added to look at information sharing: how customers communicate with friends and family about tax credits at HMRC's request to investigate the effect of this factor on customers' understanding of tax credits.

In **Group 3** interviews (letter from local recovery office), we added an additional question to explore why some customers terminated their awards, or re-entered their awards during the year.

Finally, in **Group 1** interviews, we added questions on a range of information materials from HMRC, and some additional cognitive testing questions on HMRC materials relating to the tax credits claim process.

HMRC – Customer Experiences of Overpaying Tax Credits In Award Discussion Guide – FINAL

Objectives:

HMRC aims to thoroughly investigate the customer perspective around tax credit overpayments and debt related to the tax credits system. The objectives of this work are to:

- 1. Explore why some tax credit customers experience overpayments and underpayments year after year;**
- 2. Determine why some customers incur an overpayment once and then not again in subsequent years; and,**
3. Assess why tax credit customers who are subject to direct recovery of an overpayment fail to make contact at an earlier stage when being actively pursued for an overpayment or a debt.

The evidence resulting from this research will help HMRC understand how to improve the information it offers customers on how to handle an overpayment or a debt, how it can encourage customers to make contact and how HMRC can appropriately deal with hardship cases.

In the course of this research project, we are speaking to customers that are at different stages of the overpayment recovery cycle.

This guide pays particular attention to customers who were notified of their overpayment during an ongoing award and are repaying via reductions in their tax credit award.

This guide will explore customers' views on the tax credit system in line with the audience and categories outlined below.

Outline of the research programme:

- 25 in-depth interviews with customers, including several paired-depth interviews with couples where appropriate who have an outstanding overpayment from 2004/05 to 2006/07 but not since in 2007/8 or 2008/9 **[GROUP A]**
- 25 in-depth interviews with customers, including several paired-depth interviews with couples where appropriate who have an outstanding overpayment from 2004/05 to 2006/07 and also at least one from 2007/08-2008/09 **[GROUP B]**
- In London, Luton and Plymouth from 16th November – 18th December 2009
- Each interview/depth to last between an hour and an hour and a half

Notes	Guide Sections	Guide Timings
1. Introductions and background	15 Sets the scene, reassures participants about the interview, confidentiality. Discusses the general work and life circumstances of the participant	5 mins
2. Financial attitudes and debt	Introduction to get the interviewee talking about finances in general, what they spend money on and how they prioritise payment of debts. Also covers the use of financial services and other benefits outside of tax credits and views of debt to HMRC	10 mins
3. Awareness of Tax Credits, claiming and experience of overpayments	Discusses how participants became aware of tax credits, what they understand tax credits are for and an initial exploration of how they perceive the system to work. Using timetable stimulus material, participants will describe when they first had an overpayment. This will be an important section to map out their overpayment history and can be used later when discussing what they may have learnt (Group A) or not learnt (Group B) following that initial overpayment. A timeline will be created. If they did not receive further overpayments (in the past couple of years) are they doing anything differently. If they have continued to receive overpayments, the reasons for this will be explored. Links between changes in behaviour and being in Group A or Group B will be explored.	25 mins
4. Managing the Tax Credits claim	This will look at what customers think overpayments are and importance reporting changes in circumstances and renewing tax credits and roles and responsibilities of the customer and HMRC in this. This will also look at understanding of what happens at renewal and cognitively test understanding of annual renewal form. Links between behaviour and being in Group A or Group B will be explored.	15 mins
5. Experience of repaying the overpayment	Explore experience of paying back via ongoing award and alternatives in terms of appeal/ change of payments etc. What they would do differently in the future and what they've told others about their overpayment experience.	10 mins
6. Changing the overpayments process	Based on their experiences, we will use this section to collect and ideas from customers about how the system could be changed for their benefit. Also includes views of HMRC service.	10 mins
16 7. Conclusion and Thanks	A summary of the conversation and key recommendations	5 mins

Using this guide

We use several conventions to explain to you how this guide will be used. These are described below:

Timings	Questions	Notes and Prompts
---------	-----------	-------------------

<p>5 mins</p>	<p>17 <u>Underlined</u> = <u>Title</u>: This provides a heading for a sub-section</p> <p>Bold = Question or read out statement: Questions that will be asked to the participant if relevant. Not all questions are asked during fieldwork based on the moderator’s view of progress.</p> <ul style="list-style-type: none"> ▪ Bullet = prompt: Prompts are not questions – they are there to provide guidance to the moderator if required. 	<p>This area is used to summarise what we are discussing, provides informative notes, and some key prompts from the moderator</p>
<p>How long it takes</p>	<p>18 Typically, the researcher will ask questions and use the prompts to guide where necessary. Not all questions or prompts will necessarily be used in an interview</p>	

Timings	Key Questions	Notes and Prompts
5 mins	<p>19 <u>Welcome and introduction</u></p> <ul style="list-style-type: none"> ● Thank participant for taking part ● Introduce self, Ipsos MORI ● Emphasise that we will be talking about their experiences of the tax credits system. ● Confidentiality: reassure all responses anonymous and that information about individuals will not be passed on to anyone ● Specifically refer to the fact the interview is not connected to any legal action they may be facing, or have faced ● Explain outline of the research ● Role of Ipsos MORI – independent research organisation (i.e. independent of GOVERNMENT), gather all opinions: all opinions valid ● Get permission to digitally record – transcribe for quotes, no detailed attribution <p><u>Personal Background</u> I'd like to start by learning a little about you. Can you tell me how long you have lived in the area?</p> <ul style="list-style-type: none"> ● Find out about their life in general – whether they have always lived here, if they have moved around a lot? <p>Can you describe any work that you do at the moment?</p> <ul style="list-style-type: none"> ● How long have you been doing that job? What did you do before this job? 	<p>Welcome: orientates participant, gets them prepared to take part in the interview.</p> <p>Outlines the 'rules' of the interview (including those we are required to tell them about under MRS and Data Protection Act guidelines).</p> <p>MODERATOR NOTE: Fine to mention HMRC at this stage</p> <hr/> <p>MODERATOR NOTE: As well as acting as a lead in to the rest of the interview to make the participant(s) comfortable, this section allows us to begin to understand the outlook of the participant(s).</p> <hr/> <p>MODERATOR NOTE: Include any unpaid or voluntary work. Take care to ensure they know this is confidential; that we are not checking up on them.</p>

Timings	Key Questions	Notes and Prompts
10 mins	<p>20 <u>General Attitudes to Finance</u></p> <p>I'd like to continue now by talking a little more about finances. Can you firstly describe your weekly or monthly income and outgoings?</p> <p>MODERATOR: Use the tables in Appendix A if required</p> <p>How easy/difficult do you find it to know what your incomings/outgoings are?</p> <ul style="list-style-type: none"> ● How do you know about all these amounts? How do you keep tabs on your income? How do you record these amounts? ● Do you keep any money for certain things separate, or for special purposes? What about money from Tax Credits? ● How do you keep track of your wages? PROBE: Do you keep your wage slips? What about P45 or p60 forms? ● Does your income vary throughout the year? If so, how? ● What about income from benefits? Do/ how do you record these amounts? Do you keep award notices from your benefits? PROMPT: Job Seekers Allowance, Income Support, Disability Living Allowance, Employment Support Allowance, Child Benefit <p>Do you have any credit cards, hire purchase agreements or other forms of credit payments that need to be paid back?</p> <ul style="list-style-type: none"> ● Where do they fit into the diary? 	<p><i>This section is required in order to create a picture of the participants' overall understanding of finance and debt. From a contextual viewpoint, it is vital to know where participants are "coming from" when they talk about money and debt. With this information, we can help explore and, where necessary, test how overall attitudes affect payment of tax credits.</i></p> <p>[Please note that tax credit overpayments are not the same as other debts as they are not obtained in the same way.]</p> <p>MODERATOR: The participant should be encouraged to bring tax credits into the discussion.</p> <p>Try to ensure you get another situation (if there is one) to compare against their tax credit overpayment experiences. If there is no other situation then we want to explore</p>

Timings	Key Questions	Notes and Prompts
	<ul style="list-style-type: none"> ● How long are these payments for? ● Why do they use a credit arrangement to pay for goods or services? <p>Are there times when you can't make all the repayments you need to? If so, how do you prioritise repayments [including tax credits repayments]? How do you pay for services like electricity, gas and water?</p> <ul style="list-style-type: none"> ● Do they use meters, cards, Direct Debits, etc? Why do they use the method they use? Do they pay bills online? ● How do you respond to these different bills? How do they make you feel? What do you do as a result? ● Is any of the correspondence you have to deal with (bills, forms etc) easier or harder than others? How? Why? <i>PROBE</i>: reactions to HMRC correspondence <p>Can you describe how you monitor how much you spend?</p> <ul style="list-style-type: none"> ● Who in the household keeps a track on spending? Who is responsible for different transactions? ● How do you decide what you are going to buy? ● Where do/did your tax credits fit into your incomings? What do you use your Tax Credits money for? <ul style="list-style-type: none"> ○ <i>PROBE</i> on what CTC and WTC are spent on ● Are there any things that cost a lot but you don't buy very often? If so, what are they and how do you pay for them? 	<p>why tax credit overpayments are the only problem</p>

Timings	Key Questions	Notes and Prompts
	<ul style="list-style-type: none"> ● What kind of things are often difficult to pay for? Why is this? ● Is there anything that you buy that you would describe as a “luxury”? Probe on what a “luxury” is <p>How would you describe your approach to your finances?</p> <ul style="list-style-type: none"> ● How would others describe them, do you think? <p>Can you describe to me a time when you realised that you had spent more money than you had?</p> <ul style="list-style-type: none"> ● How did this situation arise? ● What did you do as a result? ● What items did you have to cut back on in order to pay off the extra you spent? ● How did you decide what to cut back on? ● How did you decide who to pay back first? ● Why did you think of this as a challenging moment? ● Who, other than yourself, was involved? ● What role did they have in this situation? ● Did you get any support to help you? ● Do you know where to go to get help? <p>Have you ever spent money you didn’t have? Why?</p> <ul style="list-style-type: none"> ● Were you confident you would be able to repay it? 	<p>MODERATOR NOTE: Include observations here such as activities that <i>could</i> be described as luxuries by others (such as smoking, large electrical goods in homes, etc)</p>

Timings	Key Questions	Notes and Prompts
	<ul style="list-style-type: none"> ● Did it make you worried about repaying it? 	

<p>25 mins</p>	<p>21 <u>Awareness of Tax Credits, claiming and experience of overpayments</u></p> <p>I'd like to move on now to talk about what you know about tax credits. Can you describe, in your own words, what tax credits are?</p> <ul style="list-style-type: none"> ● What do you think tax credits are for? ● Do you claim any other benefits? Which ones? ● How are tax credits different to other benefits, do you think? <p>PROBE: Other benefits are fixed amounts?</p> <ul style="list-style-type: none"> ○ Need to go in to claim face-to-face for other benefits? <p style="padding-left: 40px;">More contact with benefits agency than with HMRC to claim?</p> <ul style="list-style-type: none"> ● What sort of different tax credits are there? Which tax credit(s) were/are you claiming? ● How did you first hear about tax credits? ● Was it through official sources, or through friends and family? Did they use any websites? ● How did others describe tax credits to you? <p>How easy/difficult did you find it to claim tax credits? What did you find particularly easy/difficult?</p>	<p><i>We discuss here the general understanding that the interviewee has of the tax credit system. These questions provide general information about how informed the participant is about financial issues, and provides us with a useful 'baseline'</i></p> <p>With these questions we aim to uncover how much participants understand about the tax credit system overall. This will help us understand whether misunderstandings are a source of error leading to overpayments.</p> <p>MODERATOR NOTE: Prompt here about Working Tax Credit and Child Tax Credit if necessary.</p>
----------------	---	--

<p>Are you aware that you have received an overpayment?</p> <p>MODERATOR TO EXPLORE THE CIRCUMSTANCES AROUND THIS: ALL PARTICIPANTS WILL HAVE EXPERIENCED AT LEAST ONE OVERPAYMENT IN 2004/05-2006/07 PLEASE PROBE TO FIND OUT THE EXACT CIRCUMSTANCES.</p> <p>Do you know how this overpayment is being recovered by HMRC?</p> <p>Do you know if you have ever received more than one overpayment? FOR GROUP B PARTICIPANTS PROBE TO FIND OUT IF THEY HAVE HAD FURTHER OVERPAYMENTS SINCE 2006/07.</p> <p>I've got a diary here to help us draw out what happened when.</p> <p>MODERATOR TO USE THE DIARY IN APPENDIX B.</p> <p>Starting from when you first applied for the tax credits can you talk me through what happened?</p> <p>Try to go chronologically using the following:</p> <ol style="list-style-type: none"> 1. When participant became aware of having an overpayment . 2. When participant became aware of any further overpayments <p>Could you tell me if there was anything different about the way you managed your tax credit claim after your first overpayment?</p> <p>PROMPT: Did you...?</p> <ul style="list-style-type: none"> ● Check figures and circumstances on annual review form before returning 	<p>Use the stimulus materials in the back to understand the journey and the timings. Allow the participant to fill in their details if they are comfortable doing so.</p> <p>PLEASE NOTE: When an overpayment is being recovered from an ongoing award the customer will be advised of the overpayment recovery via their revised award notice. The award notice will provide details of the amount we are recovering but this is not an explanation of how the op arose</p> <p>PLEASE NOTE: Most of the participants will have remained in the same award during the period of interest.</p> <p>After the end of each financial year finalisation of awards received in the previous financial year</p>
--	--

	<p>it in April</p> <ul style="list-style-type: none"> ● Check award notice for the previous year when receive it ● Check figures and your circumstances on provisional award notice for the forthcoming year ● Keep a diary of my income and other relevant changes of circumstances which is used to check figures ● Contact HMRC to confirm that the figure is correct ● Take more care to report changes of circumstances <p>IF THEY SUSPECTED SOMETHING WAS INCORRECT DURING THE YEAR PLEASE EXPLORE IF THIS WAS QUERIED WITH HMRC.</p> <p>IF PARTICIPANT CHANGED BEHAVIOUR: Why did you change how you managed your claim after your first overpayment?</p> <p>IF NO BEHAVIOUR CHANGE: Do you feel confident managing your tax credit claim? Why?</p>	<p>takes place HMRC ask customers to renew (during April to July).</p> <p>The annual review form (TC603R) needs to be checked (to make sure personal details and circumstances are correct – this should be the case if customers have updated us throughout the year) [if status as single/couple has changed the customer should have filled out a new claim during the year – both the old and new claims need reviewing and finalising] and the annual declaration (TC603D) returned by end July.</p> <p>This helps HMRC to check that the payments made are correct (e.g. by checking income against a P60) and to set payments for the coming year. If the claimant does not renew, payments that HMRC continues to make between April and July become overpayments.</p> <p>Not notifying HMRC of change of circumstances during the year may also result in overpayments</p>
<p>15 mins</p>	<p><u>Managing the Tax Credits Claim</u></p> <p>MODERATOR NOTE: PLEASE KEEP REFERRING BACK TO THEIR SITUATION [GROUP A OR GROUP B] AND TRY TO UNCOVER ANY DIFFERENCES IN THE WAY THEY MANAGE THEIR CLAIM IN THE PAST TWO YEARS [GROUP A EXPECT BETTER] OR ANY CONTUING MISUNDERSTANDINGS [EXPECT THIS GROUP B]</p>	

	<p>I'd now like to talk in a little more detail about managing your tax credits claim.</p> <p><u>CHANGES OF CIRCUMSTANCES</u></p> <p>Can you tell me after what events in your life you might need to notify HMRC of a change of circumstances which would affect your tax credits?</p> <p>MODERATOR PROMPT:</p> <ul style="list-style-type: none"> ○ you stop or start living with a partner, ○ cost of childcare changes, ○ not working for at least 16 or 30 hours a week, ○ no longer being responsible for a child, ○ new birth, ○ child no longer eligible, ○ change of income. ○ start of stop qualifying for extra help with tax credits on grounds of sickness or disability <p>Can you tell me how soon you need to inform HMRC of these changes after they occur?</p> <ul style="list-style-type: none"> • If yes, how do you know this? • If no, explore possible reasons <p>MODERATOR PROMPT:</p> <ul style="list-style-type: none"> • Did you read the guidance you received with your renewal or application 	<p>Note: The change must be notified within 1 month of the date the change occurred.</p>
--	---	---

<p>form for tax credits?</p> <ul style="list-style-type: none"> • Have you ever spoken to any friends about reporting changes? • Have you ever seen an information leaflet about reporting changes, or information in the press about it? <p>Can you tell me why it is important to update HMRC with changes of circumstances?</p> <ul style="list-style-type: none"> ▪ If think HMRC already knows. How would HMRC know this? [for any of above listed changes] <p>Have you ever notified HMRC of a change of circumstances?</p> <ul style="list-style-type: none"> • If yes, How easy or difficult was it? Why? <p>Did you receive a revised award notice following this? If yes, why do you think this was sent?</p> <ul style="list-style-type: none"> • Did you check to ensure it was correct? • Did you check the circumstances were recorded correctly and/or award amount correct? • If participant thought something was not correct on their revised award notice: Did you contact HMRC about the error? What happened? If not, why? • Did you go into a new award following reporting the change? [This would happen if you start of stop living with a partner] 	<p>MODERATOR NOTES: We are interested in exploring misconceptions which can lead to overpayments:</p> <ul style="list-style-type: none"> ▪ That HMRC knows about all changes of circumstances (not just income) ▪ That updating HMRC of changes of circumstances isn't important in-year because HMRC can be updated at renewal <p>MODERATOR: Please explore any inferences that HMRC should already know income details. If felt, why do participants think this?</p> <p>MODERATOR NOTES:</p> <p>Every time a customer reports a change that impacts on the amount of the award they get a new award notice – this has been done since tax credits were first set up. HMRC will accept any change of circumstances up to the end of the financial year and will not ask customers to wait for renewal. Some claimants may not have received a new award notice, as HMRC 'disregards' an increase of up to 25k in their income.</p> <p>If you stop or start living with a partner, your award notice will be terminated, and a new one started.</p> <p>If someone writes to HMRC about a change of circumstances in-year they would get a standard</p>
--	---

	<p><u>RESPONDING TO ANNUAL REVIEW FORMS AT RENEWAL AND AWARD NOTICES</u></p> <p>Have you ever checked that your tax credit payments are correct?</p> <ul style="list-style-type: none"> • How do you know whether or not you're getting the amount you're entitled to? What steps do you take? <p>PROMPT :</p> <ul style="list-style-type: none"> ● Check figures and circumstances on annual review form before returning it in April ● Check award notice for the previous year when receive it ● Check figures and your circumstances on provisional award notice for the forthcoming year ● Keep a diary of my income and other relevant changes of circumstances which is used to check figures ● Contact HMRC to confirm that the figure is correct <p>Do you keep HMRC up to date with circumstances and income during the year? Why?</p> <ul style="list-style-type: none"> • How would you describe this? How easy or hard is it? <p>Probe for understanding that:</p> <ul style="list-style-type: none"> • They should not wait until renewal to tell HMRC of a change • Changes that occur during the renewal period also need to be reported immediately 	<p>revised award notice back, rather than a personalised letter</p> <p>MODERATOR NOTE: The claimant needs to check their circumstances are correct. The claimant does not need to check the amount (this will be correct if their circumstances are correct). Tools like the online questionnaire provide background information on for the customer on likely amounts received.</p> <p>MODERATOR NOTE: Here we are testing out if claimants are waiting until renewal to tell HMRC of a change of circumstances. They should always tell HMRC as soon as a change happens. If a change happens at the start to the renewal period in April, but HMRC is not told until end July, this could mean that they are paid the wrong award until the end of July and this could then be an over or underpayment.</p>
--	---	---

	<ul style="list-style-type: none"> • Tax credits are provisional and the award currently receiving will not be correct if circumstances are not kept up to date. <p>Whose responsibility is it to ensure your circumstances are correct? Why? Is there anything else that could help you ensure you are receiving the correct tax credits payment?</p> <p>PROBE:</p> <ul style="list-style-type: none"> - In receiving information about average earnings for the previous year - In providing information about earnings - In notifying about a change of circumstances - In checking that a claim is correct <ul style="list-style-type: none"> • What kind of help would you like? • Who has a responsibility to help with these issues? In what way? <p><u>BALANCE OF RESPONSIBILITIES</u></p> <p>Thinking about your claim, what do you see as your responsibility? And what do you see as HMRC’s responsibilities?</p> <ul style="list-style-type: none"> • Who should check whether the details relating to your income have been recorded accurately? Why? • Who should check whether the details relating to your personal circumstances have been recorded accurately? Why? • If think HMRC responsible. Why do you think this? How would HMRC know about your changes of circumstances? • Do you think you or HMRC are responsible for getting your tax credit 	<p>MODERATOR NOTE: PROBE AROUND THIS – PARTICULARLY IN REGARD TO REPORTING CHANGES OF CIRCUMSTANCES, NOT JUST VALIDATING INFORMATION ON AWARD NOTICES</p> <p>The claimant will receive a P60 with the details of the earning for the previous year. Is this information sufficient for them?</p>
--	---	---

	<p>claim right?</p> <p>Have you ever use HMRC’s online tax credit questionnaire to find out how much in tax credits you should receive?</p> <p><u>SHOW SCREENSHOT OF WEBSITE QUESTIONNAIRE</u></p> <ul style="list-style-type: none"> • If not, why not? PROBE: Would you be able to access this on the internet? • Would you prefer a printed leaflet where you could look up your entitlement? • Would a leaflet or using the online estimator be preferable to other any advice you currently use to check what you are entitled to? <p><i>At the end of the financial year tax credit awards are finalised, do you recall being sent an annual renewal form and declaration form?</i></p> <p><u>SHOW STIMULUS MATERIALS TC603R (annual review form) AND TC603D (annual declaration form)</u></p> <p>What do you see as the purpose of the renewal process?</p> <p>Probe for understanding that:</p> <ul style="list-style-type: none"> • tax credits are provisional until actual income and circumstances are confirmed at renewal [may reveal an overpayment if change of circumstances / income not correctly reported] • if don’t renew, tax credits that are paid during the renewal period will become an overpayment • if don’t renew award ceases. A new award will then be set up if they 	
--	---	--

	<p>contact HMRC again after the renewal process has ended</p> <p>I'd now like to find out more about how you check your annual review form. Here is an example of the form SHOW LARGE VERSION OFSTIMULUS TC603R.</p> <p>Please could you tell me what you would usually do when you receive this form?</p> <p>Could you talk me through what you understand by the information in each section, and anything you might be unsure about.</p> <p>PROBE:</p> <ul style="list-style-type: none"> • What do you like about this form? What don't you like about this form? • What do you think about the language on the form? • Would you check that the figures and your circumstances quoted on the form are correct? How do you check them? • Is there any more information/guidance you need to ensure you feel confident that the details on the annual review form are correct? • Overall, how easy it is for you to check the form yourself? <p>Do you remember receiving the final award notice for 2008/9 and provisional award notice for 2009/10? SHOW THE TWO P2806 DOCUMENTS</p> <p>What do you do when you receive this form?</p> <p>PROMPT: Do you check the figures are correct? If not, why not?</p>	<p>MODERATOR NOTE: In this section we cognitively test the annual review form, which they receive in April, in order to uncover the processes they go through when checking the form.</p> <p>The aim of this section is to understand if participants know <i>how</i> to check their annual review forms, and if they are doing so. Also whether they see this as their responsibility.</p> <p>This question addresses whether customers perceive an obligation to verify the information that HMRC sends them, particularly on their provisional claim for the forthcoming year.</p>
--	--	--

	<p><u>EXPERIENCE OF RENEWAL AND GOING INTO A NEW AWARD</u> Do you have any experience of returning tax credit forms late/notifying HMRC late?</p> <p>What were the consequences? What do you understand the consequences to be of late renewal?</p> <p>Do you know what the deadline for renewal is?</p> <p>[If award was terminated] Did you make a new claim for tax credits?</p> <p>How long after your award ended did you do this? What prompted you to do this?</p>	<p>If claimants miss the deadline for renewing (31st July) then tax credits payments are stopped and they are sent a statement showing whether they have been paid too much, or not enough, tax credits. The customer then has a further 30 days to provide the information asked for. If information is not provided within this time, they will usually have to make a new tax credits claim.</p> <p>MODERATOR NOTE: Renewing near to the deadline can lead to overpayments. If circumstances have changed and the claimant has been paid according to their old circumstances for the period May- July, this could become an overpayment.</p>
<p>15 mins</p>	<p><u>Experience of repaying the overpayment</u></p> <p>EXPERIENCE OF IN-AWARD RECOVERY.</p> <p>When you experienced this overpayment you would have been repaying part of it during the same award period.</p> <ul style="list-style-type: none"> • How did HMRC notify you of your overpayment during this period? • Did you understand how the overpayment came about? 	

	<ul style="list-style-type: none"> • How did you feel about the overpayment? • Did you challenge/ appeal the overpayment amount? What happened? Describe this process and the outcome? <p>Views on the recovery amount</p> <ul style="list-style-type: none"> • How much did HMRC deduct from your award? Which awards did this affect? How long was this for? • What was this experience like? How did it affect you? • What impact did it have on your household if any? • Did you have to make any changes to your life? What impact did this have on household expenditure? How did you adapt to the change in incomings? • Did you negotiate with HMRC about the amount to be repaid? What was this process like? • How did you feel about this process at the time? • And on balance, now, what do you think about recovery of your overpayment from your ongoing award? • How do you feel about the amount that was deducted? Was this good/ bad/ about right? <p>Is there anything you would do differently if you were to claim tax credits in the future/do differently with your current claim to prevent getting an overpayment? Why? Have you spoken to others about your experience of getting an overpayment (family /friends/ colleagues etc)</p>	
--	---	--

	<ul style="list-style-type: none"> • Who did you tell? What did you tell them? Why? • Did you give others advice on tax credits or overpayments? What advice was this? • Do you think the people you spoke to will change their actions because of it? • What have you said to others about tax credits in general? Why? 	<p>MODERATOR NOTE – ask participant to compare debts to HMRC with credit card debts, rent back payments, mortgage repayments or any other relevant debts the participant may have already mentioned. Which are more important?</p>
<p>10 mins</p>	<p><u>Changing the Overpayment Process</u> I'd like to think now about you overpayment circumstances and think about how the situation might be improved for you. Thinking about our conversation from your perspective, what changes could be made to the way tax credit overpayments are repaid to make it easier for you?</p> <ul style="list-style-type: none"> ● Are you happy with how HMRC arranged to pay back the overpayment? Why? <p>Would you have liked any other help or support with your overpayment?</p> <ul style="list-style-type: none"> • Would you have liked to pay it back in a lump sum? • Could the overpayment be deferred to a later date? • Did you have to make changes to other outgoings or repayments? • IF RELEVANT: Would you like to have been offered a mediation process 	<p>w</p>

	<p>before the dispute escalated?</p> <ul style="list-style-type: none"> • IF YES: What kind of mediation process would you have liked? • Did you visit any other services, such as the Citizen’s Advice Bureau, professional legal services, professional friends, acquaintances, etc? • If yes: what advice did these services give you? What did you do with that advice? <p>And what about with understanding your overpayment? Did you understand why your overpayment had occurred? IF YES: Was there anything that would have helped you understand how it had happened better?</p> <p>IF NO: What would have helped you understand how your overpayment happened?</p> <p><u>PROMPT</u></p> <ul style="list-style-type: none"> ○ <u>Information leaflets?</u> ○ <u>Face-to-face support?</u> ○ <u>Telephone support?</u> <p>SHOW leaflet Tax Credit and Working Tax Credit (WTC8) – ‘why do overpayments happen and ask participant to read it’</p> <p>Would this leaflet have been helpful to you? IF NO: Why? PROMPT: Content? Layout? Language?</p>	
--	---	--

<p>IF YES: Why do you find this useful?</p> <p>When and how would you like to receive it?</p> <ul style="list-style-type: none"> • As a link to a website written in the award notice? Would you then look at the website? • As a paper copy sent with the with award notice? Is this best received with the award notice or at another stage? <p>Have you considered making an appeal about the overpayment? Why?</p> <p>SHOW HMRC's code of practice no.26 'what happens when you have been paid too much tax credit' and ask participant to read it</p> <p>Have you ever seen this leaflet before?</p> <p>Would the information in the leaflet have been helpful to you in dealing with your overpayment?</p> <p>Why?</p> <p><u>HMRC are interested to know what they could do to help customers manage their tax credit claims better.</u></p> <p>What do you think about the information provided on when and how to report changes to HMRC? What kind of information would you prefer?</p> <p><u>Is there any additional help HMRC could have provided to ensure you reported your changes on time and correctly?</u></p> <p><u>PROMPT</u></p>	
---	--

	<ul style="list-style-type: none"> ○ <u>Information leaflets?</u> ○ <u>Face-to-face support?</u> <p><u>PLEASE ALSO SUGGEST FOLLOWING PROMPTS:</u></p> <ul style="list-style-type: none"> • <u>Text message reminders of responsibilities e.g. reporting changes in year</u> • <u>One-to-one assistance on the telephone e.g. by being called at home by someone from HMRC who would give advice?</u> <p><u>How would this compare to face to face help?</u></p> <p>What about with checking your annual review form?</p> <p>What do you think about the amount of information provided on how to check the annual declaration/ renewal forms? What kind of information would you prefer? SHOW checklist that accompanies annual review form [TC602sn]</p> <p>Have you seen this before? Did you ever use it?</p> <p>IF USED: What was useful about it? Could anything be improved about it?</p> <p>PROMPT: Content? Layout? Language?</p> <p>IF NOT USED: Why?</p> <p>What could be changed about the communications you have received from HMRC?</p> <ul style="list-style-type: none"> ● What do you think is the best approach HMRC can take with people in 	
--	--	--

	<p>situations like yours?</p> <p>Thinking specifically about the areas you had problems with, is there anything about the process which could be changed/improved?</p> <p>MODERATOR NOTE: Ask about the following</p> <ul style="list-style-type: none"> ● Claiming for tax credits in the first place? ● Any advice and guidance you could receive on tax credits? ● Who should provide this guidance? How should it be provided to you? ● Telling government about your changing circumstances? ● Renewing tax credits? ● Simplifying the process so that customers need to monitor it less often? <p>Tax credits claimants need to report changes in circumstances quickly so that HMRC can provide them with additional money should they need it.</p> <p>Would you prefer to have a responsive tax credits system, so that you have extra money if you need it, or a simpler system, so that you need to report changes less often? Why?</p> <p>If somebody you knew had a tax credit overpayment like yours, what would you advise them to do about it?</p> <p>What do you think is the best approach HMRC can take with people in situations like yours?</p> <p>Overall, what do you think of the service provided by HMRC regarding your overpayment. How would you rate it?</p> <ul style="list-style-type: none"> ● If they rate it poorly, why? What were the aspects that did work well? 	
--	---	--

	<ul style="list-style-type: none"> ● If they rate it as good, why? What could have worked better? 	
<p>5 mins</p>	<p>22 <u>Conclusion and Thanks</u></p> <ul style="list-style-type: none"> ● Of all the things we have discussed today, what do you think is the one thing that HMRC could change to help prevent tax credit customers getting overpayments ● What is the one thing that customers could do to help prevent a tax credit overpayment ● Is there anything else you think is relevant and wish to discuss? ● Thank participants; explain the next steps (e.g. what HMRC will do with the findings). THANK AND CLOSE. Reassure about confidentiality 	<p><i>Key messages, particularly interested in thoughts around HMRC communications, change of circumstances and renewals process.</i></p> <p><i>Draws interview to a close.</i></p>

22.1.1 Appendix A – Financial Diary

Weekly income and outgoings

Monday
Tuesday
Wednesday
Thursday
Friday
Saturday
Sunday

Monthly income and outgoings

Week	Mon	Tue	Wed	Thu	Fri	Sat	Sun
1							
2							
3							
4							

Use this to help participants plan their incomings and outgoings:

22.1.1.2 Appendix B – Tax Credit Overpayments

Use this to help participants explain how they were over-paid tax credits.

Jan	Feb	Mar	Apr	May	Jun
Jul	Aug	Sep	Oct	Nov	Dec
Jan	Feb	Mar	Apr	May	Jun
Jul	Aug	Sep	Oct	Nov	Dec
Jan	Feb	Mar	Apr	May	Jun
Jul	Aug	Sep	Oct	Nov	Dec

An alternative to the diary above.

Start

Finish

Group 1 discussion guide

HMRC – Customer Experiences of Overpaying Tax Credits
Customer Discussion Guide – DRAFT (02/12/09).
GROUP 1 – Notice to pay/ reminder letter

Objectives:

HMRC aims to thoroughly investigate the customer perspective around tax credit overpayments and debt related to the tax credits system. The objectives of this work are to:

4. Explore why some tax credit customers experience overpayments and underpayments year after year;
5. Determine why some customers incur an overpayment once and then not again in subsequent years; and,
6. Assess why tax credit customers who are subject to direct recovery of an overpayment fail to make contact at an earlier stage when being actively pursued for an overpayment or a debt.

The evidence resulting from this research will help HMRC understand how to improve the information it offers customers on how to handle an overpayment or a debt, how it can encourage customers to make contact and how HMRC can appropriately deal with hardship cases.

In the course of this research project, we are speaking to customers that are at different stages of the overpayment recovery cycle. **This guide pays particular attention to customers from whom HMRC are looking to recover overpayments directly, and have received a notice to pay/ reminder letter from HMRC.**

This guide will explore customers’ views on the tax credit system in line with the audience and categories outlined below.

Outline of the research programme:

- 22 in-depth interviews including several paired-depth interviews with couples where appropriate;
- In Norfolk/ Suffolk, London and Birmingham and London from 8th December 2009 – 10th January 2010
- Each interview/depth to last between an hour and an hour and a half

Notes	Guide Sections	Guide Timings
1. Introductions and background	23 Sets the scene, reassures participants about the interview, confidentiality. Discusses the general work and life circumstances of the participant	5 mins
2. Financial attitudes and debt	Introduction to get the interviewee talking about finances in general, what they spend money on and how they prioritise payment of debts. Also covers the use of financial services and other benefits outside of tax credits and views of debt to HMRC	10 mins
3. Awareness of Tax Credits	Discusses how participants became aware of tax credits, what they understand tax credits are for and an initial exploration of how they perceive the system to work and what customers think	10 mins

	overpayments are.	
4. Managing the tax credit claim	This section explored customers' understanding of the importance reporting changes in circumstances and renewing tax credits, and roles and responsibilities of the customer and HMRC in this. This will also look at understanding of what happens at renewal and cognitively test understanding of annual renewal form.	15
5. Tax Credit overpayments	Using timetable stimulus material, participants will describe when they first found out about the overpayment. This will be an important section to uncover if they have more than one overpayment, whether they often get into overpayment situations or if it has happened just once. A timeline will be created.	15 mins
6. Contact from HMRC on the overpayment and any arrangements to repay	Explore reaction to HMRC communications. Understand why actions were taken at each stage. Why customers think the overpayment occurred . Why they set up TTP or disputed. Why didn't respond to initial TC607 letter. Explore responses to further letters. Having incurred an overpayment, what they would do differently in the future and what they've told others about their overpayment experience.	15 mins
7. Changing the intervention process	Based on their experiences, we will use this section to collect and ideas from customers about how the system could be changed for their benefit. Get feedback on possible interventions. Also includes views of HMRC service.	15 mins
24 8. Conclusion and Thanks	A summary of the conversation and key recommendations	5 mins

Using this guide

We use several conventions to explain to you how this guide will be used. These are described below:

Timings	Questions	Notes and Prompts
5 mins	<p>25 <u>Underlined</u> = <u>Title</u>: This provides a heading for a sub-section</p> <p>Bold = Question or read out statement: Questions that will be asked to the participant if relevant. Not all questions are asked during fieldwork based on the moderator's view of progress.</p> <ul style="list-style-type: none"> ▪ Bullet = prompt: Prompts are not questions – they are there to provide guidance to the moderator if required. 	This area is used to summarise what we are discussing, provides informative notes, and some key prompts from the moderator
How long it takes	<p>26 Typically, the researcher will ask questions and use the prompts to guide where necessary. Not all questions or prompts will necessarily be used in an interview</p>	

Timings	Key Questions	Notes and Prompts
5 mins	<p>27 <u>Welcome and introduction</u></p> <ul style="list-style-type: none"> ● Thank participant for taking part ● Introduce self, Ipsos MORI ● Emphasise that we will be talking about their experiences of the tax credits system. ● Confidentiality: reassure all responses anonymous and that information about individuals will not be passed on to anyone ● Specifically refer to the fact the interview is not connected to any legal action they may be facing, or have faced ● Explain outline of the research ● Role of Ipsos MORI – independent research organisation (i.e. independent of GOVERNMENT), gather all opinions: all opinions valid ● Get permission to digitally record – transcribe for quotes, no detailed attribution <p><u>Personal Background</u> I'd like to start by learning a little about you. Can you tell me how long you have lived in the area?</p> <ul style="list-style-type: none"> ● Find out about their life in general – whether they have always lived here, if they have moved around a lot? <p>Can you describe any work that you do at the moment?</p> <ul style="list-style-type: none"> ● How long have you been doing that job? What did you do before this job? 	<p>Welcome: orientates participant, gets them prepared to take part in the interview.</p> <p>Outlines the 'rules' of the interview (including those we are required to tell them about under MRS and Data Protection Act guidelines).</p> <p>MODERATOR NOTE: Fine to mention HMRC at this stage</p> <p>MODERATOR NOTE: As well as acting as a lead in to the rest of the interview to make the participant(s) comfortable, this section allows us to begin to understand the outlook of the participant(s).</p> <p>MODERATOR NOTE: Include any unpaid or voluntary work. Take care to ensure they know this is confidential; that we are not checking up on them.</p>

Timings	Key Questions	Notes and Prompts
10 mins	<p>28 <u>General Attitudes to Finance</u></p> <p>I'd like to continue now by talking a little more about finances. Can you firstly describe your weekly or monthly income and outgoings?</p> <p>MODERATOR: Use the tables in Appendix A if required</p> <p>How easy/difficult do you find it to know what your incomings/outgoings are?</p> <ul style="list-style-type: none"> ● How do you know about all these amounts? How do you keep tabs on your income? How do you record these amounts? ● Do you keep any money for certain things separate, or for special purposes? What about money from Tax Credits? ● How do you keep track of your wages? PROBE: Do you keep your wage slips? What about P45 or p60 forms? ● Does your income vary throughout the year? If so, how? ● What about income from benefits? Do/ how do you record these amounts? Do you keep award notices from your benefits? PROMPT: Job Seekers Allowance, Income Support, Disability Living Allowance, Employment Support Allowance, Child Benefit <p>Do you have any credit cards, hire purchase agreements or other forms of credit payments that need to be paid back?</p> <ul style="list-style-type: none"> ● Where do they fit into the diary? ● How long are these payments for? 	<p><i>This section is required in order to create a picture of the participants' overall understanding of finance and debt. From a contextual viewpoint, it is vital to know where participants are "coming from" when they talk about money and debt. With this information, we can help explore and, where necessary, test how overall attitudes affect payment of tax credits.</i></p> <p>[Please note that tax credit overpayments are not the same as other debts as they are not obtained in the same way.]</p> <p>MODERATOR: The participant should be encouraged to bring tax credits into the discussion.</p> <p>Try to ensure you get another situation (if there is one) to compare against their tax credit overpayment experiences. If there is no other situation then we want to explore</p>

Timings	Key Questions	Notes and Prompts
	<ul style="list-style-type: none"> ● Why do they use a credit arrangement to pay for goods or services? ● MODERATOR NOTE: Please note participant responses - how do they appear to you in relation to these questions? Do they recall all the details are do they reply in a vague manner? <p>Are there times when you can't make all the repayments you need to?</p> <p>If so, how do you prioritise repayments [including tax credits repayments]?</p> <p>How do you pay for services like electricity, gas and water?</p> <ul style="list-style-type: none"> ● Do they use meters, cards, Direct Debits, etc? Why do they use the method they use? Do they pay bills on-line? ● How do you respond to these different bills? How do they make you feel? What do you do as a result? ● Is any of the correspondence your have to deal with (bills, forms etc) easier or harder than others? How? Why? <i>PROBE</i>: reactions to HMRC correspondence <p>Can you describe how you monitor how much you spend?</p> <ul style="list-style-type: none"> ● Who in the household keeps a track on spending? Who is responsible for different transactions? ● How do you decide what you are going to buy? ● Where do/did your tax credits fit into your incomings? What do you use your Tax Credits money for? <ul style="list-style-type: none"> ○ PROBE on what CTC and WTC are spent on 	<p>why tax credit overpayments are the only problem</p>

Timings	Key Questions	Notes and Prompts
	<ul style="list-style-type: none"> ● Are there any things that cost a lot but you don't buy very often? If so, what are they and how do you pay for them? ● What kind of things are often difficult to pay for? Why is this? ● Is there anything that you buy that you would describe as a "luxury"? Probe on what a "luxury" is <p>How would you describe your approach to your finances?</p> <ul style="list-style-type: none"> ● How would others describe them, do you think? <p>Can you describe to me a time when you realised that you had spent more money than you had?</p> <ul style="list-style-type: none"> ● How did this situation arise? ● What did you do as a result? ● What items did you have to cut back on in order to pay off the extra you spent? ● How did you decide what to cut back on? ● How did you decide who to pay back first? ● Why did you think of this as a challenging moment? ● Who, other than yourself, was involved? ● What role did they have in this situation? ● Did you get any support to help you? ● Do you know where to go to get help? <p>Have you ever spent money you didn't have? Why?</p>	

Timings	Key Questions	Notes and Prompts
	<ul style="list-style-type: none"> ● Were you confident you would be able to repay it? ● Did it make you worried about repaying it? 	

10 mins	<p>29 <u>Awareness of Tax Credits</u></p> <p>UNDERSTANDING OF TAX CREDITS</p> <p>I'd like to move on now to talk about what you know about tax credits. Can you describe, in your own words, what tax credits are?</p> <ul style="list-style-type: none"> ● What do you think tax credits are for? ● Do you claim any other benefits? Which ones? ● (How) are tax credits different to other benefits, do you think? <p>PROBE: Other benefits are fixed amounts?</p> <ul style="list-style-type: none"> ○ Need to go in to claim face-to-face for other benefits? ○ More contact with benefits agency than with HMRC to claim? <ul style="list-style-type: none"> ● What sort of different tax credits are there? Which tax credit(s) were/are you claiming? ● How did you first hear about tax credits? ● Was it through official sources, or through friends and family? Any websites used? ● How did others describe tax credits to you? <p>How easy/difficult did you find it to claim tax credits? What did you find</p>	<p><i>We discuss here the general understanding that the interviewee has of the tax credit system. These questions provide general information about how informed the participant is about financial issues, and provides us with a useful 'baseline'</i></p> <p>With these questions we aim to uncover how much participants understand about the tax credit system overall. This will help us understand whether misunderstandings are a source of error leading to overpayments.</p> <p>MODERATOR NOTE: Prompt here about Working Tax Credit and Child Tax Credit if necessary.</p> <p>MODERATOR NOTE: Please explore link between understanding how much tax credits</p>
---------	--	---

<p>particularly easy/difficult?</p> <p>Did you ask anybody for any advice when you make a claim for tax credits?</p> <ul style="list-style-type: none"> ● Who do you seek advice from? ● Why do you ask these people/organisations for advice? What is it about this source of information that you trust? ● Do you find it easier or more difficult compared to claiming any other types of benefit? Why? ● Do you understand how much tax credit you are entitled to? Is it important to you to understand how much you receive? ● Can you explain to me how you go about working out how much tax credits you are entitled to? <p>Did you use any government guidance? If so, in what form? Printed? Telephone? HMRC helpline?</p> <ul style="list-style-type: none"> ● What things did they tell you about tax credits? ● What did you think about the advice that you got? ● Is there anywhere you would <i>like</i> to go to for advice? If so, why did you not use these people/organisations? <p>Did anyone else fill in the form for you when you made your claim? Why?</p> <p>Have you ever use HMRC’s online tax credit questionnaire to find out how much in tax credits you should receive?</p> <p>SHOW SCREENSHOT OF WEBSITE QUESTIONNAIRE</p> <ul style="list-style-type: none"> • If not, why not? PROBE: Would you be able to access this on the internet? • Would you prefer a printed leaflet where you could look up your 	<p>entitled to and attitudes towards their responsibilities as tax credit customers</p>
--	--

	<p>entitlement?</p> <p>Would a leaflet or using the online estimator be preferable to other any advice you currently use to check what you are entitled to?</p>	
	<p>30 <u>Managing the tax credit claim</u></p> <p>I'd now like to talk in a little more detail about managing your tax credits claim.</p> <p><u>CHANGES OF CIRCUMSTANCES</u></p> <p>Can you tell me after what events in your life you might need to notify HMRC of a change of circumstances which would affect your tax credits?</p> <p>MODERATOR PROMPT:</p> <ul style="list-style-type: none"> ○ you stop or start living with a partner, ○ cost of childcare changes, ○ not working for at least 16 or 30 hours a week, ○ no longer being responsible for a child, ○ new birth, ○ child no longer eligible, ○ change of income, ○ start of stop qualifying for extra help with tax credits on grounds of 	<p>In the following sections we explore participants' understanding of key areas of managing their tax credits claim.</p> <p>NOTE TO MODERATORS: PLEASE CHALLENGE INCORRECT VIEWS WHERE APPROPRIATE, PROBING ON WHY THE INCORRECT VIEWS ARE HELD AND WHERE THEY CAME FROM. PLEASE TRY TO CHALLENGE PARTICIPANTS ON HOW THEY MIGHT MEET THEIR RESPONSIBILITIES IN MANAGING THEIR CLAIM WHERE APPROPRIATE.</p> <p>THIS WILL BE IMPORTANT LATER IN UNDERSTANDING HOW HMRC COULD IMPROVE COMMUNICATIONS WITH CUSTOMERS</p> <p>MODERATOR NOTES:</p> <p>Every time a customer reports a change that impacts on the amount of the award they get a new award notice – this has been done since tax credits were first set up. HMRC will accept any change of circumstances up to the end of the financial year and will not ask customers to wait for renewal. Some claimants may not have received a new award notice, as HMRC 'disregards' an increase of up to 25k in their income.</p>

<p>sickness or disability</p> <p>Can you tell me how soon you need to inform HMRC of these changes after they occur?</p> <ul style="list-style-type: none"> • If yes, how do you know this? • If no, explore possible reasons <p>MODERATOR PROMPT:</p> <ul style="list-style-type: none"> • Did you read the guidance you received with your renewal or application form for tax credits? • Have you ever spoken to any friends about reporting changes? • Have you ever seen an information leaflet about reporting changes, or information in the press about it? <p>Can you tell me why it is important to update HMRC with changes of circumstances?</p> <ul style="list-style-type: none"> ▪ If think HMRC already knows. How would HMRC know this? [for any of above listed changes] <p>Have you ever notified HMRC of a change of circumstances?</p> <ul style="list-style-type: none"> • If yes, How easy or difficult was it? Why? <p>Did you receive a revised award notice following this? If yes, why do you think this was sent?</p> <ul style="list-style-type: none"> • Did you check to ensure it was correct? • Did you check the circumstances were recorded correctly and/or award amount correct? • If participant thought something was not correct on their revised award notice: 	<p>Even with the 25K disregard it is important to keep HMRC updated. If HMRC does not have the correct current income information then any money paid during the renewal period (May-July) may not be at the correct level and may become an overpayment when the correct level is given to HMRC when renewal forms are returned.</p> <p>The change must be notified within 1 month of the date the change occurred. Any changes should be notified to HMRC when they occur at any point during the year (and at no point should they wait until renewal).</p> <p>MODERATOR NOTE: please explain why it is important to report changes if participant does not know,</p>
--	---

	<p>Did you contact HMRC about the error? What happened? If not, why?</p> <ul style="list-style-type: none"> • Did you go into a new award following reporting the change? [This would happen if you start or stop living with a partner] <p><u>RESPONDING TO ANNUAL REVIEW FORMS AT RENEWAL AND AWARD NOTICES</u></p> <p><i>At the end of the financial year tax credit awards are finalised, do you recall being sent an annual review and annual declaration form?</i></p> <p><u>SHOW STIMULUS MATERIALS TC603R (annual review form) AND TC603D (annual declaration form)</u></p> <p>What do you see as the purpose of the renewal process?</p> <p>Probe for understanding that:</p> <ul style="list-style-type: none"> • tax credits are provisional until actual income and circumstances are confirmed at renewal [may reveal an overpayment if change of circumstances / income not correctly reported] • if don't renew, tax credits that are paid during the renewal period will become an overpayment • if don't renew award ceases. A new award will then be set up if they contact HMRC again after the renewal process has ended <p>Do you have any experience of returning tax credit forms late/notifying HMRC late?</p> <p>What were the consequences? What do you understand the consequences to be of late renewal?</p> <p>Do you know what the deadline for renewal is?</p>	<p>MODERATOR NOTE: In this section we cognitively test the annual review form, which they receive in April, in order to uncover the processes they go through when checking the form.</p> <p>The aim of this section is to understand if participants know <i>how</i> to check their annual review forms, and if they are doing so. Also</p>
--	---	--

<p>[If award was terminated] Did you make a new claim for tax credits? How long after your award ended did you do this? What prompted you to do this?</p> <p>I'd now like to find out more about how you check your annual review form. Here is an example of the form SHOW STIMULUS TC603R.</p> <p>Please could you tell me what you would usually do when you receive this form? Could you talk me through what you understand by the information in each section, and anything you might be unsure about.</p> <p>PROBE:</p> <ul style="list-style-type: none"> • What do you like about this form? What don't you like about this form? • What do you think about the language on the form? • Would you check that the figures and your circumstances quoted on the form are correct? How do you check them? • Is there any more information/guidance you need to ensure you feel confident that the details on the annual review form are correct? • Overall, how easy it is for you to check the form yourself? <p><u>EXPERIENCE OF RENEWAL AND GOING INTO A NEW AWARD</u></p>	<p>whether they see this as their responsibility.</p> <p>These question addresses whether customers perceive an obligation to verify the information that HMRC sends them (which they should do) particularly on their provisional claim for the forthcoming year.</p> <p>Reasons for difference between approach to checking annual review form and other forms e.g. credit card bills, are of interest.</p> <p>MODERATOR NOTES: After the end of each financial year finalisation of awards received in the previous financial year takes place HMRC ask customers to renew (during April to July).</p> <p>The annual review form (TC603R) needs to be checked (to make sure personal details and circumstances are correct – this should be the case if customers have updated us throughout the year) [if status as single/couple has changed the customer should have filled out a new claim during the year – both the old and new claims need reviewing and finalising] and the annual declaration (TC603D) returned by end July.</p> <p>This helps HMRC to check that the payments made are correct (e.g. by checking income against a P60) and to set payments for the coming year. If the claimant does not renew, payments that</p>
--	---

<p>Do you have any experience of returning tax credit forms late/notifying HMRC late?</p> <p>What happened? What do you understand the consequences to be of late renewal?</p> <p>Do you know what the deadline for renewal is?</p> <p>[If award was terminated] Did you make a new claim for tax credits?</p> <p>How long after your award ended did you do this?</p> <p>What prompted you to do this?</p> <p><u>BALANCE OF RESPONSIBILITIES</u></p> <p>Thinking about your claim, what do you see as your responsibility? And what do you see as HMRC’s responsibilities?</p> <ul style="list-style-type: none"> • Who should check whether the details relating to your income have been recorded accurately? Why? • Who should check whether the details relating to your personal circumstances have been recorded accurately? Why? • If think HMRC responsible. Why do you think this? How would HMRC know about your changes of circumstances? • Do you think you or HMRC are responsible for getting your tax credit claim right? <p>Have you ever checked that your tax credit payments are correct?</p> <ul style="list-style-type: none"> • How do you know whether or not you’re getting the amount you’re entitled 	<p>HMRC continues to make between April and July become overpayments.</p> <p>Not notifying HMRC of change of circumstances during the year may also result in overpayments</p> <p>If claimants miss the deadline for renewing (31st July) then tax credits payments are stopped and they are sent a statement showing whether they have been paid too much, or not enough, tax credits. The customer then has a further 30 days to provide the information asked for. If information is not provided within this time, they will usually have to make a new tax credits claim.</p> <p>MODERATOR NOTE: Renewing near to the deadline can lead to overpayments. If circumstances have changed and the claimant has been paid according to their old circumstances for the period May- July, this could become and overpayment</p> <p>MODERATOR: Please explore any inferences that HMRC should already know income details. If felt, why do participants think this?</p> <p>Please note: If someone writes to HMRC about a change of circumstances in-year they would get a</p>
---	--

	<p>to? What steps do you take? PROMPT :</p> <ul style="list-style-type: none"> ● Check figures and circumstances on annual review form before returning it in April ● Check award notice for the previous year when receive it ● Check figures and your circumstances on provisional award notice for the forthcoming year ● Keep a diary of my income and other relevant changes of circumstances which is used to check figures ● Contact HMRC to confirm that the figure is correct <p>Do you keep HMRC up to date with circumstances and income during the year? Why?</p> <ul style="list-style-type: none"> • How would you describe this? How easy or hard is it? <p>Probe for understanding that:</p> <ul style="list-style-type: none"> • They should not wait until renewal to tell HMRC of a change • Changes that occur during the renewal period also need to be reported immediately • Tax credits are provisional and the award currently receiving will not be correct if circumstances are not kept up to date. <p>Whose responsibility is it to ensure your circumstances are correct? Why? Is there anything else that could help you ensure you are receiving the correct tax credits payment? PROBE: - In receiving information about average earnings for the previous year</p>	<p>standard award notice back, rather than a personalised letter</p> <p>Note: If you stop or start living with a partner, your award notice will be terminated, and a new one started. <i>Investigates how people check/ calculate entitlement</i></p> <p>MODERATOR NOTE: The claimant will receive a P60 with the details of the earning for the previous year. Is this information sufficient for them?</p> <p>MODERATOR NOTE: The claimant does not need to work out the level of award they are entitled to. They need to keep HMRC updated with income and other circumstances; the award amount will then be correct</p> <p>NOTE: Remind of online ‘ready reckoner’ here if relevant</p>
--	--	---

	<ul style="list-style-type: none"> - In providing information about earnings - In notifying about a change of circumstances - In checking that a claim is correct <p>What kind of help would you like?</p> <p>31 Who has a responsibility to help with these issues? In what way? What do you see as your responsibilities?</p>	
15 mins	<p>32 <u>Tax Credit Overpayments</u></p> <p>I would now like to talk about overpayments in more detail. What do you understand by ‘overpayment’ when we talk about tax credits?</p> <ul style="list-style-type: none"> ● Is this term familiar? What do you know about overpayments? ● Did you know about overpayments before you received one? How? <p>As explained/ as you know, an overpayment is when you are paid too much tax credit. Are you aware that you have received an overpayment?</p> <p>Do you know if you have ever received more than one overpayment?</p> <p>MODERATOR TO EXPLORE THE CIRCUMSTANCES AROUND THIS</p> <p>I’ve got a diary here to help us draw out what happened when.</p> <p>MODERATOR TO USE THE DIARY IN APPENDIX B.</p> <p>IF THEY SUSPECTED SOMETHING WAS INCORRECT DURING THE YEAR PLEASE EXPLORE IF THIS WAS QUERIED WITH HMRC.</p> <p>MODERATOR NOTE: please be mindful that participants may have more than one overpayment for different awards. Try to ensure they are not confusing experiences from different awards by using the diary to clarify when each</p>	<p><i>In this section we explore customers’ understanding of what overpayments are and how they happen.</i></p>

	<p>intervention occurred,</p> <p>Starting from when you first applied for the tax credits can you talk me through what happened?</p> <p>Try to go chronologically using the following:</p> <ol style="list-style-type: none"> 3. When the participant first made their claim for the tax credits they would subsequently need to repay. 4. What communications they received from HMRC – written, by phone or in person. 	
<p>15 mins</p>	<p><u>Contact from HMRC about the overpayment and any arrangements to repay</u></p> <p>I'd like to talk about your experiences of letters, calls and any face-to-face visits from HMRC about tax credits and your experience of paying back any tax credits that you have been overpaid. We might return to some things that we have already talked about here – this is just so I can be sure I have fully understood your situation properly.</p> <p><u>CONTACT FROM HMRC</u></p> <p>THROUGHOUT THE REST OF THIS SECTION ON CONTACT FROM HMRC:</p> <ul style="list-style-type: none"> - Did you agree that you had been overpaid? - Did you understand why you had been overpaid? - If not, why not? - What action did you take? - If nothing, why did they not contact HMRC dispute the overpayment? - Did they consider making use of the helpline? - If not, why not? <p>When did you first hear that you had been paid too much tax credit?</p> <ul style="list-style-type: none"> ● How were you informed about an overpayment? ● Did you understand why you had received the overpayment? 	<p><i>Covering how the claimant has reacted to HMRC communications – and how they feel about it. How and why they didn't respond if this is the case. Also, how much they understand about what led to the overpayment.</i></p> <p>NOTE: The different stages are outlined in the notes. At each stage please use the stimulus materials to encourage the customer to comment on HMRC's communications, and understand the journey and the timings.</p> <p>MODERATOR NOTE: Keep an eye out for any inconsistencies and remember to question sympathetically</p>

	<p>What did you do in response to hearing about the overpayment?</p> <ul style="list-style-type: none"> ● What did the first thing you received from HMRC <i>ask you to do</i> about your overpayment? Did you understand what you were being asked to do? How did you feel about the overpayment? ● IF DIFFERENT TO WHAT THEY DID DO – Can I ask why did you decided to do something different to what they asked? What would have made you do what was asked? <p><u>LETTERS FROM HMRC</u></p> <p>Do you remember receiving any letters from HMRC about your overpayment?</p> <ul style="list-style-type: none"> ● SHOW Statement of Account (TC607) ● SHOW Notice to Pay (first letter which asks the customer to contact to arrange payment) ● This should be followed by: <ul style="list-style-type: none"> SHOW IDMS15 (which demands payment or contact); <p>[FOR EACH LETTER] Do you remember receiving this letter?</p> <p>If not, could the letter have been received and not read? Would they normally read/not read something from HMRC? (Note: Please be sensitive here)</p> <p>How do you feel about the wording in the letters?</p> <ul style="list-style-type: none"> ● Did/would this promote action? ● Are you aware of the Tax Credits Helpline? Did you contact the Tax 	<p><i>Here, we are beginning to try to understand why they did not respond to initial correspondence</i></p> <p>MODERATOR: Please explore any links between not understanding why overpayments were received and decisions about what to do next</p> <p>MODERATOR NOTE: TC607 is sent to everyone in direct recovery. This is an example and the wording would reflect their circumstances. It gives the first notification of an overpayment and at this point the claimant may be able to go back into award if they contact us. Suggestions for changes to the wording of this and other letters to prompt action would be useful.</p>
--	---	---

<p>Credits Overpayments Helpline? What happened?</p> <ul style="list-style-type: none"> ● IF THEY DID NOTHING? Can you explain why you did not respond? What do you see as the consequences of not responding? ● What would have made them get in touch at this stage? ● How soon after receiving the letter did they contact HMRC? Why? <p>Are other outgoings or repayments prioritised over tax credit repayments?</p> <p>Did you receive any other letters from HMRC?</p> <p>If so, what did you think of them?</p> <p><u>If appropriate show the following letter as stimulus, but ONLY if the participant spontaneously mentions that legal proceedings from HMRC may follow.</u></p> <p>- SHOW IDMS10 (which gives a stronger warning of legal proceedings); and</p> <p><u>PHONE CALL [If received]</u></p> <p>What happened when you were telephoned about your tax credit payment?</p> <ul style="list-style-type: none"> ● IF THEY RESPONDED DIFFERENTLY COMPARED WITH THE LETTERS: Why did you change the way you responded compared to the letters? ● What, if anything, was different about getting a phone call compared to previous letters? <p>How much time was there between the first time HMRC contacted you and getting a phone call?</p> <ul style="list-style-type: none"> ● What, if anything, did you do about the tax overpayment between getting letters and receiving a phone call? ● Is there anything else you think you should have been doing? If so, can 	<p>MODERATOR NOTE: Please note down any specific changes that could be made to specific letters</p>
--	--

	<p>you explain your reasons for choosing not to do that? Are other debts prioritised over tax credit repayments? <i>(Please be sensitive here – we don't want them to feel like they're being told off)</i></p> <p><u>FIELD FORCE VISIT</u>[If received]</p> <p>What happened when you received a visit from an HMRC Field Force Officer ?</p> <ul style="list-style-type: none"> ● IF THEY RESPONDED DIFFERENTLY COMPARED WITH THE FIRST LETTER/ TELEPHONE CALL: Why did you change the way you responded compared to the first letter? ● What, if anything, was different about getting this visit compared to previous letters/ telephone calls? ● Why do you think the situation developed in such a way as to result in a home visit? <p>How did you feel about receiving this visit?</p> <ul style="list-style-type: none"> ● How do you feel about HMRC sending someone to visit you?? Why? ● IF NOT: What should HMRC have done instead? <p>SHOW the County Court initial letter if appropriate [NOTE: ONLY MENTION IF THE PARTICIPANT HAS MENTIONED]</p> <p>What happened when you received the letter from the County Court about tax credit payment?</p> <ul style="list-style-type: none"> ● IF THEY RESPONDED DIFFERENTLY COMPARED WITH THE LETTERS/ TELEPHONE CALL/ FIELD FORCE VISIT: Why did you change the way you responded compared to the first letter? 	<p>MODERATOR NOTE: The primary role of Field Force in the collection of tax credit overpayments is to obtain payment in full or an acceptable time to pay agreement.</p> <p>They will not provide explanations on how the overpayment arose etc but would give the Helpline number if this type of issue surfaced.</p>
--	--	--

<ul style="list-style-type: none"> • What, if anything, was different about getting this letter compared to previous letters/ visits? • Why do you think the situation developed in such a way as to result in court action? <p>How did you feel about receiving this letter from the Court?</p> <ul style="list-style-type: none"> • How do you feel about HMRC taking the overpayment to court? Why? • IF NOT: What should HMRC have done instead? <p><u>PRIORITISING TAX CREDIT DEBT</u></p> <p>How important do you feel it is to repay your tax credit overpayment? Why?</p> <ul style="list-style-type: none"> ● Is it more important than any other expenses? If so, which ones? Why? ● What do you think is the effect on HMRC if people do not repay overpayments? Why? <p><u>ARRANGEMENTS TO REPAY</u></p> <p>Were you given the option to make arrangements to repay your overpayment in instalments?</p> <p>PROMPT: Time to Pay (TTP)/ paying by instalments over a year?</p> <p>[If Time to Pay (TTP) set-up] Can you describe what arrangements you agreed with HMRC to pay back your overpayment?</p> <ul style="list-style-type: none"> ● Did you have to make any changes to other outgoings or repayments as a consequence? Can you explain what you had to change? ● If paying back over a year? Are you aware the repayments can be made 	<p>MODERATOR NOTE – ask participant to compare debts to HMRC with credit card debts, rent back payments, mortgage repayments or any other relevant debts the participant may have already mentioned. Which are more important?</p> <p>MODERATOR NOTE: Customers can pay off the overpayment in a lump sum, or through Time To Pay. This is a repayment option usually involving repaying over 12 months in instalments. Others may have disputed or appealed against the overpayment.</p> <p>Please note: In certain circumstances when a customer disputes their overpayment, the recovery of the overpayment would be suspended whilst the dispute is being considered. When the decision has been made, the suspension is then lifted; depending on the outcome, the overpayment will then be remitted or recovery will then continue, or if a part-remit is appropriate a combination of the two. At this point HMRC writes to the customer</p>
---	--

	<p>over longer than a year?</p> <p>[If appeal/dispute] Are you aware that you can pay back your overpayment by instalments over a year?</p> <p>Probe as appropriate:</p> <ul style="list-style-type: none"> • Is TTP something you have considered? If, not why not? • Are you aware the payments can be made over longer than a year? • Why are you appealing the overpayment? • What could HMRC do to help resolve the situation? <p>Is there anything you would do differently if you were to claim tax credits in the future/do differently with your current claim to prevent getting an overpayment? Why? Have you spoken to others about your experience of getting an overpayment (family /friends/ colleagues etc)</p> <ul style="list-style-type: none"> • Who did you tell? What did you tell them? Why? • Did you give others advice on tax credits or overpayments? What advice was this? • Do you think the people you spoke to will change their actions because of it? • What have you said to others about tax credits in general? Why? 	<p>explaining the decision.</p> <p>MODERATOR NOTE: If there is any difference to what they <i>actually</i> did, ask them about the difference? For example, do they now know the process better? Was it something about how having an overpayment made them feel?</p> <p>Refer to any problems picked up earlier, would they now report change of circumstances, renew on time etc.</p>
<p>15 mins</p>	<p>Changing the Overpayment Process</p> <p>I'd like to think now about you overpayment circumstances and think about how the situation might be improved for you. Thinking about our conversation from your perspective, what changes could be made to the way tax credit overpayments are repaid to make it easier for you?</p> <ul style="list-style-type: none"> ● Are you happy with the options HMRC has provided for you to pay back the overpayment? Why? 	<p><i>Simply, does the participant have any ideas based on their experiences about how the process or repaying or communications and advice from HMRC could be changed? Where the interview so far has revealed a lack of knowledge about getting tax credits right or why overpayments occur, how is advice on what to do or how to prevent overpayments best communicated?</i></p>

	<p>What help or support would you have liked to receive?</p> <ul style="list-style-type: none"> • Could you be given different amounts of time to pay back the money? • Could the overpayment be deferred to a later date? • Did you have to make changes to other outgoings or repayments? • Would you like to have been offered a mediation process before the dispute escalated? • IF YES: What kind of mediation process would you have liked? • Did you visit any other services, such as the Citizen’s Advice Bureau, professional legal services, professional friends, acquaintances, etc? • If yes: what advice did these services give you? What did you do with that advice? <p>What could be changed about the communications you have received from HMRC? [remembering they will have had more than one communication that we can change]</p> <p>What would have helped you at each stage? [revisit previous comments]</p> <p>Introduce another letter that HMRC are thinking of introducing after the ‘Notice to Pay’ letter:</p> <p>SHOW appropriate IDMS99 LETTER [LETTER 1 FOLLOWED BY LETTER 2]. [These will be sent after the Statement of Account and Notice to Pay if no response has been received.]</p> <ul style="list-style-type: none"> ▪ Would this promote action? Why? ▪ What would have made them get in touch at this stage? 	<p>MODERATOR NOTE: This may be difficult; aim for realistic answers (as opposed to “I shouldn’t have to pay it back”) – If they are stuck, use the suggestions in the next prompt. YOU WILL HAVE ALREADY CHALLENGED PARTICIPANTS ON HOW THEY MIGHT MEET THEIR RESPONSIBILITIES IN MANAGING THEIR CLAIM WHERE APPROPRIATE. WHERE THERE PREVIOUS RESPONSES HAVE SHOWN AREAS WHERE KNOWLEDGE IS LIMITED (E.G. HOW TO CHECK AWARD NOTICE, DEADLINES, COC, DON’T UNDERSTAND PROVISIONAL, CHECK COC NOT AMOUNT OF AWARD) OR DON’T UNDERSTAND WHY OVERPAYMENT OCCURRED OR DON’T UNDERSTAND THAT HMRC IS NOT CHECKING/RESPONSIBLE – HOW WOULD CUSTOMERS LIKE HELP/ REMINDERS ABOUT RESPONSIBILITIES / INFORMATION ABOUT HOW THE SYSTEM WORKS ETC?</p> <p>NOTE: need to be clear in reporting which ideas are prompted and which unprompted</p>
--	---	---

	<p>Any further comments? PROMPT: Content? Style? Language?</p> <p><u>HMRC are interested to know what they could do to help customers manage their tax credit claims better.</u></p> <p>What do you think about the information provided on when and how to report changes to HMRC? What kind of information would you prefer? <u>Is there any additional help HMRC could have provided to ensure you reported your changes on time and correctly?</u></p> <p><u>PROMPT</u></p> <ul style="list-style-type: none"> ○ <u>Information leaflets?</u> ○ <u>Face-to-face support?</u> <p><u>PLEASE ALSO SUGGEST FOLLOWING PROMPTS:</u></p> <ul style="list-style-type: none"> • <u>Text message reminders of responsibilities e.g. reporting changes in year</u> • <u>One-to-one assistance on the telephone e.g. by being called at home by someone from HMRC who would give advice?</u> <p><u>How would this compare to face to face help?</u></p> <p>What about with checking your annual review form?</p> <p>What do you think about the amount of information provided on how to check the annual declaration/ renewal forms? What kind of information would you prefer? SHOW checklist that accompanies annual review form [TC602sn]</p> <p>Have you seen this before? Did you ever use it?</p> <p>IF USED: What was useful about it? Could anything be improved about it?</p>	<p>MODERATOR NOTE: Please probe in as much detail as possible on any additional information that HMRC could have provided to improve compliance. Please be clear on how wording/ tone could be changed to improve compliance.</p> <p>MODERATOR NOTE: Please note that the IDMS99 LETTERS are replacing the IDMS15 letter. They will contain details of the amount outstanding and the award years the amounts relate to.</p>
--	--	--

	<p>PROMPT: Content? Layout? Language?</p> <p>IF NOT USED: Why?</p> <p>And what about with understanding your overpayment? Did you understand why your overpayment had occurred?</p> <p>IF YES: Was there anything that would have helped you understand how it had happened better?</p> <p>IF NO: What would have helped you understand how your overpayment happened?</p> <p>PROMPT</p> <ul style="list-style-type: none"> ○ <u>Information leaflets?</u> ○ <u>Face-to-face support?</u> ○ <u>Telephone support?</u> <p>SHOW leaflet Tax Credit and Working Tax Credit (WTC8) – ‘why do overpayments happen and ask participant to read it’</p> <p>Would this leaflet have been helpful to you?</p> <p>IF NO: Why?</p> <p>PROMPT: Content? Layout? Language?</p> <p>IF YES: Why do you find this useful?</p> <p>When and how would you like to receive it?</p> <ul style="list-style-type: none"> • As a link to a website written in the award notice? Would you then look at the website? 	
--	---	--

	<ul style="list-style-type: none"> As a paper copy sent with the with award notice? Is this best received with the award notice or at another stage? <p>Have you considered making an appeal about the overpayment? Why?</p> <p>SHOW HMRC's code of practice no.26 'what happens when you have been paid too much tax credit' and ask participant to read it</p> <p>Have you ever seen this leaflet before?</p> <p>Would the information in the leaflet have been helpful to you in dealing with your overpayment?</p> <p>Why?</p> <p>Thinking specifically about the areas you had problems with, is there anything about the process which could be changed/improved?</p> <p>MODERATOR NOTE: Ask about the following</p> <ul style="list-style-type: none"> ● Claiming for tax credits in the first place? ● Any advice and guidance you could receive on tax credits? ● Who should provide this guidance? How should it be provided to you? ● Telling government about your changing circumstances? ● Renewing tax credits? ● Simplifying the process so that customers need to monitor it less often? <p>Tax credits claimants need to report changes in circumstances quickly so that HMRC can provide them with additional money should they need it.</p> <p>Would you prefer to have a responsive tax credits system, so that you have extra money if you need it, or a more simple system, so that you need to</p>	
--	---	--

	<p>report changes less often? Why?</p> <p>If somebody you knew had a tax credit overpayment like yours, what would you advise them to do about it? What do you think is the best approach HMRC can take with people in situations like yours?</p> <p>Overall, what do you think of the service provided by HMRC regarding your overpayment. How would you rate it?</p> <ul style="list-style-type: none"> ● If they rate it poorly, why? What were the aspects that did work well? ● If they rate it as good, why? What could have worked better? 	
5 mins	<p>33 <u>Conclusion and Thanks</u></p> <ul style="list-style-type: none"> ● Of all the things we have discussed today, what do you think is the one thing that HMRC could change to help prevent tax credit customers getting overpayments ● What is the one thing that customers could do to help prevent a tax credit overpayment ● Is there anything else you think is relevant and wish to discuss? ● Thank participants; explain the next steps (e.g. what HMRC will do with the findings). THANK AND CLOSE. Reassure about confidentiality 	<p><i>Key messages, particularly interested in thoughts around HMRC communications, change and circumstances and renewals process.</i></p> <p><i>Draws interview to a close.</i></p>

33.1.1 Appendix A – Financial Diary

Use this to help participants plan their incomings and outgoings:

Weekly income and outgoings

Monday
Tuesday
Wednesday
Thursday
Friday
Saturday
Sunday

Monthly income and outgoings

Week	Mon	Tue	Wed	Thu	Fri	Sat	Sun
1							
2							
3							
4							

33.1.2 Appendix B – Tax Credit Overpayments

Use this to help participants explain how they were over-paid tax credits.

Jan	Feb	Mar	Apr	May	Jun
Jul	Aug	Sep	Oct	Nov	Dec
Jan	Feb	Mar	Apr	May	Jun
Jul	Aug	Sep	Oct	Nov	Dec
Jan	Feb	Mar	Apr	May	Jun
Jul	Aug	Sep	Oct	Nov	Dec

An alternative to the diary above.



Start

Finish

HMRC – Customer Experiences of Overpaying Tax Credits

Customer Discussion Guide – DRAFT (27/03/09)

GROUP 2 –call from HMRC Debt Management

Objectives:

HMRC's wish to thoroughly investigate the customer perspective around tax credit overpayments and debt related to the tax credits system. The objectives of this work are to:

7. Explore why tax credit customers experience overpayments and underpayments year after year;
8. Determine why some customers incur an overpayment once and then not again in subsequent years; and,
9. Assess why tax credit customers who are subject to direct recovery of an overpayment fail to make contact when being actively pursued for an overpayment or a debt.

The evidence resulting from this research will help HMRC understand how to improve the information it offers customers on how to handle an overpayment or a debt, how it can encourage customers to make contact and how HMRC can appropriately deal with hardship cases.

As outlined in our proposal, HMRC are speaking to customers that are at different stages of the overpayment recovery cycle. **This guide pays particular attention to customers from whom HMRC are looking to directly recover overpayments and have received a phone call from the HMRC Debt Management team.**

This guide will explore customers' views on the tax credit system in line with the audience and categories outlined below.

Outline of the research programme:

- 20 in-depth interviews with customers who have received either a telephone call or letter from HMRC Debt Management, including several paired-depth interviews with couples where appropriate;
- In London, Manchester and Liverpool 23rd March to 1st May, 2009
- Each interview/depth to last between an hour and an hour-and-a-half

Notes	Guide Sections	Guide Timings
1. Introductions and background	34 Sets the scene, reassures participants about the interview, confidentiality. Discusses the general work and life circumstances of the participant	5 mins
2. Financial attitudes and debt	Introduction to get the interviewee talking about finances in general, what they spend money on and how they prioritise payment of debts. Also covers the use of financial services and other benefits outside of tax credits	10 mins
3. Awareness of the Tax Credits and making a claim	Discusses how participants became aware of tax credits, what they understand tax credits are for and an initial exploration of how they perceive the system to work, what customers think overpayments are and importance reporting changes in circumstances and renewing tax credits.	10 mins
4. Tax Credit overpayments	Using timetable stimulus material, participants will describe when they first found out about the overpayment. This will be an important section to uncover if they have more than one overpayment, whether they often get into overpayment situations or if it has happened just once. A timeline will be created.	10 mins
5. Contact from HMRC on the overpayment and any arrangements to repay	Explore reaction to HMRC communications. Understand why actions were taken at each stage. Why customers think the overpayment occurred . Why they set up TTP or disputed. Having incurred an overpayment , what they would do differently in the future.	20 mins
6. Changing the intervention process	Based on their experiences, we will use this section to collect and ideas from customers about how the system could be changed for their benefit. Also includes views of HMRC service.	10 mins
35 7. Conclusion and Thanks	A summary of the conversation and key recommendations	5 mins

Using this guide

We use several conventions to explain to you how this guide will be used. These are described below:

Timings	Questions and Prompts	Notes
5 mins	<p>36 <u>Underlined</u> = <u>Title</u>: This provides a heading for a sub-section</p> <p>Bold = Question or read out statement: Questions that will be asked to the participant if relevant. Not all questions are asked during fieldwork based on the</p>	

	<p>moderator's view of progress</p> <ul style="list-style-type: none"> ▪ Bullet = prompt: Prompts are not questions – they are there to provide guidance to the moderator if required. 	
<p>How long it takes</p>	<p>37 Typically, the researcher will ask questions and use the prompts to guide where necessary. NB: Not all questions or prompts will necessarily be used in an interview</p>	<p>This area is used to summarise what we are discussing and is for your information only</p>

Timings	Key Questions	Notes
<p>5 mins</p>	<p>38 <u>Welcome and introduction</u></p> <ul style="list-style-type: none"> ● Thank participant for taking part ● Introduce self, Ipsos MORI ● Emphasise that we will be talking about their experiences of the tax credits system. ● Confidentiality: reassure all responses anonymous and that information about individuals will not be passed on to anyone ● Explain outline of the research ● Role of Ipsos MORI – independent research organisation (i.e. independent of GOVERNMENT), gather all opinions: all opinions valid ● MODERATOR NOTE: Fine to mention HMRC at this stage ● Get permission to digitally record – transcribe for quotes, no detailed attribution <p>39 <u>Personal Background</u></p> <p>I'd like to start by learning a little about you. Can you tell me how long you have lived in the area?</p> <ul style="list-style-type: none"> ● Find out about their life in general – whether they have always lived here, if they have moved around a lot? ● Ask where they grew up and, if elsewhere, what is different about where they lived then? <p>Can you describe any work that you do at the moment? MODERATOR NOTE: Include any unpaid or voluntary work. Take care to ensure they know this is confidential; that we are not checking up on them.</p> <ul style="list-style-type: none"> ● How long have you been doing that job? What did you do before this job? ● How easy is it to find work in the area? 	<p>Welcome: orientates participant, gets them prepared to take part in the interview.</p> <p>Outlines the 'rules' of the interview (including those we are required to tell them about under MRS and Data Protection Act guidelines).</p> <p>MODERATOR NOTE: As well as acting as a lead in to the rest of the interview to make the participant(s) comfortable, this section allows us to begin to understand the outlook of the participant(s).</p>

Timings	Key Questions	Notes
	<ul style="list-style-type: none"> ● What types of jobs are typically available in this area? ● What sort of pay can you get for jobs in this area? Is it variable and, if so, how does it vary? MODERATOR NOTE: This is a lead in to the next section of financial attitudes and debt 	
10 mins	<p>40 <u>General Attitudes to Finance</u></p> <p>I'd like to continue now by talking a little more about finances. Can you firstly describe your weekly or monthly income and outgoings? MODERATOR: Use the tables in Appendix A if required</p> <ul style="list-style-type: none"> ● How easy/difficult do you find it to know what you're incomings/outgoings are? (MODERATOR : Try to determine to what extent this is planned or reactive) ● Can you explain any things that are often difficult to pay for? ● Where do/did your tax credits fit into your incomings? ● Are there any things that cost a lot but you don't buy very often? If so, what are they and how do you pay for them? <p>Do you have any credit cards, hire purchase agreements or other forms of credit payments that need to be paid back?</p> <ul style="list-style-type: none"> ● Where do they fit into the diary? ● How long are these payments for? ● Why do they use a credit arrangement to pay for goods or services? <p>Are there times when you can't make all the repayments you need to?</p> <p>If so, how do you prioritise repayments [including tax credits repayments]?</p> <p>How do you pay for services like electricity, gas and water?</p> <ul style="list-style-type: none"> ● Do they use meters, cards, Direct Debits, etc? Why do they use the method they use? 	<p>This section is required in order to create a picture of the participants' overall understanding of finance and debt. From a contextual viewpoint, it is vital to know where participants are "coming from" when they talk about money and debt. With this information, we can help explore and, where necessary, test how overall attitudes affect payment of tax credits.</p> <p>[Please note that tax credit overpayments are not the same as other debts as they are not obtained in the same way.]</p>

Timings	Key Questions	Notes
	<p>Do you own your house/flat?</p> <ul style="list-style-type: none"> ● If yes: What sort of mortgage do you have? Do you get any assistance in paying your mortgage at the moment? How are your mortgage payments changing? ● If no: What are the terms like on your rent? Do you receive any help with your rent? How often to you make payments? <p>Is there anything that you buy that you would describe as a “luxury”?</p> <ul style="list-style-type: none"> ● Probe on what a “luxury” is? MODERATOR NOTE: Include observations here such as activities that <i>could</i> be described as luxuries by others (such as smoking, large electrical goods in homes, etc) <p>Can you describe how you monitor how much you spend?</p> <ul style="list-style-type: none"> ● Who in the household keeps a track on spending? Who is responsible for different transactions? ● How do you decide what you are going to buy? <p>Can you describe to me a time when you realised that you had spent more money than you had?</p> <ul style="list-style-type: none"> ● How did this situation arise? ● What did you do as a result? ● What items did you have to cut back on in order to pay off the extra you spent? ● How did you decide what to cut back on? ● How did you decide who to pay back first? ● Why did you think of this as a challenging moment? ● Who, other than yourself, was involved? ● What role did they have in this situation? ● Did you get any support to help you? 	<p>MODERATOR: The participant should be encouraged to bring tax credits into the discussion. BUT, ensure you get another situation (if there is one) to compare against their tax credit experiences. If there is no other situation then</p>

Timings	Key Questions	Notes
	<ul style="list-style-type: none"> ● Do you know where to go to get help? 	<p>we want to explore why tax credit overpayments are the only problem</p>
<p>10 mins</p>	<p>41 <u>Awareness of Tax Credits and Making a Claim</u></p> <p>I'd like to move on now to talk about what you know about tax credits. Can you describe, in your own words, what tax credits are?</p> <ul style="list-style-type: none"> ● What do you think tax credits are for? ● What sort of different tax credits are there? MODERATOR NOTE: Prompt here about Working Tax Credit and Child Tax Credit if necessary. ● What do you think are the differences between them? ● Which tax credit(s) were/are you claiming? ● How did you first hear about tax credits? ● Was it through official sources, or through friends and family? ● How did others describe tax credits to you? <p>How easy/difficult did you find it to claim tax credits? What did you find particularly easy/difficult?</p> <p>Did you ask anybody for any advice when you make a claim for tax credits?</p> <ul style="list-style-type: none"> ● Who do you seek advice from? ● Why do you ask these people/organisations for advice? What is it about this source of information that you trust? ● Did they use any government guidance? If so, in what form? Printed? Telephone? HMRC helpline? 	<p>We discuss here the general understanding that the interviewee has of the tax credit system.</p> <p><i>[please note that the claimant may have gone into a new award since HMRC started debt recovery proceedings against a previous tax credit award]</i></p>

Timings	Key Questions	Notes
	<ul style="list-style-type: none"> ● What things did they tell you about tax credits? ● Is there anywhere you would <i>like</i> to go to for advice? If so, why did you not use these people/organisations? <p>What do you understand by ‘overpayment’ when we talk about tax credits?</p> <ul style="list-style-type: none"> ● Is this term familiar ● What do you know about overpayments <p>What do you know about having to notify HMRC of certain change of circumstances? [prompt: you stop or start living with a partner, cost of childcare changes, not working for at least 16 or 30 hours a week, no longer being responsible for a child, child no longer eligible]</p> <ul style="list-style-type: none"> • If yes, how do you know this • If no, explore possible reasons (have not read information rec’d etc) <p>At the end of the financial year tax credit awards are finalised, do you recall being sent an annual renewal form and declaration form? [show STIMULUS MATERIALS TC603R AND TC603D] What do you see as the purpose of the renewal process? Probe for understanding that:</p> <ul style="list-style-type: none"> ● tax credits are provisional until actual income and circumstances are confirmed at renewal [may reveal an overpayment if change of circumstances / income not correctly reported] ● if don’t renew, tax credits that are paid during the renewal period will become an overpayment <p>Do you have any experience of returning tax credit forms late/notifying HMRC late [after end July]? What were the consequences?</p>	<p>After the end of each financial year finalisation of awards received in the previous financial year takes place HMRC ask customers to renew (during April to July). The annual review form (TC603R) needs to be checked (to make sure personal details and circumstances are correct – this should be the case if customers have updated us throughout the year) [if status as single/couple has changed the customer should have filled out a new claim during the year – both the old and new claims need reviewing and finalising] and the annual declaration (TC603D) returned by end July. This helps</p>

Timings	Key Questions	Notes
		<p>HMRC to check that the payments made are correct (e.g. by checking income against a P60) and to set payments for the coming year. If the claimant does not renew, payments that HMRC continues to make between April and July become overpayments. Not notifying HMRC of change of circumstances may also result in overpayments</p>
10 mins	<p>42 <u>Tax Credit Overpayments</u></p> <p>[NOTE: The customer may have more than one overpayment for different awards. Also, although they are in direct recovery, so the money is not being claimed from back from the on-going award is relates to, they may have since entered into a new award.] This group has been recently called about an overpayment and have either set up a Time To Pay (TTP) or have not yet come to an agreement]</p>	<p>Our aim in this section is to understand the overpayment history of the <i>overpayment they have been called about by the HMRC telephone centre and</i></p>

Timings	Key Questions	Notes
	<p>As explained/ as you know, an overpayment is when you are paid too much tax credit.</p> <p>I've got a diary here to help us draw out what happened when. MODERATOR: Use the diary in Appendix B. Starting from when you first applied for the tax credits can you talk me through what happened?</p> <ul style="list-style-type: none"> ● Try to go chronologically using the following: <ol style="list-style-type: none"> 5. When the participant first made their claim for the tax credits they would subsequently need to repay. 6. When they were first informed they would have to pay some back. 7. When they received phone call, about their overpayment. 8. Has this or other overpayments reached later stages of debt recovery <i>[see notes – please be sensitive. Don't say too much about this unless they raise it – ask if they received any further contact from HMRC rather than go into the specifics]</i> <p><u>INSERT INTO INTERVIEWER GUIDANCE NOTES:</u> The customer would have received a Notice to Pay automated reminder then another reminder (IDMX15) and then a call from debt management telephone centre. <i>The overpayment this group has been called about may not have progressed any further (especially if a TTP has been set up) – but other overpayments may have got to a later stage.</i> So they MAY have received a further IDMX10 letter from debt management overpayments unit or debt management clerical office or they MAY have received a further letter or call from the local recovery office in some cases. Finally, if no resolution was received at earlier stages a call would have been made by local recovery or field force, before possible referral to County Court.</p> <p>PLEASE TRY NOT TO MENTION LATER STAGES IF THEY HAVE NOT EXPERIENCED – MAY CAUSE WORRY.</p> <p>43</p>	<p><i>other overpayments.</i></p> <p>Use the stimulus materials in the back to understand the journey and the timings. Allow the participant to fill in their details if they are comfortable doing so.</p>

Timings	Key Questions	Notes
20 mins	<p><u>Contact from HMRC about the overpayment and any arrangements to repay</u></p> <p>I'd like to talk about you experiences of letters and calls from HMRC about tax credits and your experience of paying back any tax credits that you have been overpaid. We might return to some things that we have already talked about here – this is just so I can be sure I have fully understood your situation properly.</p> <p>MODERATOR NOTE: Keep an eye out for any inconsistencies and remember to question sympathetically</p> <p>NOTE: The different stages are outlined in the notes. At each stage please use the stimulus materials to encourage the customer to comment on HMRC's communications.</p> <p><u>CONTACT FROM HMRC</u></p> <p>THROUGHOUT THE REST OF THIS SECTION ON CONTACT FROM HMRC: Did you agree that you had been overpaid? Did you understand why you had been overpaid? If not, why not? What action did you take? If nothing, why did they not contact to dispute the overpayment? Did they consider making use of the helpline? If not, why not?</p> <p>When did you first hear that you had been paid too much tax credit?</p> <ul style="list-style-type: none"> ● How were you informed about an overpayment? <p>What did you do in response to hearing about the overpayment?</p> <ul style="list-style-type: none"> ● What did the first thing you received from HMRC <i>ask you to do</i> about your overpayment? Did you understand what you were being asked to do? How did you feel about the overpayment? ● IF DIFFERENT TO WHAT THEY DID DO – Can I ask why did you decided to do something different to what they asked? What would have made you do what was asked? <p>CONSIDERING EACH LETTER IN TURN [produce Notice to Pay (first letter which asks the customer to contact to arrange payment) followed by IDMX15 (which demands payment or contact) as appropriate]</p> <p>Do you remember receiving this letter? If not, could the letter have been received and not read? Would</p>	<p>Covering how the claimant has reacted to HMRC communications – and how they feel about it. How and why they didn't respond if this is the case. Also, how much they understand about what led to the overpayment.</p> <p>Again, use the stimulus materials in the back to understand the journey and the timings.</p> <p>Here, we are beginning to try to understand why they did not respond to initial correspondence</p> <p>Please note: TTP= time to pay. This is a repayment option usually involving</p>

Timings	Key Questions	Notes
	<p>they normally read/not read something from HMRC? (Note: Please be sensitive here)</p> <p>How do you feel about the wording?</p> <ul style="list-style-type: none"> ● Did/would this promote action? <p>IF THEY DID NOTHING? Can you explain why you did not respond? What do you see as the consequences of not responding?</p> <p>What would have made them get in touch at this stage?</p> <p>Are other outgoings or repayments prioritised over tax credit repayments?</p> <p><u>Phone call</u></p> <p>What happened when you were telephoned about your tax credit payment?</p> <ul style="list-style-type: none"> ● IF THEY RESPONDED DIFFERENTLY COMPARED WITH THE FIRST LETTER: Why did you change the way you responded compared to the first letter? ● What, if anything, was different about getting a phone call compared to previous letters? <p>How much time was there between the first time HMRC contacted you and getting a phone call?</p> <ul style="list-style-type: none"> ● What, if anything, did you do about the tax overpayment between getting letters and receiving a phone call? ● Is there anything else you think you should have been doing? If so, can you explain your reasons for choosing not to do that? Are other debts prioritised over tax credit repayments? <i>(Please be sensitive here – we don't want them to feel like they're being told off)</i> <p><u>ARRANGEMENTS TO REPAY</u></p>	<p>repaying over 12 months in instalments.</p>

Timings	Key Questions	Notes
	<p><u>Next stages after the phone call: paying back an overpayment or entering into an appeal/dispute</u> [If Time to Pay (TTP) set-up] Can you describe what arrangements you agreed with HMRC to pay back your overpayment?</p> <ul style="list-style-type: none"> ● Did you have to make any changes to other outgoings or repayments as a consequence? Can you explain what you had to change? <p>[If appeal/dispute] Are you aware of time to pay? [Time to Pay is a repayment option usually involving repaying over 12 months or more in instalments]</p> <p>Probe as appropriate:</p> <ul style="list-style-type: none"> ● Is TTP something you have considered? If, not why not? ● Why are you appealing the overpayment? ● What could HMRC do to help resolve the situation? <p>Is there anything you would do differently if you were to claim tax credits in the future/do differently with your current claim to prevent getting an overpayment? Why?</p> <ul style="list-style-type: none"> ● Refer to any problems picked up earlier, would they now report change of circumstances, renew on time etc. <p>MODERATOR: If there is any difference to what they <i>actually</i> did, ask them about the difference? For example, do they now know the process better? Was it something about how having an overpayment made them feel?</p>	
10 mins	<p><u>Changing the Overpayment Process</u> I'd like to think now about you overpayment circumstances and think about how the situation might be improved for you. Thinking about our conversation from your perspective, what changes could be made to the way tax credit overpayments are repaid to make it easier for you?</p> <ul style="list-style-type: none"> ● MODERATOR NOTE: This may be difficult; aim for realistic answers (as opposed to "I shouldn't have to pay it back") – If they are stuck, use the following: 	Simply, does the participant have any ideas based on their experiences about how the process or repaying or communications and advice from HMRC could be changed?

Timings	Key Questions	Notes
	<p>● Are you happy with the options HMRC has provided for you to pay back the overpayment? Why?</p> <p>What help or support would you have liked to receive?</p> <ul style="list-style-type: none"> ● Could you be given different amounts of time to pay back the money? ● Could the overpayment be deferred to a later date? ● Did you have to make changes to other outgoings or repayments? <p>What could be changed about the communications you have received from HMRC? [remembering they will have had more than one communication that we can change]</p> <ul style="list-style-type: none"> ● What would have helped you at each stage? [revisit previous comments] <p>Thinking specifically about the areas you had problems with, is there anything about the process which could be changed/improved?</p> <p>MODERATOR NOTE: Ask about the following</p> <ul style="list-style-type: none"> ● Claiming for tax credits in the first place? ● Any advice and guidance you could receive on tax credits? ● Who should provide this guidance? How should it be provided to you? ● Telling government about your changing circumstances? ● Renewing tax credits? <p>If somebody you knew had a tax credit overpayment like yours, what would you advise them to do about it?</p> <p>How would you rate the service provided by HMRC?</p> <ul style="list-style-type: none"> ● If they rate it poorly, why? What is good about the service provided by HMRC? ● If they rate it as good, why? What is poor about the service provided by HMRC? 	

Timings	Key Questions	Notes
5 mins	<p>44 <u>Conclusion and Thanks</u></p> <ul style="list-style-type: none"> ● Of all the things we have discussed today, what do you think is the one thing that HMRC could change to help prevent tax credit overpayments ● Is there anything else you think is relevant and wish to discuss? ● Thank participants; explain the next steps (e.g. what HMRC will do with the findings). ● THANK AND CLOSE. Reassure about confidentiality 	<p>Key messages, particularly interested in thoughts around HMRC communications, change and circumstances and renewals process.</p> <p>Draws interview to a close.</p>

44.1.1.1 Appendix A – Financial Diary

Use this to help participants plan their incomings and outgoings:

Weekly income and outgoings
Monday
Tuesday
Wednesday
Thursday
Friday
Saturday
Sunday

Monthly income and outgoings	Mon	Tue	Wed	Thu	Fri	Sat	Sun
1							
2							
3							
4							

44.1.1.2 Appendix B – Tax Credit Overpayments

Use this to help participants explain how they were over-paid tax credits.

Jan	Feb	Mar	Apr	May	Jun
Jul	Aug	Sep	Oct	Nov	Dec
Jan	Feb	Mar	Apr	May	Jun
Jul	Aug	Sep	Oct	Nov	Dec
Jan	Feb	Mar	Apr	May	Jun
Jul	Aug	Sep	Oct	Nov	Dec

An alternative to the diary above.

Start

Finish

HMRC – Customer Experiences of Overpaying Tax Credits

Customer Discussion Guide – FINAL (15/10/09)**GROUP 3 – Local recovery office -IDMS10x letter (Direct recovery group)****Objectives:**

HMRC aims to thoroughly investigate the customer perspective around tax credit overpayments and debt related to the tax credits system. The objectives of this work are to:

10. Explore why some tax credit customers experience overpayments and underpayments year after year;
11. Determine why some customers incur an overpayment once and then not again in subsequent years; and,
12. Assess why tax credit customers who are subject to direct recovery of an overpayment fail to make contact at an earlier stage when being actively pursued for an overpayment or a debt.

The evidence resulting from this research will help HMRC understand how to improve the information it offers customers on how to handle an overpayment or a debt, how it can encourage customers to make contact and how HMRC can appropriately deal with hardship cases.

In the course of this research project, we are speaking to customers that are at different stages of the overpayment recovery cycle.

This guide pays particular attention to customers from whom HMRC are looking to recover overpayments directly and have received a letter from a local recovery office (debt management clerical office or tax credits overpayments unit) and been advised by letter that HMRC will be taking legal proceedings.

This guide will explore customers' views on the tax credit system in line with the audience and categories outlined below.

Outline of the research programme:

- 22 in-depth interviews with customers whose case has reached the Field Force visit stage (as described above), including several paired-depth interviews with couples where appropriate;
- In Liverpool/ Manchester, Birmingham and London from 16th – 30th October 2009
- Each interview/depth to last between an hour and an hour and a half

Notes	Guide Sections	Guide Timings
1. Introductions and background	45 Sets the scene, reassures participants about the interview, confidentiality. Discusses the general work and life circumstances of the participant	5 mins
2. Financial attitudes and debt	Introduction to get the interviewee talking about finances in general, what they spend money on and how they prioritise payment of debts. Also covers the use of financial services and other benefits outside of tax credits and views of debt to HMRC	10 mins
3. Awareness of the Tax Credits and making a claim	Discusses how participants became aware of tax credits, what they understand tax credits are for and an initial exploration of how they perceive the system to work, what customers think overpayments are and importance reporting changes in circumstances and renewing tax credits and roles and responsibilities of the customer and HMRC in this. This will also look at understanding of what happens at renewal and cognitively test understanding of annual renewal form.	10 mins
4. Tax Credit overpayments	Using timetable stimulus material, participants will describe when they first found out about the overpayment. This will be an important section to uncover if they have more than one overpayment, whether they often get into overpayment situations or if it has happened just once. A timeline will be created.	15 mins
5. Contact from HMRC on the overpayment and any arrangements to repay	Explore reaction to HMRC communications. Understand why actions were taken at each stage. Why customers think the overpayment occurred . Why they set up TTP or disputed. How and why the overpayment process reached the IDMS10x stage. Having incurred an overpayment, what they would do differently in the future and what they've told others about their overpayment experience.	20 mins
6. Changing the intervention process	Based on their experiences, we will use this section to collect and ideas from customers about how the system could be changed for their benefit. Also includes views of HMRC service.	10 mins
46 7. Conclusion and Thanks	A summary of the conversation and key recommendations	5 mins

Using this guide

We use several conventions to explain to you how this guide will be used. These are described below:

Timings	Questions	Notes and Prompts
5 mins	<p>47 <u>Underlined</u> = <u>Title</u>: This provides a heading for a sub-section</p> <p>Bold = Question or read out statement: Questions that will be asked to the participant if relevant. Not all questions are</p>	This area is used to summarise what we are discussing, provides informative notes, and some key

	<p>asked during fieldwork based on the moderator’s view of progress.</p> <ul style="list-style-type: none"> ▪ Bullet = prompt: Prompts are not questions – they are there to provide guidance to the moderator if required. 	<p>prompts fro the moderator</p>
<p>How long it takes</p>	<p>48 Typically, the researcher will ask questions and use the prompts to guide where necessary. Not all questions or prompts will necessarily be used in an interview</p>	

Timings	Key Questions	Notes and Prompts
5 mins	<p>49 <u>Welcome and introduction</u></p> <ul style="list-style-type: none"> ● Thank participant for taking part ● Introduce self, Ipsos MORI ● Emphasise that we will be talking about their experiences of the tax credits system. ● Confidentiality: reassure all responses anonymous and that information about individuals will not be passed on to anyone ● Specifically refer to the fact the interview is not connected to any legal action they may be facing, or have faced ● Explain outline of the research ● Role of Ipsos MORI – independent research organisation (i.e. independent of GOVERNMENT), gather all opinions: all opinions valid ● Get permission to digitally record – transcribe for quotes, no detailed attribution <p>Personal Background I'd like to start by learning a little about you. Can you tell me how long you have lived in the area?</p> <ul style="list-style-type: none"> ● Find out about their life in general – whether they have always lived here, if they have moved around a lot? <p>Can you describe any work that you do at the moment?</p> <ul style="list-style-type: none"> ● How long have you been doing that job? What did you do before this job? 	<p><i>Welcome: orientates participant, gets them prepared to take part in the interview.</i></p> <p><i>Outlines the 'rules' of the interview (including those we are required to tell them about under MRS and Data Protection Act guidelines).</i></p> <p>MODERATOR NOTE: Fine to mention HMRC at this stage</p> <p>MODERATOR NOTE: As well as acting as a lead in to the rest of the interview to make the participant(s) comfortable, this section allows us to begin to understand the outlook of the participant(s).</p> <p>MODERATOR NOTE: Include any unpaid or voluntary work. Take care to ensure they know this is confidential; that we are not checking up on them.</p>
10 mins	<p>50 <u>General Attitudes to Finance</u></p> <p>I'd like to continue now by talking a little more about finances. Can you firstly describe your weekly or monthly income and outgoings?</p>	<p><i>This section is required in order to create a picture of the participants' overall understanding of finance and debt. From a contextual viewpoint, it is vital to know where</i></p>

Timings	Key Questions	Notes and Prompts
	<p>MODERATOR: Use the tables in Appendix A if required</p> <ul style="list-style-type: none"> ● How easy/difficult do you find it to know what your incomings/outgoings are? <p>MODERATOR : Try to determine to what extent this is planned or reactive</p> <ul style="list-style-type: none"> ● Can you explain any things that are often difficult to pay for? ● Where do/did your tax credits fit into your incomings? ● Are there any things that cost a lot but you don't buy very often? If so, what are they and how do you pay for them? <p>Do you have any credit cards, hire purchase agreements or other forms of credit payments that need to be paid back?</p> <ul style="list-style-type: none"> ● Where do they fit into the diary? ● How long are these payments for? ● Why do they use a credit arrangement to pay for goods or services? <p>Are there times when you can't make all the repayments you need to?</p> <p>If so, how do you prioritise repayments [including tax credits repayments]?</p> <p>How do you pay for services like electricity, gas and water?</p> <ul style="list-style-type: none"> ● Do they use meters, cards, Direct Debits, etc? Why do they use the method they use? <p>Is there anything that you buy that you would describe as a "luxury"?</p> <ul style="list-style-type: none"> ● Probe on what a "luxury" is 	<p>participants are "coming from" when they talk about money and debt. With this information, we can help explore and, where necessary, test how overall attitudes affect payment of tax credits.</p> <p>[Please note that tax credit overpayments are not the same as other debts as they are not obtained in the same way.]</p> <p>MODERATOR: The participant should be encouraged to bring tax credits into the discussion.</p> <p>Try to ensure you get another situation (if there is one) to compare against their tax credit overpayment experiences. If there is no other situation then we want to explore why tax credit overpayments are the only problem</p> <p>MODERATOR NOTE: Include observations here such as activities that <i>could</i> be described as luxuries by others (such as</p>

Timings	Key Questions	Notes and Prompts
	<p>Can you describe how you monitor how much you spend?</p> <ul style="list-style-type: none"> ● Who in the household keeps a track on spending? Who is responsible for different transactions? ● How do you decide what you are going to buy? <p>Can you describe to me a time when you realised that you had spent more money than you had?</p> <ul style="list-style-type: none"> ● How did this situation arise? ● What did you do as a result? ● What items did you have to cut back on in order to pay off the extra you spent? ● How did you decide what to cut back on? ● How did you decide who to pay back first? ● Why did you think of this as a challenging moment? ● Who, other than yourself, was involved? ● What role did they have in this situation? ● Did you get any support to help you? ● Do you know where to go to get help? 	<p>smoking, large electrical goods in homes, etc)</p>

<p>20 mins</p>	<p>51 <u>Awareness of Tax Credits and Making a Claim</u></p> <p>I'd like to move on now to talk about what you know about tax credits. Can you describe, in your own words, what tax credits are?</p> <ul style="list-style-type: none"> ● What do you think tax credits are for? ● How is it different to other benefits, do you think? ● What sort of different tax credits are there? Which tax credit(s) were/are you claiming? 	<p><i>We discuss here the general understanding that the interviewee has of the tax credit system. These questions provide general information about how informed the participant is about financial issues, and provides us with a useful 'baseline'</i></p> <p>With these questions we aim to uncover how much participants understand about the tax credit system overall. This will help us</p>
----------------	---	--

<p>● How did you first hear about tax credits?</p> <ul style="list-style-type: none"> ● Was it through official sources, or through friends and family? ● How did others describe tax credits to you? <p>How easy/difficult did you find it to claim tax credits? What did you find particularly easy/difficult?</p> <p>Did you ask anybody for any advice when you make a claim for tax credits?</p> <ul style="list-style-type: none"> ● Who do you seek advice from? ● Why do you ask these people/organisations for advice? What is it about this source of information that you trust? ● Do you find it easier or more difficult compared to claiming any other types of benefit? Why? ● Do you understand how much tax credit you are entitled to? Is it important to you to understand how much you receive? ● Can you explain to me how you go about working out how much tax credits you are entitled to? <p>Did they use any government guidance? If so, in what form? Printed? Telephone? HMRC helpline?</p> <ul style="list-style-type: none"> ● What things did they tell you about tax credits? ● What did you think about the advice that you got? ● Is there anywhere you would <i>like</i> to go to for advice? If so, why did you not use these people/organisations? <p>Did anyone else fill in the form for you when you made your claim? Why?</p> <p>What do you understand by 'overpayment' when we talk about tax credits?</p> <ul style="list-style-type: none"> ● Is this term familiar? What do you know about overpayments? ● Did you know about overpayments before you received one? How? 	<p>understand whether misunderstandings are a source of error leading to overpayments.</p> <p>MODERATOR NOTE: Prompt here about Working Tax Credit and Child Tax Credit if necessary.</p> <p>MODERATOR NOTE: Please explore link between understanding how much tax credits entitled to and attitudes towards their responsibilities as tax credit customers</p> <p><i>Please note that the claimant may have gone into a new award since HMRC started debt recovery proceedings against a previous tax credit award</i></p> <p>After the end of each financial year finalisation of awards received in the previous financial year takes place HMRC ask customers to renew (during</p>
---	---

<p>CHANGES OF CIRCUMSTANCES</p> <p>Can you tell me after what events in your life you might need to notify HMRC of a change of circumstances which would affect your tax credits?</p> <p>MODERATOR PROMPT:</p> <ul style="list-style-type: none"> ○ you stop or start living with a partner, ○ cost of childcare changes, ○ not working for at least 16 or 30 hours a week, ○ no longer being responsible for a child, ○ child no longer eligible, ○ Change of income. <p>Can you tell me how soon you need to inform HMRC of these changes after they occur?</p> <ul style="list-style-type: none"> • If yes, how do you know this? • If no, explore possible reasons <p>MODERATOR PROMPT:</p> <ul style="list-style-type: none"> • Did you read the guidance you received with your renewal or application form for tax credits? • Have you ever spoken to any friends about reporting changes? • Have you ever seen an information leaflet about reporting changes, or information in the press about it? <p>Do you know under what circumstances would your claim be terminated and a new claim set up during the year?</p> <p>Have you ever notified HMRC of a change of circumstances?</p> <ul style="list-style-type: none"> • If yes, How easy or difficult was it? Why? 	<p>April to July).</p> <p>The annual review form (TC603R) needs to be checked (to make sure personal details and circumstances are correct – this should be the case if customers have updated us throughout the year) [if status as single/couple has changed the customer should have filled out a new claim during the year – both the old and new claims need reviewing and finalising] and the annual declaration (TC603D) returned by end July.</p> <p>This helps HMRC to check that the payments made are correct (e.g. by checking income against a P60) and to set payments for the coming year. If the claimant does not renew, payments that HMRC continues to make between April and July become overpayments.</p> <p>Not notifying HMRC of change of circumstances during the year may also result in overpayments</p> <p>Note: The change must be notified within 1 month of the date the change occurred.</p> <p>Note: If you stop or start living with a partner, your award notice will be terminated, and a new one started.</p> <p>MODERATOR NOTES:</p> <p>Every time a customer reports a change that</p>
---	---

- **Did you receive a revised award notice following this?** If yes, why do you think this was sent?
 - What did you do when you received the revised notice? Did you check to ensure it was correct?
- Did you check the circumstances were recorded correctly and/or award amount correct?**
- If participant thought something was not correct on their revised award notice:
- Did you contact HMRC about the error? What happened? If not, why?**
- Did you go into a new award following reporting the change? [This would happen if you start of stop living with a partner]

RESPONDING TO ANNUAL REVIEW FORMS AND AWARD NOTICES

Have you ever checked that your tax credit payments are correct?

- How do you know whether or not you're getting the amount you're entitled to? What steps do you take?

PROMPT :

- Check figures and circumstances on annual review form before returning it in April
- Check award notice for the previous year when receive it
- Check figures and your circumstances on provisional award notice for the forthcoming year
- Keep a diary of my income and other relevant changes of circumstances which is used to check figures
- Contact HMRC to confirm that the figure is correct

impacts on the amount of the award they get a new award notice – this has been done since tax credits were first set up. HMRC will accept any change of circumstances up to the end of the financial year and will not ask customers to wait for renewal. Some claimants may not have received a new award notice, as HMRC 'disregards' an increase of up to 25k in their income.

MODERATOR: Please explore any inferences that HMRC should already know income details. If felt, why do participants think this?

Investigates how people check/ calculate entitlement

Please note: If someone writes to HMRC about a change of circumstances in-year they would get a standard award notice back, rather than a personalised letter

- How would you describe this? How easy or hard is it?
 - Whose responsibility is it to ensure your payment is correct? Why?
 - Is there anything else that could help you ensure you are receiving the correct tax credits payment?
- PROBE:**
- In receiving information about average earnings for the previous year
 - In providing information about earnings
 - In notifying about a change of circumstances
 - In checking that a claim is correct
 - What kind of help would you like?
 - Who has a responsibility to help with these issues? In what way?
- Thinking about your claim, what do you see HMRC's responsibilities as being? And what are you responsible for?**
- Who should check whether the details relating to your income have been recorded accurately? Why?
 - Do you think you or HMRC are responsible for getting this right?

Have you ever use HMRC's online tax credit questionnaire to find out how much in tax credits you should receive?

SHOW SCREENSHOT OF WEBSITE QUESTIONNAIRE

- If not, why not? **PROBE:** Would you be able to access this on the internet?
- Would you prefer a printed leaflet where you could look up your entitlement?
- Would a leaflet or using the online estimator be preferable to other any

MODERATOR NOTE: The claimant will receive a P60 with the details of the earning for the previous year. Is this information sufficient for them?

MODERATOR NOTE: The claimant needs to check their circumstances are correct. They don't need to check the amount (this will be correct if their circumstances are correct). Tools like the online questionnaire provide background information on for the customer on likely amounts received.

advice you currently use to check what you are entitled to?

At the end of the financial year tax credit awards are finalised, do you recall being sent an annual renewal form and declaration form?

SHOW STIMULUS MATERIALS TC603R (annual review form) AND TC603D (annual declaration form)

What do you see as the purpose of the renewal process?

Probe for understanding that:

- tax credits are provisional until actual income and circumstances are confirmed at renewal [may reveal an overpayment if change of circumstances / income not correctly reported]
- if don't renew, tax credits that are paid during the renewal period will become an overpayment
- if don't renew award ceases. A new award will then be set up if they contact HMRC again after the renewal process has ended

I'd now like to find out more about how you check your annual review form. Here is an example of the form **SHOW LARGE VERSION OF STIMULUS TC603R.**

Please could you tell me what you would usually do when you receive this form?

Could you talk me through what you understand by the information in each section, and anything you might be unsure about.

PROBE:

- What do you like about this form? What don't you like about this form?
- What do you think about the language on the form?
- Would you check that the figures and your circumstances quoted on the form are correct? How do you check them?

MODERATOR NOTE: In this section we cognitively test the **annual review form**, which they receive in April, in order to uncover the processes they go through when checking the form.

The aim of this section is to understand if participants know *how* to check their annual review forms, and if they are doing so. Also whether they see this as their responsibility.

This question addresses whether customers perceive an obligation to verify the information that HMRC sends them, particularly on their provisional

	<ul style="list-style-type: none"> • Is there any more information/guidance you need to ensure you feel confident that the details on the annual review form are correct? • Overall, how easy it is for you to check the form yourself? <p>Do you remember receiving the final award notice and provisional award notice for the forthcoming year? SHOW THE TWO P2806 DOCUMENTS</p> <p>What do you do when you receive this form?</p> <p>PROMPT: Do you check the figures are correct? If not, why not?</p> <p>Do you have any experience of returning tax credit forms late/notifying HMRC late [after end July]? What were the consequences?</p> <p>Did you have to make a new claim for tax credits?</p> <p>When did you do this? What prompted you to do this?</p>	<p>claim for the forthcoming year.</p> <p>If claimants miss the deadline for renewing (31st July) then tax credits payments are stopped and they are sent a statement showing whether they have been paid too much, or not enough, tax credits. The customer then has a further 30 days to provide the information asked for. If information is not provided within this time, they will usually have to make a new tax credits claim.</p>
<p>10 mins</p>	<p>52 <u>Tax Credit Overpayments</u></p> <p>As explained/ as you know, an overpayment is when you are paid too much tax credit.</p> <p>Are you aware that you have received an overpayment?</p> <p>Do you know if you have ever received more than one overpayment?</p> <p>MODERATOR TO EXPLORE THE CIRCUMSTANCES AROUND THIS</p> <p>I've got a diary here to help us draw out what happened when.</p> <p>MODERATOR TO USE THE DIARY IN APPENDIX B.</p>	<p><i>Our aim in this section is to understand the overpayment history of the overpayment they might have been contacted about by Field Force Officers and other overpayments.</i></p> <p>This group should have recently been visited by Field Force Officers about their overpayment debt.</p> <p>Use the stimulus materials in the back to understand the journey and the timings. Allow the participant to fill in their details if they are comfortable doing so.</p> <p>The customer would have received a Notice to Pay automated reminder, then another reminder (IDMS15x), then a call from debt management telephone centre. They should also have received a further IDMS10x letter from debt management</p>

	<p>IF THEY SUSPECTED SOMETHING WAS INCORRECT DURING THE YEAR PLEASE EXPLORE IF THIS WAS QUERIED WITH HMRC.</p> <p>MODERATOR NOTE: please be mindful that participants may have more than one overpayment for different awards. Try to ensure they are not confusing experiences from different awards by using the diary to clarify when each intervention occurred,</p> <p>Starting from when you first applied for the tax credits can you talk me through what happened?</p> <p>Try to go chronologically using the following:</p> <ol style="list-style-type: none"> 9. When the participant first made their claim for the tax credits they would subsequently need to repay. 10. What communications they received from HMRC – written, by phone or in person. 11. If they has a home visit from someone from the HMRC Field Force.. <p>If necessary: I understand that you may also have received a visit from an HMRC Field Force Officer asking you about the circumstances of your tax credit overpayment. Is this correct?</p> <p>Did anything happen after your visit from the HMRC Field Force officer?</p>	<p>overpayments unit or debt management clerical office, or a further letter or call from the local recovery office in some cases.</p> <p>Finally, if no resolution was received at earlier stages a call would have been made by local recovery or field force. If no resolution was found at this stage it may be that some cases have since reached County Court. PLEASE DO NOT MENTION THIS COUNTY COURT STAGE UNLESS THE RESPONDENT MENTIONS FIRST</p> <p>MODERATOR NOTES: The customer may have more than one overpayment for different awards. Also, although they are in direct recovery, so the money has not being claimed from back from the on-going award is relates to, they may have since entered into a new award.</p> <p>HMRC does not recover an overpayment from an old award from a new award – the overpayment from the old claim is in direct recovery</p>
<p>15 mins</p>	<p><u>Contact from HMRC about the overpayment and any arrangements to repay</u></p> <p>I'd like to talk about you experiences of letters, calls and any face-to-face visits from HMRC about tax credits and your experience of paying back any tax credits that you have been overpaid. We might return to some things that we have already talked about here – this is just so I can be sure I have fully understood your situation properly.</p> <p><u>CONTACT FROM HMRC</u></p> <p>THROUGHOUT THE REST OF THIS SECTION ON CONTACT FROM HMRC:</p> <ul style="list-style-type: none"> - Did you agree that you had been overpaid? - Did you understand why you had been overpaid? - If not, why not? - What action did you take? - If nothing, why did they not contact HMRC dispute the overpayment? 	<p><i>Covering how the claimant has reacted to HMRC communications – and how they feel about it. How and why they didn't respond if this is the case. Also, how much they understand about what led to the overpayment.</i></p> <p>NOTE: The different stages are outlined in the notes. At each stage please use the stimulus materials to encourage the customer to comment on HMRC's communications, and understand the journey and the timings.</p> <p>MODERATOR NOTE: Keep an eye out for any inconsistencies and remember to question</p>

- Did they consider making use of the helpline?
- If not, why not?

When did you first hear that you had been paid too much tax credit?

- How were you informed about an overpayment?
- Did you understand why you had received the overpayment?

What did you do in response to hearing about the overpayment?

- What did the first thing you received from HMRC ask you to do about your overpayment? Did you understand what you were being asked to do? How did you feel about the overpayment?
- IF DIFFERENT TO WHAT THEY DID DO – Can I ask why did you decide to do something different to what they asked? What would have made you do what was asked?

LETTERS FROM HMRC

Do you remember receiving any letters from HMRC about your overpayment?

- SHOW Notice to Pay (first letter which asks the customer to contact to arrange payment)
- This should be followed by the:
 - SHOW IDMS15 (which demands payment or contact);
 - SHOW IDMS10 (which gives a stronger warning of legal proceedings); and

Do you remember receiving these letters?

If not, could the letter have been received and not read? Would they normally read/not read something from HMRC? (Note: Please be sensitive

sympathetically

Here, we are beginning to try to understand why they did not respond to initial correspondence

MODERATOR: Please explore any links between not understanding why overpayments were received and decisions about what to do next

here)

How do you feel about the wording in the letters?

- Did/ would this promote action?
- IF THEY DID NOTHING? Can you explain why you did not respond? What do you see as the consequences of not responding?
- What would have made them get in touch at this stage?

Are other outgoings or repayments prioritised over tax credit repayments?

PAY PARTICULAR ATTENTION TO THE FINAL LETTER, IDMS10, WHICH GIVES A STRONGER WARNING OF LEGAL PROCEEDINGS.

PHONE CALL [If received]

What happened when you were telephoned about your tax credit payment?

- IF THEY RESPONDED DIFFERENTLY COMPARED WITH THE LETTERS: Why did you change the way you responded compared to the letters?
- What, if anything, was different about getting a phone call compared to previous letters?

How much time was there between the first time HMRC contacted you and getting a phone call?

- What, if anything, did you do about the tax overpayment between getting letters and receiving a phone call?
- Is there anything else you think you should have been doing? If so, can you explain your reasons for choosing not to do that? Are other debts prioritised over tax credit repayments? *(Please be sensitive here – we don't want them to feel like they're being told off)*

FIELD FORCE VISIT [If received]

What happened when you received a visit from an HMRC Field Force Officer

MODERATOR NOTE: Please note down any specific changes that could be made to specific letters

MODERATOR NOTE: The primary role of Field Force in the collection of tax credit overpayments is to obtain payment in full or an acceptable time to pay agreement.

?

- IF THEY RESPONDED DIFFERENTLY COMPARED WITH THE FIRST LETTER/ TELEPHONE CALL: Why did you change the way you responded compared to the first letter?
- What, if anything, was different about getting this visit compared to previous letters/ telephone calls?
- Why do you think the situation developed in such a way as to result in a home visit?

How did you feel about receiving this visit?

- How do you feel about HMRC sending someone to visit you?? Why?
- IF NOT: What should HMRC have done instead?

SHOW the **County Court initial letter** if appropriate [NOTE: ONLY MENTION IF THE PARTICIPANT HAS MENTIONED]

What happened when you received the letter from the County Court about tax credit payment?

- IF THEY RESPONDED DIFFERENTLY COMPARED WITH THE LETTERS/ TELEPHONE CALL/ FIELD FORCE VISIT: Why did you change the way you responded compared to the first letter?
- What, if anything, was different about getting this letter compared to previous letters/ visits?
- Why do you think the situation developed in such a way as to result in court action?

How did you feel about receiving this letter from the Court?

- How do you feel about HMRC taking the overpayment to court? Why?

They will not provide explanations on how the overpayment arose etc but would give the Helpline number if this type of issue surfaced.

MODERATOR NOTE – ask participant to compare debts to HMRC with credit card debts, rent back payments, mortgage repayments or any other relevant debts the participant may have already mentioned. Which are more important?

- IF NOT: What should HMRC have done instead?

PRIORITISING TAX CREDIT DEBT

How important do you feel it is to repay your tax credit overpayment? Why?

- Is it more important than any other expenses? If so, which ones? Why?
- What do you think is the effect on HMRC if people do not repay overpayments? Why?

ARRANGEMENTS TO REPAY

Were you given the option to make arrangements to repay your overpayment in instalments?

PROMPT: Time to Pay (TTP)/ paying by instalments over a year?

[If Time to Pay (TTP) set-up] Can you describe what arrangements you agreed with HMRC to pay back your overpayment?

- Did you have to make any changes to other outgoings or repayments as a consequence? Can you explain what you had to change?

[If appeal/dispute] Are you aware that you can pay back your overpayment by instalments over a year?

Probe as appropriate:

- Is TTP something you have considered? If, not why not?
- Why are you appealing the overpayment?
- What could HMRC do to help resolve the situation?

Is there anything you would do differently if you were to claim tax credits in the future/do differently with your current claim to prevent getting an overpayment? Why? Have you spoken to others about your experience of getting an overpayment (family /friends/ colleagues etc)

MODERATOR NOTE: Customers can pay off the overpayment in a **lump sum**, or through **Time To Pay**. This is a repayment option usually involving repaying over 12 months in instalments. Others may have **disputed** or **appealed against** the overpayment.

Please note: In certain circumstances when a customer disputes their overpayment, the recovery of the overpayment would be suspended whilst the dispute is being considered. When the decision has been made, the suspension is then lifted; depending on the outcome, the overpayment will then be remitted or recovery will then continue, or if a part-remit is appropriate a combination of the two. At this point HMRC writes to the customer explaining the decision.

MODERATOR NOTE: If there is any difference to what they *actually* did, ask them about the difference? For example, do they now know the process better? Was it something about how having an overpayment made them feel?

Refer to any problems picked up earlier, would they now report change of circumstances, renew on time etc.

	<ul style="list-style-type: none"> • Who did you tell? What did you tell them? Why? • Did you give others advice on tax credits or overpayments? What advice was this? • Do you think the people you spoke to will change their actions because of it? • What have you said to others about tax credits in general? Why? 	
<p>10 mins</p>	<p><u>Changing the Overpayment Process</u> I'd like to think now about you overpayment circumstances and think about how the situation might be improved for you. Thinking about our conversation from your perspective, what changes could be made to the way tax credit overpayments are repaid to make it easier for you?</p> <ul style="list-style-type: none"> • Are you happy with the options HMRC has provided for you to pay back the overpayment? Why? <p>What help or support would you have liked to receive?</p> <ul style="list-style-type: none"> • Could you be given different amounts of time to pay back the money? • Could the overpayment be deferred to a later date? • Did you have to make changes to other outgoings or repayments? • Would you like to have been offered a mediation process before the dispute escalated? • IF YES: What kind of mediation process would you have liked? • Did you visit any other services, such as the Citizen's Advice Bureau, professional legal services, professional friends, acquaintances, etc? • If yes: what advice did these services give you? What did you do with that advice? 	<p><i>Simply, does the participant have any ideas based on their experiences about how the process or repaying or communications and advice from HMRC could be changed?</i></p> <p>MODERATOR NOTE: This may be difficult; aim for realistic answers (as opposed to "I shouldn't have to pay it back") – If they are stuck, use the suggestions in the next prompt.</p> <p>NOTE: need to be clear in reporting which ideas are prompted and which unprompted</p>

What could be changed about the communications you have received from HMRC? [remembering they will have had more than one communication that we can change]

- What would have helped you at each stage? [revisit previous comments]
- What do you think about the information provided on when and how to report changes to HMRC? What kind of information would you prefer?
- What do you think about the amount of information provided on how to check the annual declaration/ renewal forms? What kind of information would you prefer?
- What do you think is the best approach HMRC can take with people in situations like yours?

Thinking specifically about the areas you had problems with, is there anything about the process which could be changed/improved?

MODERATOR NOTE: Ask about the following

- **Claiming for tax credits in the first place?**
- **Any advice and guidance you could receive on tax credits?**
- **Who should provide this guidance? How should it be provided to you?**
- **Telling government about your changing circumstances?**
- **Renewing tax credits?**

If somebody you knew had a tax credit overpayment like yours, what would you advise them to do about it?

Overall, what do you think of the service provided by HMRC regarding your overpayment. How would you rate it?

- If they rate it poorly, why? What were the aspects that did work well?
- If they rate it as good, why? What could have worked better?

MODERATOR NOTE: Please probe in as much detail as possible on any additional information that HMRC could have provided to improve compliance. Please be clear on how wording/ tone could be changed to improve compliance.

5 mins	<p>53 <u>Conclusion and Thanks</u></p> <ul style="list-style-type: none">● Of all the things we have discussed today, what do you think is the one thing that HMRC could change to help prevent tax credit customers getting overpayments● What is the one thing that customers could do to help prevent a tax credit overpayment● Is there anything else you think is relevant and wish to discuss?● Thank participants; explain the next steps (e.g. what HMRC will do with the findings). THANK AND CLOSE. Reassure about confidentiality	<p>Key messages, particularly interested in thoughts around HMRC communications, change and circumstances and renewals process.</p> <p>Draws interview to a close.</p>
--------	---	--

53.1.1.1 Appendix A – Financial Diary

Use this to help participants plan their incomings and outgoings:

Weekly income and outgoings

Monday	
Tuesday	
Wednesday	
Thursday	
Friday	
Saturday	
Sunday	

Monthly income and outgoings

Week	Mon	Tue	Wed	Thu	Fri	Sat	Sun
1							
2							
3							
4							

53.1.2 Appendix B – Tax Credit Overpayments

Use this to help participants explain how they were over-paid tax credits.

Jan	Feb	Mar	Apr	May	Jun
Jul	Aug	Sep	Oct	Nov	Dec
Jan	Feb	Mar	Apr	May	Jun
Jul	Aug	Sep	Oct	Nov	Dec
Jan	Feb	Mar	Apr	May	Jun
Jul	Aug	Sep	Oct	Nov	Dec

An alternative to the diary above.

Start

Finish

Group 4 discussion guide

HMRC – Customer Experiences of Overpaying Tax Credits

Customer Discussion Guide – DRAFT (1/09/09)

GROUP 4 – Field Force Visits

Objectives:

HMRC aims to thoroughly investigate the customer perspective around tax credit overpayments and debt related to the tax credits system. The objectives of this work are to:

13. Explore why some tax credit customers experience overpayments and underpayments year after year;
14. Determine why some customers incur an overpayment once and then not again in subsequent years; and,
15. Assess why tax credit customers who are subject to direct recovery of an overpayment fail to make contact at an earlier stage when being actively pursued for an overpayment or a debt.

The evidence resulting from this research will help HMRC understand how to improve the information it offers customers on how to handle an overpayment or a debt, how it can encourage customers to make contact and how HMRC can appropriately deal with hardship cases.

In the course of this research project, we are speaking to customers that are at different stages of the overpayment recovery cycle.

This guide pays particular attention to customers from whom HMRC are looking to recover overpayments directly and have been visited at home by a HMRC debt recovery officer (field force).

This guide will explore customers' views on the tax credit system in line with the audience and categories outlined below.

Outline of the research programme:

- 22 in-depth interviews with customers whose case has reached the Field Force visit stage (as described above), including several paired-depth interviews with couples where appropriate;
- In Kent/ Medway , Newcastle/ Sunderland and Leeds from 14th – 30th September 2009
- Each interview/depth to last between an hour and an hour and a half

Notes	Guide Sections	Guide Timings
1. Introductions and background	54 Sets the scene, reassures participants about the interview, confidentiality. Discusses the general work and life circumstances of the participant	5 mins
2. Financial attitudes and debt	Introduction to get the interviewee talking about finances in general, what they spend money on and how they prioritise payment of debts. Also covers the use of financial services and other benefits outside of tax credits and views of debt to HMRC	10 mins

3. Awareness of the Tax Credits and making a claim	Discusses how participants became aware of tax credits, what they understand tax credits are for and an initial exploration of how they perceive the system to work, what customers think overpayments are and importance reporting changes in circumstances and renewing tax credits and roles and responsibilities of the customer and HMRC in this. This will also look at understanding of what happens at renewal and cognitively test understanding of annual renewal form.	10 mins
4. Tax Credit overpayments	Using timetable stimulus material, participants will describe when they first found out about the overpayment. This will be an important section to uncover if they have more than one overpayment, whether they often get into overpayment situations or if it has happened just once. A timeline will be created.	15 mins
5. Contact from HMRC on the overpayment and any arrangements to repay	Explore reaction to HMRC communications. Understand why actions were taken at each stage. Why customers think the overpayment occurred . Why they set up TTP or disputed. How and why the overpayment process reached the Field Force stage. Having incurred an overpayment, what they would do differently in the future and what they've told others about their overpayment experience.	20 mins
6. Changing the intervention process	Based on their experiences, we will use this section to collect and ideas from customers about how the system could be changed for their benefit. Also includes views of HMRC service.	10 mins
55 7. Conclusion and Thanks	A summary of the conversation and key recommendations	5 mins

Using this guide

We use several conventions to explain to you how this guide will be used. These are described below:

Timings	Questions	Notes and Prompts
5 mins	<p>56 <u>Underlined</u> = <u>Title</u>: This provides a heading for a sub-section</p> <p>Bold = Question or read out statement: Questions that will be asked to the participant if relevant. Not all questions are asked during fieldwork based on the moderator's view of progress.</p> <ul style="list-style-type: none"> ▪ Bullet = prompt: Prompts are not questions – they are there to provide guidance to the moderator if required. 	This area is used to summarise what we are discussing, provides informative notes, and some key prompts from the moderator
How long it takes	57 Typically, the researcher will ask questions and use the prompts to guide where necessary. Not all questions or prompts will necessarily be used in an interview	

Timings	Key Questions	Notes and Prompts
5 mins	<p>58 <u>Welcome and introduction</u></p> <ul style="list-style-type: none"> ● Thank participant for taking part ● Introduce self, Ipsos MORI ● Emphasise that we will be talking about their experiences of the tax credits system. ● Confidentiality: reassure all responses anonymous and that information about individuals will not be passed on to anyone ● Specifically refer to the fact the interview is not connected to any legal action they may be facing, or have faced ● Explain outline of the research ● Role of Ipsos MORI – independent research organisation (i.e. independent of GOVERNMENT), gather all opinions: all opinions valid ● Get permission to digitally record – transcribe for quotes, no detailed attribution <p>Personal Background I'd like to start by learning a little about you. Can you tell me how long you have lived in the area?</p> <ul style="list-style-type: none"> ● Find out about their life in general – whether they have always lived here, if they have moved around a lot? <p>Can you describe any work that you do at the moment?</p> <ul style="list-style-type: none"> ● How long have you been doing that job? What did you do before this job? 	<p><i>Welcome: orientates participant, gets them prepared to take part in the interview.</i></p> <p><i>Outlines the 'rules' of the interview (including those we are required to tell them about under MRS and Data Protection Act guidelines).</i></p> <p>MODERATOR NOTE: Fine to mention HMRC at this stage</p> <p>MODERATOR NOTE: As well as acting as a lead in to the rest of the interview to make the participant(s) comfortable, this section allows us to begin to understand the outlook of the participant(s).</p> <p>MODERATOR NOTE: Include any unpaid or voluntary work. Take care to ensure they know this is confidential; that we are not checking up on them.</p>
10 mins	<p>59 <u>General Attitudes to Finance</u></p> <p>I'd like to continue now by talking a little more about finances. Can you firstly describe your weekly or monthly income and outgoings?</p>	<p><i>This section is required in order to create a picture of the participants' overall understanding of finance and debt. From a contextual viewpoint, it is vital to know where</i></p>

Timings	Key Questions	Notes and Prompts
	<p>MODERATOR: Use the tables in Appendix A if required</p> <ul style="list-style-type: none"> ● How easy/difficult do you find it to know what your incomings/outgoings are? <p>MODERATOR : Try to determine to what extent this is planned or reactive</p> <ul style="list-style-type: none"> ● Can you explain any things that are often difficult to pay for? ● Where do/did your tax credits fit into your incomings? ● Are there any things that cost a lot but you don't buy very often? If so, what are they and how do you pay for them? <p>Do you have any credit cards, hire purchase agreements or other forms of credit payments that need to be paid back?</p> <ul style="list-style-type: none"> ● Where do they fit into the diary? ● How long are these payments for? ● Why do they use a credit arrangement to pay for goods or services? <p>Are there times when you can't make all the repayments you need to?</p> <p>If so, how do you prioritise repayments [including tax credits repayments]?</p> <p>How do you pay for services like electricity, gas and water?</p> <ul style="list-style-type: none"> ● Do they use meters, cards, Direct Debits, etc? Why do they use the method they use? <p>Is there anything that you buy that you would describe as a "luxury"?</p> <ul style="list-style-type: none"> ● Probe on what a "luxury" is 	<p>participants are "coming from" when they talk about money and debt. With this information, we can help explore and, where necessary, test how overall attitudes affect payment of tax credits.</p> <p>[Please note that tax credit overpayments are not the same as other debts as they are not obtained in the same way.]</p> <p>MODERATOR: The participant should be encouraged to bring tax credits into the discussion.</p> <p>Try to ensure you get another situation (if there is one) to compare against their tax credit overpayment experiences. If there is no other situation then we want to explore why tax credit overpayments are the only problem</p> <p>MODERATOR NOTE: Include observations here such as activities that <i>could</i> be described as luxuries by others (such as</p>

Timings	Key Questions	Notes and Prompts
	<p>Can you describe how you monitor how much you spend?</p> <ul style="list-style-type: none"> ● Who in the household keeps a track on spending? Who is responsible for different transactions? ● How do you decide what you are going to buy? <p>Can you describe to me a time when you realised that you had spent more money than you had?</p> <ul style="list-style-type: none"> ● How did this situation arise? ● What did you do as a result? ● What items did you have to cut back on in order to pay off the extra you spent? ● How did you decide what to cut back on? ● How did you decide who to pay back first? ● Why did you think of this as a challenging moment? ● Who, other than yourself, was involved? ● What role did they have in this situation? ● Did you get any support to help you? ● Do you know where to go to get help? 	<p>smoking, large electrical goods in homes, etc)</p>

<p>20 mins</p>	<p>60 <u>Awareness of Tax Credits and Making a Claim</u></p> <p>I'd like to move on now to talk about what you know about tax credits. Can you describe, in your own words, what tax credits are?</p> <ul style="list-style-type: none"> ● What do you think tax credits are for? ● What sort of different tax credits are there? Which tax credit(s) were/are you claiming? ● How did you first hear about tax credits? 	<p><i>We discuss here the general understanding that the interviewee has of the tax credit system.</i></p> <p><i>These questions provide general information about how informed the participant is about financial issues, and provides us with a useful 'baseline'</i></p> <p>MODERATOR NOTE: Prompt here about Working Tax Credit and Child Tax Credit if</p>
----------------	--	--

- Was it through official sources, or through friends and family?
- How did others describe tax credits to you?

How easy/difficult did you find it to claim tax credits? What did you find particularly easy/difficult?

Did you ask anybody for any advice when you make a claim for tax credits?

- Who do you seek advice from?
- Why do you ask these people/organisations for advice? What is it about this source of information that you trust?

Did they use any government guidance? If so, in what form? Printed? Telephone? HMRC helpline?

- What things did they tell you about tax credits?
- **What did you think about the advice that you got?**
- Is there anywhere you would *like* to go to for advice? If so, why did you not use these people/organisations?

Did anyone else fill in the form for you when you made your claim? Why?

What do you understand by 'overpayment' when we talk about tax credits?

- Is this term familiar? What do you know about overpayments

CHANGES OF CIRCUMSTANCES

Can you tell me after what events in your life you might need to notify HMRC of a change of circumstances which would affect your tax credits?

MODERATOR PROMPT:

- you stop or start living with a partner,
- cost of childcare changes,

necessary.

Please note that the claimant may have gone into a new award since HMRC started debt recovery proceedings against a previous tax credit award

After the end of each financial year finalisation of awards received in the previous financial year takes place HMRC ask customers to renew (during April to July).

The **annual review form (TC603R)** needs to be checked (to make sure personal details and circumstances are correct – this should be the case if customers have updated us throughout the year) [if status as single/couple has changed the customer should have filled out a new claim during the year – both the old and new claims need reviewing and finalising] and the **annual declaration (TC603D) returned by end July**.

This helps HMRC to check that the payments made are correct (e.g. by checking income against a P60) and to set payments for the coming year. **If the claimant does not renew, payments that HMRC continues to make between April and July become overpayments.**

Not notifying HMRC of change of circumstances during the year may also result in overpayments

- not working for at least 16 or 30 hours a week,
- no longer being responsible for a child,
- child no longer eligible,
- Change of income.

Can you tell me how soon you need to inform HMRC of these changes after they occur?

- If yes, how do you know this?
- If no, explore possible reasons

MODERATOR PROMPT:

- Did you read the guidance you received with your renewal or application form for tax credits?
- Have you ever spoken to any friends about reporting changes?
- Have you ever seen an information leaflet about reporting changes, or information in the press about it?

Do you know under what circumstances would your claim be terminated and a new claim set up during the year?

Have you ever notified HMRC of a change of circumstances?

- If yes, How easy or difficult was it? Why?
- Did you receive a revised award notice following this? If yes, why do you think this was sent?
- What did you do when you received the revised notice? Did you check to ensure it was correct?

Did you check the circumstances were recorded correctly and/or award amount correct?

- If participant thought something was not correct on their revised award notice:

Did you contact HMRC about the error? What happened? If not,

Note: The change must be notified within 1 month of the date the change occurred.

Note: If you stop or start living with a partner, your award notice will be terminated, and a new one started.

MODERATOR NOTES:

Every time a customer reports a change that impacts on the amount of the award they get a new award notice – this has been done since tax credits were first set up. HMRC will accept any change of circumstances up to the end of the financial year and will not ask customers to wait for renewal. Some claimants may not have received a new award notice, as HMRC ‘disregards’ an increase of up to 25k in their income.

MODERATOR: Please explore any inferences that HMRC should already know income details. If felt, why do participants think this?

why?

- Did you go into a new award following reporting the change? [This would happen if you start of stop living with a partner]

RESPONDING TO ANNUAL REVIEW FORMS AND AWARD NOTICES

Have you ever checked that your tax credit payments are correct?

- How do you know whether or not you're getting the amount you're entitled to? What steps do you take?

PROMPT :

- Check figures and circumstances on annual review form before returning it in April
- Check award notice for the previous year when receive it
- Check figures and your circumstances on provisional award notice for the forthcoming year
- Keep a diary of my income and other relevant changes of circumstances which is used to check figures
- Contact HMRC to confirm that the figure is correct

- How would you describe this? How easy or hard is it?
- Whose responsibility is it to ensure your payment is correct? Why?
- Is there anything else that could help you ensure you are receiving the correct tax credits payment?

PROBE:

- In receiving information about average earnings for the previous year
- In providing information about earnings

Investigates how people check/ calculate entitlement

Please note: If someone writes to HMRC about a change of circumstances in-year they would get a standard award notice back, rather than a personalised letter

MODERATOR NOTE: The claimant will receive a P60 with the details of the earning for the previous year. Is this information sufficient for them?

- In notifying about a change of circumstances
- In checking that a claim is correct
 - What kind of help would you like?
 - Who has a responsibility to help with these issues? In what way?

Thinking about your claim, what do you see HMRC's responsibilities as being? And what are you responsible for?

- Who should check whether the details relating to your income have been recorded accurately? Why?
- Do you think you or HMRC are responsible for getting this right?

Have you ever use HMRC's online tax credit questionnaire to find out how much in tax credits you should receive?

SHOW SCREENSHOT OF WEBSITE QUESTIONNAIRE

- If not, why not? PROBE: Would you be able to access this on the internet?
- Would you prefer a printed leaflet where you could look up your entitlement?
- Would a leaflet or using the online estimator be preferable to other any advice you currently use to check what you are entitled to?

At the end of the financial year tax credit awards are finalised, do you recall being sent an annual renewal form and declaration form?

SHOW STIMULUS MATERIALS TC603R (annual review form) AND TC603D (annual declaration form)

What do you see as the purpose of the renewal process?

Probe for understanding that:

- tax credits are provisional until actual income and circumstances are

MODERATOR NOTE: The claimant needs to check their circumstances are correct. They don't need to check the amount (this will be correct if their circumstances are correct). Tools like the online questionnaire provide background information on for the customer on likely amounts received.

confirmed at renewal [may reveal an overpayment if change of circumstances / income not correctly reported]

- if don't renew, tax credits that are paid during the renewal period will become an overpayment
- if don't renew award ceases. A new award will then be set up if they contact HMRC again after the renewal process has ended

I'd now like to find out more about how you check your annual review form. Here is an example of the form **SHOW LARGE VERSION OF STIMULUS TC603R.**

Please could you tell me what you would usually do when you receive this form?

Could you talk me through what you understand by the information in each section, and anything you might be unsure about.

PROBE:

- What do you like about this form? What don't you like about this form?
- What do you think about the language on the form?
- Would you check that the figures and your circumstances quoted on the form are correct? How do you check them?
- Is there any more information/guidance you need to ensure you feel confident that the details on the annual review form are correct?
- Overall, how easy it is for you to check the form yourself?

Do you remember receiving the final award notice and provisional award notice for the forthcoming year? **SHOW THE TWO P2806 DOCUMENTS**

What do you do when you receive this form?

MODERATOR NOTE: In this section we cognitively test the **annual review form**, which they receive in April, in order to uncover the processes they go through when checking the form.

The aim of this section is to understand if participants know *how* to check their annual review forms, and if they are doing so. Also whether they see this as their responsibility.

This question addresses whether customers perceive an obligation to verify the information that HMRC sends them, particularly on their provisional claim for the forthcoming year.

10 mins	<p>PROMPT: Do you check the figures are correct? If not, why not?</p> <p>Do you have any experience of returning tax credit forms late/notifying HMRC late [after end July]? What were the consequences?</p>	<p><i>Our aim in this section is to understand the overpayment history of the overpayment they might have been contacted about by Field Force Officers and other overpayments.</i></p> <p>This group should have recently been visited by Field Force Officers about their overpayment debt.</p> <p>Use the stimulus materials in the back to understand the journey and the timings. Allow the participant to fill in their details if they are comfortable doing so.</p>
<p>61 <u>Tax Credit Overpayments</u></p> <p>As explained/ as you know, an overpayment is when you are paid too much tax credit.</p> <p>Are you aware that you have received an overpayment?</p> <p>Do you know if you have ever received more than one overpayment?</p> <p>MODERATOR TO EXPLORE THE CIRCUMSTANCES AROUND THIS</p> <p>I've got a diary here to help us draw out what happened when.</p> <p>MODERATOR TO USE THE DIARY IN APPENDIX B.</p> <p>IF THEY SUSPECTED SOMETHING WAS INCORRECT DURING THE YEAR PLEASE EXPLORE IF THIS WAS QUERIED WITH HMRC.</p> <p>MODERATOR NOTE: please be mindful that participants may have more than one overpayment for different awards. Try to ensure they are not confusing experiences from different awards by using the diary to clarify when each intervention occurred,</p> <p>Starting from when you first applied for the tax credits can you talk me through what happened?</p> <p>Try to go chronologically using the following:</p> <p>12. When the participant first made their claim for the tax credits they would subsequently need to repay.</p> <p>13. What communications they received from HMRC – written, by phone or</p>	<p>The customer would have received a Notice to Pay automated reminder, then another reminder (IDMS15x), then a call from debt management telephone centre. They should also have received a further IDMS10x letter from debt management overpayments unit or debt management clerical office, or a further letter or call from the local recovery office in some cases.</p> <p>Finally, if no resolution was received at earlier stages a call would have been made by local recovery or field force. If no resolution was found at this stage it may be that some cases have since reached County Court. PLEASE DO NOT MENTION THIS COUNTY COURT STAGE UNLESS THE RESPONDENT MENTIONS FIRST</p> <p>MODERATOR NOTES: The customer may have more than one overpayment for different awards. Also, although they are in direct recovery, so the</p>	

	<p>in person.</p> <p>14. If they has a home visit from someone from the HMRC Field Force.. If necessary: I understand that you may also have received a visit from an HMRC Field Force Officer asking you about the circumstances of your tax credit overpayment. Is this correct? Did anything happen after your visit from the HMRC Field Force officer?</p>	<p>money has not being claimed from back from the on-going award is relates to, they may have since entered into a new award.</p> <p>HMRC does not recover an overpayment from an old award from a new award – the overpayment from the old claim is in direct recovery</p>
<p>15 mins</p>	<p><u>Contact from HMRC about the overpayment and any arrangements to repay</u></p> <p>I'd like to talk about you experiences of letters, calls and any face-to-face visits from HMRC about tax credits and your experience of paying back any tax credits that you have been overpaid. We might return to some things that we have already talked about here – this is just so I can be sure I have fully understood your situation properly.</p> <p><u>CONTACT FROM HMRC</u></p> <p>THROUGHOUT THE REST OF THIS SECTION ON CONTACT FROM HMRC:</p> <ul style="list-style-type: none"> - Did you agree that you had been overpaid? - Did you understand why you had been overpaid? - If not, why not? - What action did you take? - If nothing, why did they not contact HMRC dispute the overpayment? - Did they consider making use of the helpline? - If not, why not? <p>When did you first hear that you had been paid too much tax credit?</p> <ul style="list-style-type: none"> ● How were you informed about an overpayment? ● Did you understand why you had received the overpayment? <p>What did you do in response to hearing about the overpayment?</p> <ul style="list-style-type: none"> ● What did the first thing you received from HMRC ask you to do about your overpayment? Did you understand what you were being asked to do? How did you feel about the overpayment? ● IF DIFFERENT TO WHAT THEY DID DO – Can I ask why did you decided to do something different to what they asked? What would have 	<p><i>Covering how the claimant has reacted to HMRC communications – and how they feel about it. How and why they didn't respond if this is the case. Also, how much they understand about what led to the overpayment.</i></p> <p>NOTE: The different stages are outlined in the notes. At each stage please use the stimulus materials to encourage the customer to comment on HMRC's communications, and understand the journey and the timings.</p> <p>MODERATOR NOTE: Keep an eye out for any inconsistencies and remember to question sympathetically</p> <p>Here, we are beginning to try to understand why they did not respond to initial correspondence</p>

made you do what was asked?

LETTERS FROM HMRC

Do you remember receiving any letters from HMRC about your overpayment?

- **SHOW Notice to Pay** (first letter which asks the customer to contact to arrange payment)
- This should be followed by the:
 - **SHOW IDMS15** (which demands payment or contact);
 - **SHOW IDMS10** (which gives a stronger warning of legal proceedings); and

Do you remember receiving these letters?

If not, could the letter have been received and not read? Would they normally read/not read something from HMRC? (Note: Please be sensitive here)

How do you feel about the wording in the letters?

- Did/would this promote action?
- **IF THEY DID NOTHING?** Can you explain why you did not respond? What do you see as the consequences of not responding?
- What would have made them get in touch at this stage?

Are other outgoings or repayments prioritised over tax credit repayments?

PHONE CALL [If received]

What happened when you were telephoned about your tax credit payment?

MODERATOR: Please explore any links between not understanding why overpayments were received and decisions about what to do next

MODERATOR NOTE: Please note down any specific changes that could be made to specific letters

- IF THEY RESPONDED DIFFERENTLY COMPARED WITH THE LETTERS: Why did you change the way you responded compared to the letters?
 - What, if anything, was different about getting a phone call compared to previous letters?
- How much time was there between the first time HMRC contacted you and getting a phone call?**
- What, if anything, did you do about the tax overpayment between getting letters and receiving a phone call?
 - Is there anything else you think you should have been doing? If so, can you explain your reasons for choosing not to do that? Are other debts prioritised over tax credit repayments? *(Please be sensitive here – we don't want them to feel like they're being told off)*

FIELD FORCE VISIT (if received)

What happened when you received a visit from an HMRC Field Force Officer?

- IF THEY RESPONDED DIFFERENTLY COMPARED WITH THE FIRST LETTER/ TELEPHONE CALL: Why did you change the way you responded compared to the first letter?
- What, if anything, was different about getting this visit compared to previous letters/ telephone calls?
- Why do you think the situation developed in such a way as to result in a home visit?

How did you feel about receiving this visit?

- How do you feel about HMRC sending someone to visit you?? Why?
- IF NOT: What should HMRC have done instead?

MODERATOR NOTE: The primary role of Field Force in the collection of tax credit overpayments is to obtain payment in full or an acceptable time to pay agreement.

They will not provide explanations on how the overpayment arose etc but would give the Helpline number if this type of issue surfaced.

SHOW the **County Court initial letter** if appropriate [NOTE: ONLY MENTION IF THE PARTICIPANT HAS MENTIONED]

What happened when you received the letter from the County Court about tax credit payment?

- IF THEY RESPONDED DIFFERENTLY COMPARED WITH THE LETTERS/ TELEPHONE CALL/ FIELD FORCE VISIT: Why did you change the way you responded compared to the first letter?
- What, if anything, was different about getting this letter compared to previous letters/ visits?
- Why do you think the situation developed in such a way as to result in court action?

How did you feel about receiving this letter from the Court?

- How do you feel about HMRC taking the overpayment to court? Why?
- IF NOT: What should HMRC have done instead?

PRIORITISING TAX CREDIT DEBT

How important do you feel it is to repay your tax credit overpayment? Why?

- Is it more important than any other expenses? If so, which ones? Why?
- What do you think is the effect on HMRC if people do not repay overpayments? Why?

ARRANGEMENTS TO REPAY

Were you given the option to make arrangements to repay your overpayment in instalments?

PROMPT: Time to Pay (TTP)/ paying by instalments over a year?

MODERATOR NOTE – ask participant to compare debts to HMRC with credit card debts, rent back payments, mortgage repayments or any other relevant debts the participant may have already mentioned. Which are more important?

MODERATOR NOTE: Customers can pay off the overpayment in a **lump sum**, or through **Time To Pay**. This is a repayment option usually involving repaying over 12 months in instalments. Others may have **disputed** or **appealed against** the overpayment.

Please note: In certain circumstances when a customer disputes their overpayment, the recovery of the overpayment would be suspended whilst the dispute is being considered. When the decision has been made, the suspension is then lifted; depending on the outcome, the overpayment will

	<p>[If Time to Pay (TTP) set-up] Can you describe what arrangements you agreed with HMRC to pay back your overpayment?</p> <ul style="list-style-type: none"> ● Did you have to make any changes to other outgoings or repayments as a consequence? Can you explain what you had to change? <p>[If appeal/dispute] Are you aware that you can pay back your overpayment by instalments over a year?</p> <p>Probe as appropriate:</p> <ul style="list-style-type: none"> ● Is TTP something you have considered? If, not why not? ● Why are you appealing the overpayment? ● What could HMRC do to help resolve the situation? <p>Is there anything you would do differently if you were to claim tax credits in the future/do differently with your current claim to prevent getting an overpayment? Why? Have you spoken to others about your experience of getting an overpayment (family /friends/ colleagues etc)</p> <ul style="list-style-type: none"> ● Who did you tell? What did you tell them? Why? ● Did you give others advice on tax credits or overpayments? What advice was this? ● Do you think the people you spoke to will change their actions because of it? ● What have you said to others about tax credits in general? Why? 	<p>then be remitted or recovery will then continue, or if a part-remit is appropriate a combination of the two. At this point HMRC writes to the customer explaining the decision.</p> <p>MODERATOR NOTE: If there is any difference to what they <i>actually</i> did, ask them about the difference? For example, do they now know the process better? Was it something about how having an overpayment made them feel?</p> <p>Refer to any problems picked up earlier, would they now report change of circumstances, renew on time etc.</p>
<p>10 mins</p>	<p>Changing the Overpayment Process</p> <p>I'd like to think now about you overpayment circumstances and think about how the situation might be improved for you. Thinking about our conversation from your perspective, what changes could be made to the way tax credit overpayments are repaid to make it easier for you?</p> <ul style="list-style-type: none"> ● Are you happy with the options HMRC has provided for you to pay back the overpayment? Why? 	<p><i>Simply, does the participant have any ideas based on their experiences about how the process or repaying or communications and advice from HMRC could be changed?</i></p> <p>MODERATOR NOTE: This may be difficult; aim for realistic answers (as opposed to “I shouldn’t have to pay it back”) – If they are</p>

	<p>What help or support would you have liked to receive?</p> <ul style="list-style-type: none"> • Could you be given different amounts of time to pay back the money? • Could the overpayment be deferred to a later date? • Did you have to make changes to other outgoings or repayments? • Would you like to have been offered a mediation process before the dispute escalated? • IF YES: What kind of mediation process would you have liked? • Did you visit any other services, such as the Citizen’s Advice Bureau, professional legal services, professional friends, acquaintances, etc? • If yes: what advice did these services give you? What did you do with that advice? <p>What could be changed about the communications you have received from HMRC? [remembering they will have had more than one communication that we can change]</p> <ul style="list-style-type: none"> ● What would have helped you at each stage? [revisit previous comments] ● What do you think about the information provided on when and how to report changes to HMRC? What kind of information would you prefer? ● What do you think about the amount of information provided on how to check the annual declaration/ renewal forms? What kind of information would you prefer? ● What do you think is the best approach HMRC can take with people in situations like yours? <p>Thinking specifically about the areas you had problems with, is there anything</p>	<p>stuck, use the suggestions in the next prompt.</p> <p>NOTE: need to be clear in reporting which ideas are prompted and which unprompted</p> <p>MODERATOR NOTE: Please probe in as much detail as possible on any additional information that HMRC could have provided to improve compliance. Please be clear on how wording/ tone could be changed to improve compliance.</p>
--	---	---

	<p>about the process which could be changed/improved? MODERATOR NOTE: Ask about the following</p> <ul style="list-style-type: none"> ● Claiming for tax credits in the first place? ● Any advice and guidance you could receive on tax credits? ● Who should provide this guidance? How should it be provided to you? ● Telling government about your changing circumstances? ● Renewing tax credits? <p>If somebody you knew had a tax credit overpayment like yours, what would you advise them to do about it? Overall, what do you think of the service provided by HMRC regarding your overpayment. How would you rate it?</p> <ul style="list-style-type: none"> ● If they rate it poorly, why? What were the aspects that did work well? ● If they rate it as good, why? What could have worked better? 	
<p>5 mins</p>	<p>62 <u>Conclusion and Thanks</u></p> <ul style="list-style-type: none"> ● Of all the things we have discussed today, what do you think is the one thing that HMRC could change to help prevent tax credit customers getting overpayments ● What is the one thing that customers could do to help prevent a tax credit overpayment ● Is there anything else you think is relevant and wish to discuss? ● Thank participants; explain the next steps (e.g. what HMRC will do with the findings). THANK AND CLOSE. Reassure about confidentiality 	<p><i>Key messages, particularly interested in thoughts around HMRC communications, change and circumstances and renewals process.</i></p> <p><i>Draws interview to a close.</i></p>

62.1.1.1 Appendix A – Financial Diary

Use this to help participants plan their incomings and outgoings:

Weekly income and outgoings

Monday	
Tuesday	
Wednesday	
Thursday	
Friday	
Saturday	
Sunday	

Monthly income and outgoings

Week	Mon	Tue	Wed	Thu	Fri	Sat	Sun
1							
2							
3							
4							

62.1.1.2 Appendix B – Tax Credit Overpayments

Use this to help participants explain how they were over-paid tax credits.

Jan	Feb	Mar	Apr	May	Jun
Jul	Aug	Sep	Oct	Nov	Dec
Jan	Feb	Mar	Apr	May	Jun
Jul	Aug	Sep	Oct	Nov	Dec
Jan	Feb	Mar	Apr	May	Jun
Jul	Aug	Sep	Oct	Nov	Dec

An alternative to the diary above.

Start

Finish

Group 5 discussion guide

HMRC – Customer Experiences of Overpaying Tax Credits
Customer Discussion Guide – FINAL
GROUP 5 – County Courts

Objectives:

HMRC aims to thoroughly investigate the customer perspective around tax credit overpayments and debt related to the tax credits system. The objectives of this work are to:

- 16. Explore why some tax credit customers experience overpayments and underpayments year after year;
- 17. Determine why some customers incur an overpayment once and then not again in subsequent years; and,
- 18. Assess why tax credit customers who are subject to direct recovery of an overpayment fail to make contact at an earlier stage when being actively pursued for an overpayment or a debt.

The evidence resulting from this research will help HMRC understand how to improve the information it offers customers on how to handle an overpayment or a debt, how it can encourage customers to make contact and how HMRC can appropriately deal with hardship cases.

In the course of this research project, we are speaking to customers that are at different stages of the overpayment recovery cycle.

This guide pays particular attention to customers from whom HMRC are looking to recover overpayments directly and whose case has reached the County Court.

This guide will explore customers’ views on the tax credit system in line with the audience and categories outlined below.

Outline of the research programme:

- 22 in-depth interviews with customers whose case has reached the County Court (as described above), including several paired-depth interviews with couples where appropriate;
- In London, Manchester/ Lancashire and Southampton from 13th July – 7th August 2009
- Each interview/depth to last between an hour and an hour and a half

Notes	Guide Sections	Guide Timings
1. Introductions and background	63 Sets the scene, reassures participants about the interview, confidentiality. Discusses the general work and life circumstances of the participant	5 mins
2. Financial attitudes and debt	Introduction to get the interviewee talking about finances in general, what they spend money on and how they prioritise payment of debts. Also covers the use of financial services and other benefits outside of tax credits and views of debt to HMRC	10 mins
3. Awareness of	Discusses how participants became aware of tax credits, what	10 mins

<p>the Tax Credits and making a claim</p>	<p>they understand tax credits are for and an initial exploration of how they perceive the system to work, what customers think overpayments are and importance reporting changes in circumstances and renewing tax credits and roles and responsibilities of the customer and HMRC in this. This will also look at understanding of what happens at renewal and when a claim is ended</p>	
<p>4. Tax Credit overpayments</p>	<p>Using timetable stimulus material, participants will describe when they first found out about the overpayment. This will be an important section to uncover if they have more than one overpayment, whether they often get into overpayment situations or if it has happened just once. A timeline will be created.</p>	<p>10 mins</p>
<p>5. Contact from HMRC on the overpayment and any arrangements to repay</p>	<p>Explore reaction to HMRC communications. Understand why actions were taken at each stage. Why customers think the overpayment occurred . Why they set up TTP or disputed. How and why the overpayment process reached the County Court. Having incurred an overpayment , what they would do differently in the future.</p>	<p>20 mins</p>
<p>6. Changing the intervention process</p>	<p>Based on their experiences, we will use this section to collect and ideas from customers about how the system could be changed for their benefit. Also includes views of HMRC service.</p>	<p>10 mins</p>
<p>64 7. Conclusion and Thanks</p>	<p>A summary of the conversation and key recommendations</p>	<p>5 mins</p>

U

Using this guide

We use several conventions to explain to you how this guide will be used. These are described below:

Timings	Questions	Notes and Prompts
5 mins	<p>65 <u>Underlined</u> = <u>Title</u>: This provides a heading for a sub-section</p> <p>Bold = Question or read out statement: Questions that will be asked to the participant if relevant. Not all questions are asked during fieldwork based on the moderator's view of progress.</p> <ul style="list-style-type: none"> ▪ Bullet = prompt: Prompts are not questions – they are there to provide guidance to the moderator if required. 	<p>This area is used to summarise what we are discussing, provides informative notes, and some key prompts from the moderator</p>
How long it takes	<p>66 Typically, the researcher will ask questions and use the prompts to guide where necessary. Not all questions or prompts will necessarily be used in an interview</p>	

Timings	Key Questions	Notes and Prompts
<p>5 mins</p>	<p>67 <u>Welcome and introduction</u></p> <ul style="list-style-type: none"> ● Thank participant for taking part ● Introduce self, Ipsos MORI ● Emphasise that we will be talking about their experiences of the tax credits system. ● Confidentiality: reassure all responses anonymous and that information about individuals will not be passed on to anyone ● Specifically refer to the fact the interview is not connected to any legal action they may be facing, or have faced ● Explain outline of the research ● Role of Ipsos MORI – independent research organisation (i.e. independent of GOVERNMENT), gather all opinions: all opinions valid ● Get permission to digitally record – transcribe for quotes, no detailed attribution <p><u>Personal Background</u> I'd like to start by learning a little about you. Can you tell me how long you have lived in the area?</p> <ul style="list-style-type: none"> ● Find out about their life in general – whether they have always lived here, if they have moved around a lot? ● Ask where they grew up and, if elsewhere, what is different about where they lived then? <p>Can you describe any work that you do at the moment?</p> <ul style="list-style-type: none"> ● How long have you been doing that job? What did you do before this job? 	<p>Welcome: <i>orientates participant, gets them prepared to take part in the interview.</i></p> <p><i>Outlines the 'rules' of the interview (including those we are required to tell them about under MRS and Data Protection Act guidelines).</i></p> <p>MODERATOR NOTE: Fine to mention HMRC at this stage</p> <p>MODERATOR NOTE: As well as acting as a lead in to the rest of the interview to make the participant(s) comfortable, this section allows us to begin to understand the outlook of the participant(s).</p> <p>MODERATOR NOTE: Include any unpaid or voluntary work. Take care to ensure they know this is confidential; that we are not checking up on them.</p>

Timings	Key Questions	Notes and Prompts
	<ul style="list-style-type: none"> ● How easy is it to find work in the area? ● What types of jobs are typically available in this area? <p>What sort of pay can you get for jobs in this area? Is it variable or seasonal and, if so, how does it vary?</p>	<p>MODERATOR NOTE: This is a lead in to the next section of financial attitudes and debt</p>
10 mins	<p>68 <u>General Attitudes to Finance</u></p> <p>I'd like to continue now by talking a little more about finances. Can you firstly describe your weekly or monthly income and outgoings?</p> <p>MODERATOR: Use the tables in Appendix A if required</p> <ul style="list-style-type: none"> ● How easy/difficult do you find it to know what your incomings/outgoings are? <p>MODERATOR : Try to determine to what extent this is planned or reactive</p> <ul style="list-style-type: none"> ● Can you explain any things that are often difficult to pay for? ● Where do/did your tax credits fit into your incomings? ● Are there any things that cost a lot but you don't buy very often? If so, what are they and how do you pay for them? <p>Do you have any credit cards, hire purchase agreements or other forms of credit payments that need to be paid back?</p> <ul style="list-style-type: none"> ● Where do they fit into the diary? ● How long are these payments for? ● Why do they use a credit arrangement to pay for goods or services? 	<p><i>This section is required in order to create a picture of the participants' overall understanding of finance and debt. From a contextual viewpoint, it is vital to know where participants are "coming from" when they talk about money and debt. With this information, we can help explore and, where necessary, test how overall attitudes affect payment of tax credits.</i></p> <p>[Please note that tax credit overpayments are not the same as other debts as they are not obtained in the same way.]</p>

Timings	Key Questions	Notes and Prompts
	<p>Are there times when you can't make all the repayments you need to?</p> <p>If so, how do you prioritise repayments [including tax credits repayments]?</p> <p>How do you pay for services like electricity, gas and water?</p> <ul style="list-style-type: none"> ● Do they use meters, cards, Direct Debits, etc? Why do they use the method they use? <p>Is there anything that you buy that you would describe as a "luxury"?</p> <ul style="list-style-type: none"> ● Probe on what a "luxury" is <p>Can you describe how you monitor how much you spend?</p> <ul style="list-style-type: none"> ● Who in the household keeps a track on spending? Who is responsible for different transactions? ● How do you decide what you are going to buy? <p>Can you describe to me a time when you realised that you had spent more money than you had?</p> <ul style="list-style-type: none"> ● How did this situation arise? ● What did you do as a result? ● What items did you have to cut back on in order to pay off the extra you spent? ● How did you decide what to cut back on? 	<p>MODERATOR NOTE: Include observations here such as activities that <i>could</i> be described as luxuries by others (such as smoking, large electrical goods in homes, etc)</p> <p>MODERATOR: The participant should be encouraged to bring tax credits into the discussion.</p> <p>BUT, ensure you get another situation (if there is one) to compare against their tax credit experiences. If there is no other situation then we want to explore why tax credit overpayments are the only problem</p>

Timings	Key Questions	Notes and Prompts
	<ul style="list-style-type: none"> ● How did you decide who to pay back first? ● Why did you think of this as a challenging moment? ● Who, other than yourself, was involved? ● What role did they have in this situation? ● Did you get any support to help you? ● Do you know where to go to get help? 	

<p>10 mins</p> <p>69 <u>Awareness of Tax Credits and Making a Claim</u></p> <p>I'd like to move on now to talk about what you know about tax credits. Can you describe, in your own words, what tax credits are?</p> <ul style="list-style-type: none"> ● What do you think tax credits are for? ● What sort of different tax credits are there? <ul style="list-style-type: none"> ● Which tax credit(s) were/are you claiming? ● How did you first hear about tax credits? ● Was it through official sources, or through friends and family? ● How did others describe tax credits to you? <p>How easy/difficult did you find it to claim tax credits? What did you find</p>		<p><i>We discuss here the general understanding that the interviewee has of the tax credit system.</i></p> <p><i>These questions provide general information about how informed the participant is about financial issues, and provides us with a useful 'baseline'</i></p> <p>MODERATOR NOTE: Prompt here about Working Tax Credit and Child Tax Credit if necessary.</p> <p>Please note that the claimant may have gone into a new award since HMRC started debt recovery proceedings against a previous tax credit award</p> <p>After the end of each financial year finalisation of awards received in the previous financial year</p>
---	--	--

particularly easy/difficult?

Did you ask anybody for any advice when you make a claim for tax credits?

- Who do you seek advice from?
- Why do you ask these people/organisations for advice? What is it about this source of information that you trust?
- Did they use any government guidance? If so, in what form? Printed? Telephone? HMRC helpline?
- What things did they tell you about tax credits?
- Is there anywhere you would *like* to go to for advice? If so, why did you not use these people/organisations?

What do you understand by ‘overpayment’ when we talk about tax credits?

- Is this term familiar?
- What do you know about overpayments

What do you know about having to notify HMRC of certain change of circumstances?

MODERATOR PROMPT:

- you stop or start living with a partner,
- cost of childcare changes,

takes place HMRC ask customers to renew (during April to July).

The annual review form (TC603R) needs to be checked (to make sure personal details and circumstances are correct – this should be the case if customers have updated us throughout the year) [if status as single/couple has changed the customer should have filled out a new claim during the year – both the old and new claims need reviewing and finalising] and the **annual declaration (TC603D) returned by end July**.

This helps HMRC to check that the payments made are correct (e.g. by checking income against a P60) and to set payments for the coming year. If the claimant does not renew, payments that HMRC continues to make between April and July become overpayments. Not notifying HMRC of change of circumstances may also result in overpayments

	<ul style="list-style-type: none"> ○ not working for at least 16 or 30 hours a week, ○ no longer being responsible for a child, ○ child no longer eligible. ○ Change of income <ul style="list-style-type: none"> ● If yes, how do you know this? ● If no, explore possible reasons (have not read information received etc) ● Thinking about your claim, what do you see HMRC's responsibilities as being? ● And what are you responsible for? ● Who should check whether the details relating to your income have been recorded accurately? Why? ● Do you think you or HMRC are responsible for getting this right? <p>Have you ever notified HMRC of a change of circumstances?</p> <ul style="list-style-type: none"> ● If yes, did you receive a new award notice following this? [this should have happened after informing HMRC of a change of circumstances] ● If yes, what did you do after receiving this? ● If yes, why do you think this was sent? ● If yes, what action did you take? ● How do you know whether or not you're getting the amount you're entitled to? What steps do you take? 	<p>MODERATOR: Please explore any inferences that HMRC should already know income details. If felt, why do participants think this?</p> <p><i>Investigates whether people remember award notice</i></p> <p>MODERATOR NOTES:</p> <p>Every time a customer reports a change that impacts on the amount of the award they get a new award notice – this has been done since tax credits were first set up</p> <p>HMRC will accept any change of circumstances up to the end of the financial year and will not ask customers to wait for renewal</p> <p>Some claimants may not have received a new award notice, as HMRC 'disregards' an increase of up to 25k in their income.</p> <p><i>Investigates how people check/ calculate entitlement</i></p>
--	---	--

	<ul style="list-style-type: none"> • How would you describe this? How easy or hard is it? <p>Have you ever checked that your tax credit payments are correct? [did they check their circumstances were recorded correctly and/or award amount correct?]</p> <ul style="list-style-type: none"> • If no, why not? • Do you feel you have a responsibility to ensure your payment is correct? • Is there anything else that could help you ensure you are receiving the correct tax credits payment? <p>PROBE:</p> <ul style="list-style-type: none"> - In receiving information about average earnings for the previous year - In providing information about earnings - In notifying about a change of circumstances - In checking that a claim is correct <ul style="list-style-type: none"> • What kind of help would you like? • Do you think HMRC has a responsibility to help with these issues? In what way? <p>Have you ever use HMRC's online tax credit questionnaire to find out how much in tax credits you should receive?</p> <p>SHOW SCREENSHOT OF WEBSITE QUESTIONNAIRE</p> <ul style="list-style-type: none"> • If not, why not? PROBE: Would you be able to access this on the internet? • Would you prefer a printed leaflet where you could look up your 	<p>MODERATOR NOTE: The claimant will receive a P60 with the details of the earning for the previous year. Is this information sufficient for them?</p>
--	--	---

	<p>entitlement?</p> <ul style="list-style-type: none"> • Would a leaflet or using the online estimator be preferable to other any advice you currently use to check what you are entitled to? <p><i>At the end of the financial year tax credit awards are finalised, do you recall being sent an annual renewal form and declaration form?</i></p> <p>SHOW STIMULUS MATERIALS TC603R AND TC603D</p> <p>What do you see as the purpose of the renewal process?</p> <p>Probe for understanding that:</p> <ul style="list-style-type: none"> • tax credits are provisional until actual income and circumstances are confirmed at renewal [may reveal an overpayment if change of circumstances / income not correctly reported] • if don't renew, tax credits that are paid during the renewal period will become an overpayment • if don't renew award ceases. A new award will then be set up if they contact HMRC again after the renewal process has ended <p>Do you have any experience of returning tax credit forms late/notifying HMRC late [after end July]? What were the consequences?</p> <p>Do you know under what circumstances would your claim be terminated and a new claim set up during the year?</p>	<p>MODERATOR PROMPT:</p> <p>If you start of stop living with a partner the existing award would be terminated and they would go into a new award.</p> <p>NOTE: Customers will only go into a new award in-year if they report a household breakdown/change.</p>
<p>10 mins</p>	<p>70 <u>Tax Credit Overpayments</u></p>	<p>Our aim in this section is to understand the overpayment history of the overpayment they might have been contacted about by the County</p>

	<p>As explained/ as you know, an overpayment is when you are paid too much tax credit.</p> <p>Are you aware that you have received an overpayment?</p> <p>Do you know if you have ever received more than one overpayment?</p> <p>MODERATOR TO EXPLORE THE CIRCUMSTANCES AROUND THIS</p> <p>I've got a diary here to help us draw out what happened when.</p> <p>MODERATOR TO USE THE DIARY IN APPENDIX B.</p> <p>MODERATOR NOTE: please be mindful that participants may have more than one overpayment for different awards. Try to ensure they are not confusing experiences from different awards by using the diary to clarify when each intervention occurred,</p> <p>Starting from when you first applied for the tax credits can you talk me through what happened?</p> <p>Try to go chronologically using the following:</p> <p>15. When the participant first made their claim for the tax credits they would subsequently need to repay.</p> <p>16. What communications they received from HMRC – written, by phone or in person.</p>	<p><i>Court and other overpayments.</i></p> <p>This group should have recently been informed that HMRC is using the County Courts to reclaim an overpayment debt. It is possible that they haven't received the letter for some reason or they don't recall it. We want to be sensitive and instead explore what they think there reaction would have been to this.</p> <p>Use the stimulus materials in the back to understand the journey and the timings. Allow the participant to fill in their details if they are comfortable doing so.</p> <p>The customer would have received a Notice to Pay automated reminder, then another reminder (IDMS15x), then a call from debt management telephone centre. They should also have received a further IDMS10x letter from debt management overpayments unit or debt management clerical office, or a further letter or call from the local recovery office in some cases. Finally, if no resolution was received at earlier stages a call would have been made by local recovery or field force, before referral to County Court.</p> <p>MODERATOR NOTES: The customer may have more than one overpayment for different awards. Also, although they are in direct recovery, so the money has not been claimed from back from the on-going award is relates to, they may have since entered into a new award.</p>
--	--	--

	<p>17. If they has a home visit from someone from the HMRC Field Force and when.</p> <p>18. When they might have received a letter from the County Court, if they are aware of such a letter.</p> <p>If necessary: I understand that you may also have received a letter from the local County Court asking you to repay tax credits that were overpaid to you. Is this correct?</p>	<p>HMRC does not recover an overpayment from an old award from a new award – the overpayment from the old claim is in direct recovery</p>
<p>20 mins</p>	<p><u>Contact from HMRC about the overpayment and any arrangements to repay</u></p> <p>I'd like to talk about you experiences of letters, calls and any face-to-face visits from HMRC about tax credits and your experience of paying back any tax credits that you have been overpaid. We might return to some things that we have already talked about here – this is just so I can be sure I have fully understood your situation properly.</p> <p><u>CONTACT FROM HMRC</u></p> <p>THROUGHOUT THE REST OF THIS SECTION ON CONTACT FROM HMRC:</p> <ul style="list-style-type: none"> - Did you agree that you had been overpaid? - Did you understand why you had been overpaid? - If not, why not? - What action did you take? - If nothing, why did they not contact to dispute the overpayment? - Did they consider making use of the helpline? - If not, why not? <p>When did you first hear that you had been paid too much tax credit?</p> <ul style="list-style-type: none"> ● How were you informed about an overpayment? ● Did you understand why you had received the overpayment? 	<p><i>Covering how the claimant has reacted to HMRC communications – and how they feel about it. How and why they didn't respond if this is the case. Also, how much they understand about what led to the overpayment.</i></p> <p>NOTE: The different stages are outlined in the notes. At each stage please use the stimulus materials to encourage the customer to comment on HMRC's communications, and understand the journey and the timings.</p> <p>MODERATOR NOTE: Keep an eye out for any inconsistencies and remember to question sympathetically</p>

What did you do in response to hearing about the overpayment?

- What did the first thing you received from HMRC ask you to do about your overpayment? Did you understand what you were being asked to do? How did you feel about the overpayment?
- IF DIFFERENT TO WHAT THEY DID DO – Can I ask why did you decide to do something different to what they asked? What would have made you do what was asked?

LETTERS FROM HMRC

Do you remember receiving any letters from HMRC about your overpayment?

- SHOW Notice to Pay (first letter which asks the customer to contact to arrange payment)
- This should be followed by the:
 - IDMS15 (which demands payment or contact);
 - IDMS10 (which gives a stronger warning of legal proceedings); and
 - the County Court initial letter if appropriate

Do you remember receiving these letters?

If not, could the letter have been received and not read? Would they normally read/not read something from HMRC? (Note: Please be sensitive here)

How do you feel about the wording in the letters?

- Did/would this promote action?

IF THEY DID NOTHING? Can you explain why you did not respond? What do you

Here, we are beginning to try to understand why they did not respond to initial correspondence

MODERATOR: Please explore any links between not understanding why overpayments were received and decisions about what to do next

see as the consequences of not responding?

What would have made them get in touch at this stage?

Are other outgoings or repayments prioritised over tax credit repayments?

PHONE CALL [If received]

What happened when you were telephoned about your tax credit payment?

- IF THEY RESPONDED DIFFERENTLY COMPARED WITH THE FIRST LETTER: Why did you change the way you responded compared to the first letter?
- What, if anything, was different about getting a phone call compared to previous letters?

How much time was there between the first time HMRC contacted you and getting a phone call?

- What, if anything, did you do about the tax overpayment between getting letters and receiving a phone call?
- Is there anything else you think you should have been doing? If so, can you explain your reasons for choosing not to do that? Are other debts prioritised over tax credit repayments? *(Please be sensitive here – we don't want them to feel like they're being told off)*

LETTER FROM THE COUNTY COURT [If received]

What happened when you received the letter from the County Court about tax credit payment?

- IF THEY RESPONDED DIFFERENTLY COMPARED WITH THE FIRST LETTER/ TELEPHONE CALL/ FIELD FORCE VISIT: Why did you change the way you responded compared to the first letter?

MODERATOR NOTE: This group should have recently been informed that HMRC is using the County Courts to reclaim an overpayment debt. It is possible that they haven't received the letter for some reason or they don't recall it. Please be sensitive and explore what they think their reaction would have been to this letter if they have not received it

- What, if anything, was different about getting this letter compared to previous letters/ visits?
- Why do you think the situation developed in such a way as to result in court action?

How did you feel about receiving this letter from the Court?

- How do you feel about HMRC taking the overpayment to court? Why?
- IF NOT: What should HMRC have done instead?

PRIORITISING TAX CREDIT DEBT

How important do you feel it is to repay your tax credit overpayment? Why?

- Is it more important than any other expenses? If so, which ones? Why?
- What do you think is the effect on HMRC if people do not repay overpayments? Why?

ARRANGEMENTS TO REPAY [after receiving the letter from the county court customers do have time to take action and set up repayments before progressing to court]

Next stage: paying back an overpayment or entering into an appeal/dispute

Were you given the option to make arrangements to repay your overpayment?

PROMPT: Time to Pay (TTP)?

[If Time to Pay (TTP) set-up] Can you describe what arrangements you agreed with HMRC to pay back your overpayment?

- Did you have to make any changes to other outgoings or repayments as a consequence? Can you explain what you had to change?

MODERATOR NOTE – ask participant to compare debts to HMRC with credit card debts, rent back payments, mortgage repayments or any other relevant debts the participant may have already mentioned. Which are more important?

Please note: **TTP= time to pay**. This is a repayment option usually involving repaying over 12 months in instalments.

	<p>[If appeal/dispute] Are you aware of time to pay? [Time to Pay is a repayment option usually involving repaying over 12 months or more in instalments]</p> <p>Probe as appropriate:</p> <ul style="list-style-type: none"> • Is TTP something you have considered? If, not why not? • Why are you appealing the overpayment? • What could HMRC do to help resolve the situation? <p>Is there anything you would do differently if you were to claim tax credits in the future/do differently with your current claim to prevent getting an overpayment? Why?</p>	<p>MODERATOR NOTE: If there is any difference to what they <i>actually</i> did, ask them about the difference? For example, do they now know the process better? Was it something about how having an overpayment made them feel? #</p> <p>Refer to any problems picked up earlier, would they now report change of circumstances, renew on time etc.</p>
<p>10 mins</p>	<p><u>Changing the Overpayment Process</u> I'd like to think now about you overpayment circumstances and think about how the situation might be improved for you. Thinking about our conversation from your perspective, what changes could be made to the way tax credit overpayments are repaid to make it easier for you?</p> <ul style="list-style-type: none"> • Are you happy with the options HMRC has provided for you to pay back the overpayment? Why? <p>What help or support would you have liked to receive?</p> <ul style="list-style-type: none"> • Could you be given different amounts of time to pay back the money? 	<p><i>Simply, does the participant have any ideas based on their experiences about how the process or repaying or communications and advice from HMRC could be changed?</i></p> <p>MODERATOR NOTE: This may be difficult; aim for realistic answers (as opposed to “I shouldn’t have to pay it back”) – If they are stuck, use the suggestions in the next prompt.</p> <p>NOTE: need to be clear in reporting which ideas</p>

	<ul style="list-style-type: none"> • Could the overpayment be deferred to a later date? • Did you have to make changes to other outgoings or repayments? • Would you like to have been offered a mediation process before the dispute escalated? • IF YES: What kind of mediation process would you have liked? • Did you visit any other services, such as the Citizen's Advice Bureau, professional legal services, professional friends, acquaintances, etc? • If yes: what advice did these services give you? What did you do with that advice? <p>What could be changed about the communications you have received from HMRC? [remembering they will have had more than one communication that we can change]</p> <ul style="list-style-type: none"> ● What would have helped you at each stage? [revisit previous comments] ● What do you think is the best approach HMRC can take with people in situations like yours? <p>Thinking specifically about the areas you had problems with, is there anything about the process which could be changed/improved?</p> <p>MODERATOR NOTE: Ask about the following</p> <ul style="list-style-type: none"> ● Claiming for tax credits in the first place? ● Any advice and guidance you could receive on tax credits? ● Who should provide this guidance? How should it be provided to 	<p>are prompted and which unprompted</p>
--	--	--

<p>5 mins</p>	<p>you?</p> <ul style="list-style-type: none"> ● Telling government about your changing circumstances? ● Renewing tax credits? <p>If somebody you knew had a tax credit overpayment like yours, what would you advise them to do about it?</p> <p>Overall, what do you think of the service provided by HMRC regarding your overpayment. How would you rate it? If they rate it poorly, why? What were the aspects that did work well? If they rate it as good, why? What could have worked better?</p>	
<p>71 <u>Conclusion and Thanks</u></p> <ul style="list-style-type: none"> ● Of all the things we have discussed today, what do you think is the one thing that HMRC could change to help prevent tax credit customers getting overpayments ● What is the one thing that customers could do to help prevent a tax credit overpayment ● Is there anything else you think is relevant and wish to discuss? ● Thank participants; explain the next steps (e.g. what HMRC will do with the findings). ● THANK AND CLOSE: Reassure about confidentiality 		<p><i>Key messages, particularly interested in thoughts around HMRC communications, change and circumstances and renewals process.</i></p> <p><i>Draws interview to a close.</i></p>

71.1.1

Appendix A – Financial Diary

Use this to help participants plan their incomings and outgoings:

Weekly income and outgoings

Monday	
Tuesday	
Wednesday	
Thursday	
Friday	
Saturday	
Sunday	

Monthly income and outgoings

Week	Mon	Tue	Wed	Thu	Fri	Sat	Sun
1							
2							
3							
4							

71.1.2 Appendix B – Tax Credit Overpayments

Use this to help participants explain how they were over-paid tax credits.

Jan	Feb	Mar	Apr	May	Jun
Jul	Aug	Sep	Oct	Nov	Dec
Jan	Feb	Mar	Apr	May	Jun
Jul	Aug	Sep	Oct	Nov	Dec
Jan	Feb	Mar	Apr	May	Jun
Jul	Aug	Sep	Oct	Nov	Dec

An alternative to the diary above.

