

Claimants' Experiences of the Tax Credits Reach out Renewals Pilot

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Executive Summary

Background and introduction

Tax credits are renewed on an annual basis. In order to renew their tax credits, all households must complete the Annual Declaration form and also inform HM Revenue and Customs of any changes in personal circumstances from those detailed in the Annual Review form by the 31st of July. A large number of claims are not renewed on time every year although a notable proportion (about a quarter in 2006) are subsequently reinstated when claimants contact HM Revenue and Customs following the termination of their claim. HM Revenue and Customs believe that there is potential to reduce the scale of the terminations and launched the Reach out Renewals initiative to target those who are likely to fail to renew.

The Reach out Renewals Pilot began in August 2007 and involved claimants who had not renewed their claim by the end of July 2007 and who had incurred an overpayment of £800 or more. HM Revenue and Customs contact centre advisors contacted claimants and invited them to renew their award on the telephone.

HM Revenue and Customs commissioned BMRB Social Research to undertake a qualitative evaluation of the Reach out Renewals Pilot, from the claimants' perspective.

Research design

The qualitative study comprised 27 respondents who had either:

- accepted the invitation to renew their tax credits without persuasion;
- accepted the invitation to renew their tax credits after persuasion; or
- declined the invitation to renew.

Additional recruitment criteria were used to ensure a diverse sample. These were: tax credits award level, employment status, household type, age, ethnic origin, the date the advisor called and whether they used the 'call back' facility to call HM Revenue and Customs back. As there were very few claimants who declined the invitation to renew their tax credits in the sample supplied by HM Revenue and Customs, the research findings are primarily based on the remaining two groups of claimants. Interviews were conducted between October 2007 and January 2008.

Research findings

Background to the claimants

For both groups of claimants (renewed without persuasion, renewed after persuasion) there was evidence of regular budgeting on a weekly or monthly basis, usually dependent on the frequency of their income. As in the previous research¹, bank accounts were used extensively with mortgages and utility bills being paid by standing order or direct debit. Pre-payment cards for utilities were also used in some instances. Where there were exceptions these tended to be amongst the 'renewed without persuasion' group.

Claimants either allocated their tax credits to specific items of expenditure or saw them as a general contribution to the household finances, with no discernable pattern between the 'renewed without persuasion' and 'renewed after persuasion' groups.

As in the previous research, reasons for the late renewal of tax credits were many and included:

- relying on another person, an accountant or Jobcentre, to submit their tax credits renewal;
- renewing very near to (or just after) the deadline;
- personal circumstances; birth of a new baby or bereavement;
- lack of organisation and forgetfulness;
- confusion about the tax credits renewal process; and
- an on-going query with HM Revenue and Customs regarding ID theft.

Claimants who declined to renew their tax credits did so because they were firmly of the opinion that they had already renewed by sending in the renewal form.

¹ Turley, C. & Thomas, A.P. (2007) Claimants' understanding and experiences of the tax credits renewal process. HM Revenue and Customs Research Report 52.

Experiences of the Reach out Renewals Pilot

With the exception of those who declined to renew their tax credits, claimants were extremely positive about participating in the Reach out Renewals Pilot. This was for three reasons:

- the telephone call from HM Revenue and Customs provided a useful reminder to renew their tax credits and avoided a lapsed claim;
- the telephone call was time-saving and efficient; and
- the telephone call provided a clear line of communication with HM Revenue and Customs and enabled any misunderstandings to be dealt with.

Claimants were generally not concerned about HM Revenue and Customs contacting them by telephone. Those who had not renewed their claim understood the Reach out Renewals call as an invitation to renew. Those who considered they had renewed saw the Reach out Renewals call as an opportunity for HM Revenue and Customs to check details or correct an error. For the 'declined to renew' group, being called as part of the Reach out Renewals pilot only served to reinforce their negative views about HM Revenue and Customs.

Some claimants expressed concern about being contacted by HM Revenue and Customs. This was because they were worried about the authenticity of the call or felt that the purpose of the call had not been fully explained. Reassurance was provided by the information being repeated, further explanation from the HM Revenue and Customs advisor or by the claimant using the call back facility.

Claimants said they were clear about their role in the telephone call and that the HM Revenue and Customs advisor had explained it well to them. The advisor asked clear questions and provided sufficient help where it was required.

In cases where the claimant did not have the information required to renew at hand, the call back facility was used. Claimants either rang HM Revenue and Customs back or HM Revenue and Customs rang the claimant at a pre-arranged time. Claimants were very complimentary about the call back facility and felt that it was uncomplicated, reliable and made the process of tax credits renewal very easy.

Overall, claimants commented on the excellent customer handling by the HM Revenue and Customs advisors which further enhanced their positive view of Reach out Renewals Pilot.

The educational aspects of the Reach out Renewals telephone call

The Reach out Renewals telephone call included an educational element and took the form of the advisor asking the claimant a number of questions about renewing tax credits and providing information about the consequences of late renewal. Recall of being asked questions was very low; recall of being given information about the consequences of late or non-renewal of tax credits was higher but not universal. The key messages that were recalled were:

- the tax credits claim may be terminated;
- an over-payment may result from late or non-renewal of tax credits;
- overpayments need to be repaid; and
- any changes in circumstances must be notified to HM Revenue and Customs.

Claimants were mostly of the opinion that they understood the implications of late or non-renewal of their tax credits and did not think that the educational aspects of the telephone call changed their understanding of the renewal process. However, claimants who were disorganised or who renewed late because they had misunderstood the renewal process felt that they now had a better understanding of the tax credits renewal process. This group of claimants also thought that the telephone call acted as a reminder about the renewal process.

Advisors varied how they presented the educational material, such that claimants who felt they knew the information already did not feel as if they were being patronised. However, where the information was presented in a scripted and mechanical way this tended to undermine the importance of the information provided.

The educational aspect of the call seemed to increase awareness of the facility to renew tax credits by telephone.

The potential effect of the Reach out Renewals Pilot on claimant behaviour

The Reach out Renewals Pilot was thought to have had the following potential effects on most claimants:

- a recognition that annual renewal is necessary and that renewing on time minimises the risk of incurring an over-payment;
- a general intention to renew their tax credits on time next year;
- a general intention to renew their tax credits well before the deadline; and
- an intention to renew their tax credits by telephone.

However, claimants who said that they were very forgetful or disorganised thought that they were unlikely to renew their tax credits on time.

Claimants made a small number of suggestions for making the tax credits renewal process easier.

- Further simplify the tax credits renewal form so that it is easier to provide the financial information required.
- Publicise the ability to renew tax credits by telephone, a suggestion also made by claimants in the previous research.
- Enable on-line tax credits renewal.
- Provide a reminder telephone call two to three weeks after despatch of the tax credits renewal forms to claimants who have a history of late renewal.
- Roll out nationally the Reach out Renewals approach for those claimants who have a history of late renewal.

Conclusions

The Reach out Renewals Pilot was generally discussed very positively by claimants because it acted as a reminder and enabled claimants to renew their tax credits and potentially avoid an overpayment.

HM Revenue and Customs advisors were highly praised by claimants for the clarity of their communication, their helpfulness and the general flexibility with which they were able to adapt the telephone scripts.

The educational aspect of the telephone call was thought to have improved understanding amongst those claimants who did not fully understand the tax credits renewal process and served to increase confidence in others. It also seemed to raise awareness of the facility to renew tax credits by telephone and recognition that telephone renewal was a much simpler process than they had expected.

In behavioural terms, there was a general intention to renew on time next year, although this was tempered by claimants who described themselves as very forgetful or disorganised for whom there was no such expectation that they would renew on time next year.

1 Introduction

1.1 Background

In April 2003, the Government replaced Working Families' Tax Credit (WFTC) and Disabled Person's Tax Credit (DPTC) with two new tax credits, Working Tax Credit (WTC) and Child Tax Credit (CTC). These formed the central component of the Government's programme of tax and benefit reform, which itself is underpinned by three over-arching objectives:

- to provide adequate financial incentives to work;
- to reduce child poverty; and
- to increase financial support for all families.

Tax credits claims are renewed on an annual basis. In order to renew their tax credits, all households must complete the Annual Declaration form and also inform HM Revenue and Customs of any changes in personal circumstances from those detailed in the Annual Review form by the 31st of July. If claimants return their renewal forms before the 31st of July (in 2007) their claim will be backdated to 6th April of that tax year (2007). If claimants do not return their renewal forms by the specified deadline, their claim will be terminated and they will be required to repay any overpaid tax credits they have received during this renewal period (possibly up to three months of payments). A large number of claims are terminated in this way every year but a notable proportion (about a quarter in 2006) are subsequently reinstated when claimants contact HM Revenue and Customs following the termination of their claim. HM Revenue and Customs believes that there is potential to reduce the scale of the terminations and launched the Reach out Renewals (RoR) Service Improvement Module to target those who are likely to fail to renew.

The Reach out Renewals Pilot began in August 2007 and involved claimants who had not renewed their claim by the end of July 2007 and who had incurred an overpayment of £800 or more. HM Revenue and Customs contact centre advisors contacted claimants and invited them to renew their award on the telephone. Advisors recorded whether claimants accepted the invitation to renew over the telephone as well as those who declined the invitation. In some cases claimants in the 'renewed group' needed

persuasion² by the advisor before agreeing to renew. This information was also recorded.

It is HM Revenue and Customs' responsibility to develop the operational design of the system and to consider and introduce design changes that encourage or help claimants renew their claim. This research was designed to explore claimants' experiences of the Reach out Renewals Pilot and their understanding of tax credits in general and the renewal process in particular. The evidence provided by the findings of this research will be integral to the development of the operational system for delivering tax credits and to enhancing the Department's understanding of its claimants.

1.2 Aims of the research

This piece of research is an extension of previously commissioned qualitative research to explore claimants' experience and understanding of tax credits renewals and terminations³. The key objectives of this research are to explore:

- claimants' views about being approached directly by the contact centre advisor about renewing their tax credits;
- claimants' experiences of individual stages of that approach;
- their reasons for not renewing their tax credits within the renewal period;
- understanding of the tax credits renewal process and the implications of not renewing by the specified renewal deadline;
- the steps that HM Revenue and Customs can take to encourage claimants to renew before the specified deadline date; and
- the effect of the direct telephone approach on claimants' understanding of the renewal and termination processes.

1.3 Research design

The methods used in this research were wholly qualitative in nature. In-depth interviews were deemed most appropriate for this research as they allowed for individual

² The advisors used the 'Educate the Customer' section of the call to persuade claimants. That section of the call was aimed at reminding claimants about the need to renew a tax credits claim and the implications of late renewals. Full details about this component of the RoR process are described in Chapter 4.

³ Turley, C. & Thomas, A.P. (2007) Claimants' understanding and experiences of the tax credits renewal process. HM Revenue and Customs Research Report 52.

experiences and views to be explored in detail. The purposive nature⁴ of the sample design meant that the research cannot provide any statistical data relating to the prevalence of these views, experiences or reflections in the general population. Any attempt to provide numerical evidence of this kind would require a quantitative research methodology. The aim of qualitative methods is to define and describe the range of emergent issues, rather than to measure their extent.

As is usual in qualitative research, the sample was designed to ensure coverage of the key sub-groups within the target population in order to identify and explain variations in the experiences and views between them. Purposive sampling was used to structure a sample of respondents according to the criteria below.

- **Claimant response to the Tax Credits Reach out Renewals Pilot**
 - Accepted invitation to renew their tax credits without persuasion
 - Accepted invitation to renew their tax credits after persuasion
 - Declined invitation to renew
- **Tax credits award level**
 - Maximum award
 - 'First taper' award⁵
- **Employment status**
 - unemployed
 - working full- or part-time
 - self-employed

⁴ A purposive sample is one that is chosen by intentionally seeking respondents likely to provide greater understanding of the research topic.

⁵ Claimants with income below the first withdrawal threshold (£6,420 for the 2008/2009 financial year) will be paid the full amount of tax credits available for their circumstances. Those with an income over the threshold will have their maximum tax credit award tapered away by 39p for every excess £1 of gross income. This is the 'first taper'. The CTC family element is subject to the higher threshold of £50,000, above which the taper is £1 for each additional £15 of income.

- **Household characteristic of respondent at the time they renewed their 2005-2006 tax credits claim**
 - single without children
 - couple, without children
 - single / couple with children
- **Age**
 - 18 to 35 years old
 - 36 and over
- **Whether the Reach Out Renewals process was completed with one phone call or whether the claimant had to call HM Revenue and Customs back to complete the process**
- **Whether English was the claimant's first language or not**

The original research design aimed to obtain a sample of 40 respondents from a sample supplied by HM Revenue and Customs: 10 respondents who accepted the invitation to renew without persuasion, 10 who accepted with persuasion and 20 who declined the invitation to renew.

The Reach out Renewals approach proved to be very popular with claimants. Information supplied by HM Revenue and Customs on the result of the Reach out Renewals pilot shows that less than one per cent of the claimants approached for the Reach out Renewals pilot declined the invitation to renew and a similar proportion required persuasion before they accepted the invitation to renew.

The design was revised during recruitment to take account of the popularity of the pilot. The revised design aimed to recruit 20 claimants who accepted the invitation without persuasion, 10 who accepted with persuasion and as many claimants who declined the invitation as possible. In total, 27 respondents were recruited when recruitment was concluded, 16 of these accepted the Reach out Renewals invitation without persuasion, 8 accepted with persuasion and 3 declined the invitation. The original sample specification and the profile of the recruited sample are presented in the next section.

1.4 Original sample specification and recruited sample profile

Note: Original sample specification is shown in brackets		Outcome for respondent after the Reach out Renewals Pilot		
		Accepted invitation to renew without persuasion	Accepted invitation to renew after persuasion	Declined invitation to renew
Award level	Maximum award	8 (5)	4 (5)	2 (10)
	'First taper' award	8 (5)	4 (5)	1 (10)
Vulnerability	English not first language	3 (5)		
	Low literacy	1 (5)		
Employment status	In work	9 (minimum 3)	2 (minimum 3)	1 (minimum 8)
	Not in work	4 (minimum 3)	5 (minimum 3)	1 (minimum 8)
	Self-employed	5 (4)		
Household characteristics	Single	0 (minimum 3)	0 (minimum 3)	0 (minimum 6)
	Couple	1 (minimum 3)	0 (minimum 3)	0 (minimum 6)
	Single / Couple with children	15 (minimum 3)	8 (minimum 3)	3 (minimum 6)
Age	18-35	10 (5)	4 (5)	0 (10)
	36+	6 (5)	4 (5)	3 (10)
Week approached for the pilot	8 to 14 August inclusive	9 (5)	5 (5)	3 (10)
	15 to 31 August inclusive	7 (5)	3 (5)	0 (10)
Incoming calls (Claimants who have used the 'Call Back' facility)		3 (minimum 5)		
Total (27)		16 (10)	8 (10)	3 (20)

The main purpose of the in-depth interviews was to explore respondents' experience of the Tax credits Reach out Renewals Pilot.

All of the in-depth interviews were exploratory and interactive in form and were based on a topic guide (see Appendix A), which allowed questioning that was responsive to the issues which arose in the course of the interview. Using in-depth interviews allowed for detailed exploration regarding how claimants deal with the tax credits renewal process and the reasons behind their behaviour.

The interviews lasted approximately 60 minutes and were undertaken during the period October 2007 to February 2008⁶.

All interviews were digitally recorded, with permission, and transcribed verbatim to allow detailed analysis.

1.5 Analysis and presentation of findings

The transcribed interviews were subject to a rigorous content analysis (Matrix Mapping), which involved systematically sifting, summarising and sorting the verbatim material according to key issues and themes within a thematic framework. Further classificatory and interpretative analyses were then derived from the analytic charts and these formed the basis of the evidence reported in the following chapters. Further details of the analytical process used may be found in the Technical Appendix (Appendix B).

The findings have been illustrated with the use of verbatim quotations, case studies and examples. The quotations have been edited for clarity but care has been taken not to change the respondents' meaning in any way - alterations are shown using parenthesis and ellipses.

During the recruitment process it was found that very few claimants needed to be persuaded to accept the offer to renew their tax credits and also very few declined the offer. Consequently, it was very difficult to recruit claimants who renewed with persuasion and only three claimants who declined to renew their tax credits could be included in the study. The analysis presented here reflects all the claimants participating in the research but focuses primarily on the views of claimants who renewed their tax credits, either with or without persuasion.

Where possible, parallels have been drawn with a previous piece of research concerned with claimants' experiences of the tax credit renewal process⁷.

⁶ No interviews took place in November and December 2007 following the Chancellor's statement on the loss of the CDs containing Child Benefit records. Interviews recommenced in 2008 but the media coverage may have influenced some of those respondents' opinions. Some respondent's ability to recall their experience of the pilot could be lower in this later fieldwork.

⁷ Turley, C. & Thomas, A.P. (2007) Claimants' understanding and experiences of the tax credits renewal process. HM Revenue and Customs Publication

1.6 Report outline

Following this overview of the objectives, design and conduct of the research, the subsequent five chapters discuss the research findings in detail:

- **Chapter 2** provides a context for the remainder of the report and considers claimants' approach to financial management, their use of tax credits and the reasons why they were late with renewing their tax credits claim in 2007;
- **Chapter 3** explores claimants' experiences of participating in the Reach out Renewals Pilot;
- **Chapter 4** considers the educational aspects of the Reach out Renewals Pilot telephone call and the likely effect on their understanding of the tax credits renewal process;
- **Chapter 5** considers the possible effects of the Reach our Renewal Pilot and potential changes that would make the tax credits renewal process easier;
- **Chapter 6** draws the findings together and considers their implications.

2 Claimants' financial management and experience and use of tax credits – a context

This chapter provides an overview of all the tax credits claimants taking part in the study and considers three specific issues: financial management, use of tax credits and reasons for late renewal of their tax credits claim in 2007.

2.1 Financial management

The claimants participating in this research were all on a high tax credits award and tended to have a lower income compared with other tax credits claimants. They described their financial situation as *'tight'* and had either recognised, or learned by experience, that in order to ensure that they paid their bills and had enough money for food without getting into debt they needed to manage their money carefully. Consequently, with few exceptions, claimants described themselves as *'careful with my money'*.

'I don't use money like for no reason, I mean I'd use it for things that I need, I don't just waste it for you know unnecessary things.'

(Interview 19, Couple with children, 18-35, working, first taper TC award, renewed without persuasion)

'I think it's a case of having to budget really. You just get quite used to it and budget well.'

(Interview 23, Couple with children, 36+, not working, maximum TC award, declined to renew)

Previous indebtedness meant that there was an emphasis on weekly or monthly budgeting and the avoidance of loans and credit cards.

'I budget weekly...when I was married we got into debt... I have learned never to have a credit card again, never have loans....'

(Interview 13, Single parent, 18-35, not working, maximum TC award, renewed after persuasion)

For both groups of claimants who renewed their tax credits there was evidence of regular budgeting on a weekly or monthly basis, usually dependent on the frequency of their income. However, there were exceptions and these tended to be amongst the 'renewed without persuasion' group.

Parallels exist with the previous research⁸. Claimants failing to renew their tax credits claim were mixed in their approach to managing their finances, with some having an organised approach whilst others well less adept at managing their finances and keeping track of how they spent their money.

Bank accounts were used across the sample of claimants with mortgages and utility bills being paid by standing order or direct debit. Pre-payment cards for utilities were also used in some instances.

'I think I'm quite organised. I'm a very organised person anyway because of the job I do. I do all the finances at school as well, and I've always done it, right through my married life. It's always been me that's dealt with the money side of things. And one of the reasons obviously I put everything on Direct Debit and at least that way I know everything is paid. My wages go in the Bank on the 26th, everything is paid on the 26th, you know and then I can, if there's anything left then I manage on the bit that's left.'

(Interview 17, Couple with children, 36+, working, first taper TC award, renewed after persuasion)

In addition to organising the regular payment of bills, claimants also made a regular check on their accounts to make sure that they were staying in budget. In some cases this meant managing the level of their overdraft. Claimants had various ways of accounting for their income and expenditure. This included keeping a paper record of their outgoings, using computer software or regularly checking their accounts either online or through regular statements. Again, the exceptions tended to be amongst the 'renewed without persuasion' group.

'I prefer to put my head in the sand with money really.'

(Interview 12, Couple with children, 18-35, self-employed, maximum TC award, renewed without persuasion)

'[Manage money] really badly... Really badly, I'm useless... [Keep track of money]. I have enough trouble remembering to get up in the morning, and remembering what my name is, and to actually get my children to school. No basically it all goes in the bank and I end up being overdrawn every month and in debt up to my eyeballs, pretty much.'

(Interview 16, Single parent, 18-35, not working, maximum TC award, renewed without persuasion)

⁸ Turley, C. & Thomas, A.P. (2007) Claimants' understanding and experiences of the tax credits renewal process. HM Revenue and Customs Research Report 52.

2.2 Use of tax credits

As with the previous research, claimants either saw tax credits as a general contribution to the household finances or allocated them to specific items of expenditure, with no discernable pattern between the 'renewed without persuasion' and 'renewed after persuasion' groups.

'Usually what happens is the benefits like Working Tax Credit, or Child Tax Credit, it usually comes in our joint account, but it usually gets spent on the household bills and everything, the food, I spend it all on that, just everything really.'

(Interview 18, Couple with children, 18-35, not working, maximum TC award, renewed without persuasion)

Claimants tended to allocate tax credits to the following specific items:

- mortgage or rent;
- fuel bills;
- childcare;
- food; or
- ancillary bills.

'How would I use it? To pay the mortgage... it [the mortgage] was a good chunk of my monthly salary as such and it paid the mortgage, and that's a great burden off anybody shoulders obviously... I have an interest only mortgage at the moment because I can't afford to do a proper mortgage, so the Tax Credit really, really helps that way.'

(Interview 17, Couple with children, 36+, working, first taper TC award, renewed after persuasion)

'Okay I get my Child Tax Credit weekly so I just have to budget because of all the shopping for the children, there's feed for the baby, and nappies and things like that, and then whatever remains I have to budget into the bills, that's how I budget for it.'

(Interview 7, Couple with children, 36+, not working, maximum TC award, renewed after persuasion)

2.3 Reasons for late renewal of a tax credits in the previous year

A number of the claimants participating in the study were under the impression that they had already renewed their tax credits and so were surprised to be included in the Reach out Renewals pilot.

For two self-employed claimants, they thought that their accountants had dealt with their tax credits renewal:

'I was very surprised when they [HM Revenue and Customs] rang because I thought the accountant was dealing with it...but when I asked her she said she hadn't sent it off so that must be why [HM Revenue and Customs rang].'

(Interview 8, Couple with children, 18-35, self-employed, first taper TC award, renewed after persuasion)

Another claimant thought that Jobcentre Plus had dealt with her tax credits renewal:

'Because when I've gone and claimed Income Support when I moved down here I was told by the Job Centre they would do all that... deal with the tax credits... they would get in touch with them, they would inform them that I was on Income Support, they would just deal with the whole side of it. So the money was still going in the bank but I hadn't got my Income Support sorted out so I just assumed what was going to happen was when I got my Income Support, the amount would be taken off and go to tax credits, because I had been told they[Jobcentre Plus] were going to deal with it. And they didn't deal with it.'

(Interview 6, Single parent, 36+, working, maximum TC award, renewed without persuasion)

Others admitted that they might have sent in their annual declaration form late, or had made an error on it:

'I did the form in April or May I think... but I think we forgot all about it then and I think I sent the form off a bit late - the annual review form I sent it off a bit late, and I think I must have answered a question wrong, yes I think I must have answered a question wrong because they called back to, I think to confirm.'

(Interview 19, Couple with children, 18-35, working, first taper TC award, renewed without persuasion)

The reasons why the remaining respondents were late in renewing their tax credits were very similar to those arising in the previous research and included:

- Personal circumstances; birth of a new baby or bereavement;

'I had just had my baby and it got put to one side.'

(Interview 3, Couple with children, 36+, not working, maximum TC award, renewed after persuasion)

- Lack of organisation and forgetfulness

'I can't remember receiving anything, but it's possible I did. Because I was constantly, because it came in just the right time because I'd cut my hours down for the summer holidays, because obviously I can't be in two places at once having children, I cut my hours down to sort of like nine or 10 hours a week, and obviously I'd made them aware of that as soon as it happened, and in my head I think that I told them and then completely forgot to renew.'

(Interview 11, Single parent, 36+, not working, maximum TC award, renewed after persuasion)

- Confusion about the tax credits renewal process

'Because somebody called me [from HM Revenue and Customs] ...but I thought that it was a mistake or something do you know what I mean, because everything was the same. I know they did send a letter but that if nothing has changed don't tick or something like that, so I just didn't put anything, then after some time they called me back and said you didn't renew your stuff, and then she phoned me back, "Do you want to do it over the phone?", and I said "Yes".'

(Interview 1, Single parent, 18-35, not working, maximum TC award, renewed without persuasion)

- An on-going query with HM Revenue and Customs regarding ID theft

'Yes [received annual renewal] but it weren't worth me doing the renewal because when they done the fraud claim on mine - whoever got into the system changed me as being, I think it was a nurse or a carer or something... my name, my national insurance number and their Post Office details if I remember rightly so at the end I couldn't do nothing whatsoever until they'd [HM Revenue and Customs] sorted their end out... I didn't understand it [Reach out Renewals telephone call] to be quite honest, I knew that it was for the renewal but I couldn't understand why they were ringing me to do it when they said that I didn't need to do it, if you know what I mean?'

(Interview 14, Single parent, 18-35, working, maximum TC award, renewed without persuasion)

3 Claimant's experiences of the Reach out Renewals Pilot

This chapter focuses on claimants' experiences of the Reach out Renewals Pilot. The chapter begins by considering their overall views about the Pilot and then turns to their views about some of the individual steps in the process including their interpretation of the reasons for the telephone call from HM Revenue and Customs and their initial reactions to the call. The chapter then considers some of the process aspects of the Pilot – the authentication process, whether claimants understood their role in the call and could answer the questions asked of them. The chapter ends by considering claimants' experiences of the call-back facility.

There were virtually no differences in the experiences and views between the renewed without persuasion and renewed after persuasion groups. The 'declined to renew' group had specific reasons for not renewing their tax credits but were otherwise very similar to both of the renewing groups. Where differences were apparent, these have been pointed out in the following sections.

3.1 Claimants' views about participating in the Reach out Renewals Pilot and being approached by HM Revenue and Customs

With the exception of the 'declined to renew' group, claimants were extremely positive about participating in the Reach out Renewals Pilot. This was for three reasons:

- The telephone call from HM Revenue and Customs provided a useful reminder, an opportunity to renew their tax credits and avoid a lapsed claim;

'So I was grateful that someone did ring me up at the right time and sort it out, otherwise my benefits would have been stopped without me even knowing that.'

(Interview 18, Couple with children, 18-35, not working, maximum TC award, renewed without persuasion)

'I think it is fine, it's easy. I've got no problem with it at all. Because there's times when things happen in people's lives... and it's [tax credits] the last thing on their mind. I think it just makes life a little bit easier and make sure that they don't fall behind. I mean one of them [children] was in hospital, often I'd be thinking about filling out forms and doing stuff like that so at least if they're [HM Revenue and Customs] getting in touch with people it's done.'

(Interview 6, Single parent, 36+, not working, first taper TC award, renewed without persuasion)

- The telephone call was time saving and efficient;

'Saved me filling in the forms and whatever I had to do, or ringing them. It was literally they did it for me, which was brilliant.'

(Interview 11, Single parent, 36+, not working, maximum TC award, renewed after persuasion)

'I was quite relieved; I thought oh this is quite good, simple. Couple of questions, didn't have to find the paperwork and when I finished the telephone call I just thought, oh, tick that off my list of things to do because I know it's been received.'

(Interview 2, Couple with children, 36+, working, first taper TC award, renewed without persuasion)

'Because it's easier, simpler, less paperwork, whilst it's not difficult, sometimes it can be a bit ambiguous and its an official Government document, you don't want to mess up, so sometimes then you think what do they mean by that and then you confuse yourself by trying to read into it too much. But yes, if it's over the phone then if you're not sure about something you can ask a question and it's, you know, someone can explain it to you.'

(Interview 12, Couple with children, 18-35, self-employed, maximum TC award, renewed without persuasion)

- The telephone call provided a clear line of communication with HM Revenue and Customs and enabled any misunderstandings to be dealt with;

'I thought I had sent the [renewal] form in... I think it was very near the deadline, but I made a mistake on it and when they rang they explained what I had to do and I rang them back and it was all solved and I got straight through to the same person... just makes it easier and had a person to talk to I had talked to before.'

(Interview 14, Couple with children, 18-35, working, maximum TC award, renewed without persuasion)

Claimants also commented on the *'excellent customer handling'* by the HM Revenue and Customs advisors which further enhanced their positive view of participating in the pilot:

'I thought it was brilliant, I really did. There was no hassle; it was a 10 minute phone call and made life so much easier. You don't have to spend hours going through paperwork that you are just useless at. It really was brilliant... and the lady on the phone was really, really nice, have to point that bit out. I think sometimes with these things, you feel like you are being judged at the fact that

you are crap at doing paperwork, and then you don't want to speak to people, because all you are gonna get is, you know, "You should have done it before", and she wasn't like that at all, she was really nice and probably the most helpful person I have spoken to in a while.'

(Interview 8, Couple with children, 36+, working, maximum TC award, renewed without persuasion)

The only negative comments made about the pilot by either of the renewing groups were from claimants that had a current dispute with HM Revenue and Customs, either because they considered that HM Revenue and Customs had lost some of their papers or they were paying back an overpayment which they did not consider was warranted. However, in each case, claimants recognised that the irritation they expressed about being contacted as part of the pilot was more to do with their general annoyance with HM Revenue and Customs than with the Reach out Renewals Pilot per se.

The three claimants who declined to renew their tax credits were all of the opinion that they had already sent in their renewal form. In one instance, the claimant had hand-delivered it to a local Enquiry Centre on the last day of the renewal period, in another they had sent in their form a week before the due date and the third claimant had her form returned as it was incomplete which she considered she had returned before the final renewal date. They were displeased about receiving a telephone call from HMRC because, in their views, they had already renewed their tax credits. For the same reason they declined to renew their tax credits through the Reach out Renewals pilot.

3.2 Claimants' views about the telephone call from HM Revenue and Customs

3.2.1 Claimants' understanding of the reasons for being telephoned by HM Revenue and Customs

Claimants' understanding of the reason for being contacted by HM Revenue and Customs was different according to whether they thought they had already renewed their tax credits or not. Nevertheless, claimants clearly understood that the call was concerned with their tax credits and with some aspect of tax credits renewal.

Claimants who had not renewed their tax credits, or had knowingly renewed late clearly saw the telephone call from HM Revenue and Customs as an invitation to renew their tax credits.

'She phoned me up to tell me that we haven't received your forms and in these circumstances what we can do is stop your benefits [tax credits] or we can renew them over the phone.'

(Interview 16, Couple with children, 18-35, not working, maximum TC award, renewed without persuasion)

Claimants who declined to renew their tax credits did not see the telephone call in the same way, but more as an example of inefficiency on the part of HM Revenue and Customs.

'As usual they got it wrong again and lost my form again. They do this every time... I am so fed up with them.'

(Interview 21, Couple with children, 36+, working, maximum TC award, declined to renew)

'These people are more than capable of cocking it up no matter what I do.'

(Interview 20, Single parent, 36+, self-employed, maximum award, declined to renew)

By contrast, claimants who were under the impression that they had already renewed their tax credits– even though they might have sent in the renewal form *'a little late'* – interpreted the call as an opportunity for HM Revenue and Customs to check details, obtain missing information, or address any discrepancies between a renewal form and the information already held on file.

'They rang me to say there was a discrepancy with the information held on the computer and what was on my application form.'

(Interview 15, Single parent, 36+, working, maximum TC award, renewed without persuasion)

HM Revenue and Customs advisors used a script when making the telephone calls. Although there is no direct evidence to support this, it is clear from the comments of the claimants that the HM Revenue and Customs advisors were using a flexible approach to asking questions, such that claimants who thought they had already renewed their tax credits were still able to participate in the telephone call even though the call was ostensibly for claimants who had not renewed their tax credits.

'I mean if he'd told me I hadn't renewed on time, I'd bitten his head off, 'cos I do renew on time, I can't afford not to, and there's no way I want to risk losing, it's a lifeline for me really, it's like chopping the rope off that I'm dangling on isn't it.'

(Interview 15, Couple with children, 36+, working, maximum TC award, renewed without persuasion)

3.2.2 Claimants' initial reactions to being telephoned by HM Revenue and Customs

Generally, claimants were unconcerned about being contacted by HM Revenue and Customs. This was primarily because it was clear from the outset that the call was from HM Revenue and Customs and the discussion focussed quickly on the issue of tax credits – an issue that they knew was relevant to them.

'I liked it... it was clear who it was and I didn't have any problems with it... yes, being called by them [HM Revenue and Customs].'

(Interview 6, Couple with children, 18-35, not working, maximum TC award, renewed without persuasion)

However, where there were concerns about being contacted by HM Revenue and Customs, it was those claimants who needed to be persuaded to renew over the telephone that were more likely to express an initial negative reaction. This was for two reasons:

- They were not expecting a call from HM Revenue and Customs and were therefore concerned that either they had done something wrong or thought the call was bogus.

'Nearly had a heart attack when I first answered it [the call] and she said she was Inland Revenue [HM Revenue and Customs], for obvious reasons... everybody would have a heart attack.'

(Interview 5, Couple with children, 36+, not working, first taper TC award, renewed after persuasion)

- They did not consider that the explanation given by the HM Revenue and Customs adviser was sufficiently clear to reassure them of the authenticity, or the purpose, of the call. In some instances this seemed to be because claimants did not initially recognise who HM Revenue and Customs were, nor associate them with their tax credits claim. In others it was because the claimant understood the purpose of the call as being to check details. Examples of each of these follow.

'I couldn't figure out who was calling... I thought HM Revenue and Customs? Who are HM Revenue and Customs? And then I got worried because they were asking me for my name and address... I then asked them who they were and they said they were to do with tax credits and it all fell into place then... but I was a bit mystified for a bit.'

(Interview 19, Single parent, 18-35, not working, maximum award, renewed after persuasion)

'I remember a call coming through but the HM Revenue and Customs did not say it was about renewing the claim, "It was to check details", that's all it was, they never mentioned it was to do with the renewal. I assumed that they had received my form and that they were just double checking the details... but it took me a while to realise that they were talking about renewing my claim.'

(Interview 17, Couple with children, 36+, working, first taper TC award, renewed after persuasion)

Any negative reaction was heightened where claimants had received bogus calls (on behalf of other agencies such as utility and credit card companies) in the past.

'I thought it was dodgy, really dodgy because it is difficult receiving a call from the tax man...this is a bit weird.'

(Interview 8, Couple with children, 18-35, self-employed, first taper TC award, renewed after persuasion)

As described in the next section, respondents were quickly reassured by the HM Revenue and Customs adviser.

3.3 Issues arising from the telephone call authentication process

As discussed in section 3.1 claimants were highly complimentary of the Reach out Renewals Pilot, the reasons for the telephone call from HM Revenue and Customs, the likely effect it had on their tax credits and the manner in which the calls were conducted by HM Revenue and Customs staff.

Where negative comments were made these were generally concerned with the initial authentication process, concerns about providing information over the telephone and some initial lack of clarity about the purpose of the telephone call.

'She could have been anybody. And I wasn't going to give anybody my details like that over the phone.'

(Interview 21, Couple with children, 36+, working, maximum TC award, declined to renew)

Claimants generally accepted that they would need to identify themselves by providing name and address details and date of birth. Some claimants also thought they recalled being asked for their National Insurance Number (NINO). While the general reaction to being asked for this information was one of acceptance, there were claimants who objected to this.

Reassurance about the authenticity of the telephone call was provided in three ways:

- Claimants asked the HM Revenue and Customs adviser to repeat the purpose of the call:

'I was like, "who are you and why?", and then they obviously explained. So I thought is this a bogus phone call, but they explained again and it seemed genuine.'

(Interview 11, Couple with children, 36+, not working, maximum TC award, renewed after persuasion)

- Claimants asked the HM Revenue and Customs to provide the information, which they would then confirm:

'The woman says on the phone, it's so and so from Customs and Excise, Inland Revenue. My heart went in my mouth thinking it was something to do with my husband and tax and whatever. And then she explained where she was from and could she ask me some security questions, which I said "No" because I wouldn't give security details over the phone... She wanted me to confirm my address, my full name and I think it was my date of birth... I said "No". And she explained who she was and she wouldn't be able to proceed. And I said, well if you obviously know who I am, then you tell me my NHS [NINO?] number, which she did. And I thought she's got that obviously so that's why we proceeded with the phone call.'

(Interview 5, Couple with children, 36+, not working, first taper TC award, renewed after persuasion)

- Claimants asked the HM Revenue and Customs to provide the information, which they would confirm by using the call-back facility. This is discussed in section 3.5.

3.4 Claimants' understanding of their role in the telephone call from HM Revenue and Customs

As discussed in section 3.2.1 claimants had a different view of the purpose of the telephone call that was dependent on whether they thought they had already renewed their tax credits. Claimants who thought they had renewed their claim understood their role to be one of providing information to HM Revenue and Customs in order to cross-check information already held on file, or to clarify a potential error on their renewal form. Claimants who had not renewed their tax credits understood their role to be one of updating HM Revenue and Customs on their circumstances in order to renew their tax credits.

Claimants had not renewed their tax credits

'Before, when I got all the forms through I was a bit confused, "oh my God", you know, I've got to fill all this out, but they phoned me up and said do you want to renew your benefits [tax credits] and they said they would go through the form over the phone.'

(Interview 13, Single parent, 18-35, not working, maximum TC award, renewed after persuasion)

Claimants were of the opinion that they had already renewed their tax credits

'I remember that, and it was just to check details that's all it was, they never mentioned it was to do with the renewal.'

(Interview 17, Couple with children, 36+, working, first taper TC award, renewed after persuasion)

3.4.1 Claimants' ability to answer the questions asked by HM Revenue and Customs

Claimants were asked how much they could recall of the telephone call they received from HM Revenue and Customs and whether they could remember the type of questions asked. Recall of the questions asked was mixed, but across the sample the following questions were recalled:

- personal circumstances;
- number of dependent children in the household (if any);
- employment circumstances and number of hours worked;
- income;
- benefits, other than tax credits, received; and
- whether there had been any changes in circumstances.

Claimants across the sample said that they found the questions that the advisor asked them easy to understand. Income questions tended to be the most complicated for people to answer, particularly where they were self-employed or had a job that resulted in a variable income. Nevertheless, claimants commented on how much easier it was to answer these questions verbally, rather than on a form. The HM Revenue and Customs advisors were complimented on their ability to explain clearly the type of information that was required.

Claimants commented on the high quality of the advisor's customer handling skills, describing the HM Revenue and Customs adviser as being clear, helpful and providing the right level of explanation where additional information was required.

'...I had to give them some figures about my income... and I get in a panic about things like that and he was really good and took me through what I needed to look for, and where to look for it, and then I found it and gave it and then it was renewed... really clear... and reassuring... really clear.'

(Interview 2, Couple with children, 36+, working, maximum TC award, renewed without persuasion)

3.5 Experience and views about the 'Call back' facility

The Reach out Renewals Pilot provided a call back facility. This provided the opportunity for the claimant to call HM Revenue and Customs back on a dedicated telephone number, for example where the claimant did not have the information to hand. While there were only two claimants in the study who had used the call back facility, there were examples of it being used in two different ways.

1. Claimant calls HM Revenue and Customs back as a means of establishing the authenticity of the original telephone call.

'I didn't know if it was really them [HM Revenue and Customs] so I said that I would ring them back so I could confirm it...that's what I did and when they answered I thought it was all okay and then gave them the information.'

(Interview 8, Couple with children, 18-35, self-employed, first taper TC award, renewed after persuasion)

2. Claimant needs time to find information and calls HM Revenue and Customs back.

'I couldn't find what they wanted and I didn't know how long it would take me [to find]...they did offer to ring me back but I thought it would be easier for me to ring them when I'd got it [the information].'

(Interview 4, Couple with children, 36+, working, first taper TC award, renewed without persuasion)

In both cases, claimants were complimentary about how the call back facility worked. It was seen as:

- Uncomplicated;
- Providing continuity, because advisors were conversant with their cases when the claimants rang back; and
- A welcome service because it enabled claimants to renew their tax credits with the minimum of fuss.

4 The educational aspects of the Reach out Renewals Pilot telephone call

Part of the telephone call in the Reach out Renewals Pilot had an educational emphasis – a reminder to claimants about the need for timeliness of renewing a tax credits claim and the implications of late renewals.

This chapter considers claimants' experiences of this part of the telephone call, their views on being reminded about the tax credits renewal process and the possible effect that this may have on their understanding of the tax credits renewal process.

4.1 Claimant recognition of the educational aspects of Reach out Renewals Pilot telephone call

The educational aspect of the telephone call comprised two parts: claimants were asked a series of questions about the tax credits renewal process and were then provided with information about renewing tax credits (a copy of the telephone script used by advisors can be found in Appendix C).

Recall of being asked questions about the tax credits renewal process, by all participants in the study, were very low. Two of the three claimants who declined to renew their tax credits said that they were not asked any of the educational questions. However, there was greater, but not universal, recall of being given information about the consequences of late or non-renewal of tax credits. With no discernable differences between the claimants, the key messages that were recalled about late or non-renewal of tax credits were:

- tax credits may be terminated;
- an over-payment may result from late or non-renewal of tax credits;
- overpayments need to be repaid; and
- any changes in circumstances must be notified to HM Revenue and Customs, ideally at the time of any change occurring.

4.2 Claimant views about the educational aspect of the Reach out Renewals Pilot telephone call

Generally, claimants were rather ambivalent about the educational aspects of the telephone call, primarily because they considered that they knew this information already. Although they were participating in the pilot study because they had not renewed their tax credits on time, the tax credits claimants in this study were of the view that they were not usually late in renewing their tax credits. Their late claim was

due to *'just missing the deadline and it wouldn't matter too much'*, an error on the part of someone else in sending in the renewal on time, or a one-off event such as bereavement or the birth of a new baby.

Nevertheless, there were both positive and mildly negative comments made about the educational aspect of the telephone call. Claimants who described themselves as rather disorganised welcomed the information given to them. They considered it to be *'a great idea, absolutely brilliant'*, and *'makes you more aware'*. Negative comments were only made by those claimants who thought that they had renewed their tax claim already or where they had an ongoing issue with HM Revenue and Customs that had yet to be resolved.

'I don't think I need it [educational aspects of call] because I got my form in on time, well nearly on time, so I know all about that... it just seemed a waste of her [HM Revenue and Customs advisor] time.'

(Interview 22, Couple with children, 36+, working, first taper TC award, renewed after persuasion)

There were some comments about the educational aspect of the telephone call appearing to be scripted and delivered in a rather mechanical way. The consequence was that claimants described this aspect of the call as patronising and tended to lose interest.

'It was rather scripted, you know, obviously... but you need to keep your ears open and adapt accordingly.'

(Interview 8, Couple with children, 18-35, self-employed, first taper TC award, renewed after persuasion)

'A bit patronising as I knew it already.'

(Interview 28, Couple with children, 18-35, self-employed, first taper TC award, renewed without persuasion)

Despite these comments there was evidence that the HM Revenue and Customs advisors were being flexible about how they delivered the information. This was welcomed and thought to be a more engaging style of delivery that meant claimants did not lose interest.

He just said to me, "I see you renew on time, but do you know what happens if it's not"... '

(Interview 2, Couple with children, 36+, working, maximum TC award, renewed without persuasion)

4.3 The potential effect of the educational aspects of the telephone call on understanding of the renewal and termination process

As discussed in the previous section, claimants mostly considered that they were already aware of the information that was provided to them as part of the educational aspect of the telephone call. They also recognised the likely consequences of late renewal. Consequently, they felt that there was likely to be little effect on their overall understanding of the tax credits renewal and termination process.

'No. It didn't make any difference because I already knew it.'

(Interview 20, Couple with children, 36+, self-employed, maximum TC award, declined to renew)

However, there were some exceptions, related primarily to those claimants who described themselves as being 'disorganised' as well as those who had failed to renew on time because they had misunderstood the renewal process. In these instances claimants considered that because of the educational aspect of the telephone call they better understood:

- that setting up a tax credits claim if they had failed to renew would mean that they may wait longer for any money to come through, because the administration of reinstating a tax credits claim took longer than that for a renewal;
- the consequences of late renewal – particularly the likelihood of incurring an overpayment that would need to be repaid.

It was also apparent that the telephone call from HM Revenue and Customs increased awareness that it was possible to renew tax credits by telephone.

'I had no idea you could do it [renew tax credits] by phone. They [HM Revenue and Customs] should publicise that much more.'

(Interview 4, Couple with children, 36+, working, first taper TC award, renewed without persuasion)

5 The potential effect of the Reach out Renewals Pilot on claimant behaviour

This chapter focuses on the potential effect of the Reach out Renewals Pilot in terms of increased understanding about tax credits renewals and terminations and future renewal behaviour. The chapter ends by presenting the suggestions made by claimants that would have made the tax credits renewal process easier.

5.1 The potential effect of the Reach out Renewals Pilot on claimant understanding of the tax credits renewal and termination process

As discussed in the previous chapter (section 4.3), claimants were mostly of the opinion that they understood the implications of late or non-renewal of their tax credits. Consequently, they thought it was unlikely that the educational aspects of the telephone call would have any effect on their understanding of the renewal process. However, there were some instances where these claimants felt reassured that their knowledge was correct as a result of hearing the adviser talked about the renewal process.

The educational information delivered in the telephone call seemed only likely to have some influence on those claimants who admitted to being disorganised in their financial affairs, or had not fully understood the tax credits renewal process, or who had relied on another party to forward their renewal papers to HM Revenue and Customs.

Claimants who were disorganised or who had not fully understood the tax credits renewal process considered that the educational aspect of the telephone call was useful. They felt that it had increased their knowledge and also increased their confidence in the knowledge they had about the tax credits renewal process. They also realised that the tax credits renewal process was much less complicated than they had expected it to be.

'It's much easier than I realised... and I didn't know a lot about it [tax credits renewal] but I think I know more now and a bit more confident that I can do it right next time.'

(Interview 6, Couple with children, 18-35, not working, maximum TC award, renewed without persuasion)

Claimants who had relied on others either to sort out the renewal of their tax credits or to forward the renewal papers to HM Revenue and Customs thought that in the future they were more likely to check that their renewal form would be sent in time to meet the renewal deadline.

'I'll just phone him up and see if he's posted it.'

(Interview 23, Couple with children, 36+, self-employed, maximum TC award, declined to renew)

5.2 The potential effect of the Reach out Renewals Pilot on claimant renewal behaviour

As discussed in section 3.1, claimants (except those who declined to renew) were very positive about participating in the Reach out Renewals Pilot as it provided them with a timely reminder and an opportunity to renew their tax credits. Claimants were also very pleased that they had avoided a potential over-payment situation.

Overall, there were thought to be four potential effects of the Reach out Renewals Pilot on claimants' future behaviour.

1. A recognition that not only is an annual renewal necessary but that renewing on time minimises the risk of incurring an over-payment situation.
2. A general intention to renew their tax credits on time next year.

'I would probably be more on top of it and phone them when I get the letter, like I say I am trying to adopt this new approach and it is working.'

(Interview 6, Couple with children, 36+, working, first taper TC award, renewed without persuasion)

3. Recognition that renewing very close to the deadline could mean that their renewal form arrives after the deadline, such that they intend to renew earlier next year.
4. An intention to renew their tax credits by telephone as this is seen as the easiest method and one through which help and advice is available from the HM Revenue and Customs adviser, should it be required.

However, the positive effect that the Reach out Renewal Pilot was thought to have was not universal. Those who were particularly forgetful did not think that their renewal behaviour would change:

'I'm likely to be late again, purely because I have a bad memory and disorganised. That's a difficult one. I would like to think that I would actually phone them, but when it comes to it whether I do or not [renew], I may just go to work instead. I don't know whether that [a reminder] would make a big difference, purely because I know what I'm like. I have got a brain like a sieve; I don't do anything like that, unless I was kicked up the butt to do it.'

(Interview 16, Couple with children, 36+, working, maximum TC award, renewed without persuasion)

Claimants who thought that they had already renewed their tax credits at the time of the Reach out Renewals Pilot telephone call and took the view that HM Revenue and

Customs had lost their renewal form felt that their confidence had been reduced. This was also true for those who declined to renew, all of whom were of the opinion that they had renewed their tax credits on time.

'If you take it [tax credits renewal] down to the tax credits office in person they refuse point blank to give you a receipt for the paperwork. They refuse. I know that because they refused last time I took it down. They said we don't do receipts. So if I hand it in in-person, from my own experience there's no guarantee it will be processed. Do it over the phone, there's no guarantee it will go through. Internet, they've already proved themselves incompetent on that. And putting it in the post, they come up with the same old chestnut, oh well it must have been lost by Royal Mail.'

(Interview 20, Couple with children, 36+, self-employed, maximum TC award, declined to renew)

5.3 Claimant suggestions for making the tax credits renewal process easier

Claimants made a small number of suggestions for making the tax credits renewal process easier. These are reported here without taking into account either the feasibility or the cost implications of the suggestions. Claimants made six suggestions.

- Further simplify the tax credits renewal form so that it is easier to provide the financial information required.
- Publicise the ability to renew tax credits by telephone, a suggestion also made in the previous research.

'Psychologically less difficult to renew by telephone.'

- Enable on-line tax credits renewal.
- Provide a reminder telephone call two to three weeks after despatch of the tax credits renewal forms to claimants who have a history of late renewal.
- Roll out nationally the Reach out Renewals approach for those claimants who have a history of late renewal, ideally with the minor changes below.
 - Recognise that claimants may have already renewed their tax credits—albeit near to, or just after, the deadline – and adapt the telephone script accordingly.
 - Allow flexibility in the telephone script regarding the presentation and delivery of the educational aspects of the telephone call for claimants who usually renew their tax credits on time.
 - Provide a better method of establishing the authenticity of the HM Revenue and Customs call.

6 Conclusions

Claimants do not renew their tax credits for a wide variety of reasons. While in some instances these are one-off events, in others late renewal is due to forgetfulness and a lack of organisation or sending in the renewal form very close to, or just after, the renewal deadline. Such findings are in line with the previous research on the tax credits renewal process. In this respect the Reach out Renewals Pilot was generally very positively received because it enabled claimants to renew their tax credits and potentially avoid an overpayment situation. For this, claimants were extremely grateful.

HM Revenue and Customs advisors were highly praised for the clarity of their communication and their helpfulness. The flexibility with which advisors were able to use the telephone scripts, particularly where claimants felt that they had already renewed their tax credits, was considered to reflect excellent customer handling.

From the point of view of providing educational information, claimants generally said that they knew the information already and it was only because of one-off events that they had failed to renew on time. Nevertheless, the educational aspect of the telephone call appeared to be successful in improving understanding amongst those claimants who did not fully understand the tax credits renewal process, and served to increase confidence in others. Only where a claimant already had a negative view about HM Revenue and Customs did the educational component of the telephone call reinforce their negative view.

In behavioural terms, there was a general intention to renew on time next year, although a number of claimants did not expect the same one-off events to prevent them from doing so. For the very forgetful and disorganised claimants, there was no such expectation to renew on time next year.

The Reach out Renewals Pilot appeared to increase awareness of the ability to renew tax credits by telephone, with claimants considering that telephone renewal was a much simpler process than they had expected.

Appendices

Appendix A: Topic Guide

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HM Revenue and Customs – Reach-out Renewals Pilot

Topic Guide

Research aims:

To explore:

- claimants' views and experiences of the Reach-out Renewals pilot
- understanding of the tax credit claim renewal process
- the effect of the direct telephone approach on claimants' understanding of the renewals and termination processes
- the steps that HM Revenue and Customs can take to further encourage renewal on time

1) INTRODUCTION

- About the research
- Commissioned by HM Revenue and Customs - the government department formed following the merger of Inland Revenue and HM Customs and Excise
- BMRB are an independent research agency working on behalf of HM Revenue and Customs
- Length of interview –1 hour
- Confidentiality and anonymity - recordings are confidential and available only to the research team
- Reassurance that a claim for any current or future Tax Credit will not be affected in any way
- Explain that this is a piece of research and not part of the Tax Credits process. Claimant will need to inform HM Revenue and Customs about any changes in their circumstances which may have an effect on their claim; this will not be done by the researcher as a result of the interview

2) DEMOGRAPHIC, HOUSEHOLD AND TAX CREDITS PROFILE (ASK ALL)

- Household composition

- number of adults
- number of children, age(s) –if applicable
- Employment status
 - How long they have worked
 - what do they do
 - part time / full time, self employed
 - how many hours a week do they work
 - stability of working pattern
- Explore what tax credits they are claiming
 - How long have they been claiming these
- If not currently claiming (because their claim has been terminated due to the failure to renew their claim in 2007), what tax credits have they claimed in the past
 - How long did they claim these for

3) APPROACH TO HOUSEHOLD FINANCIAL MANAGEMENT (Briefly – this section is to provide a context only)

(ASK ALL)

Management of general finances

- How do they deal with managing and budgeting the household finances
 - *Obtain brief description about whether they use a 'common pot', keep individual finances separate, use 'cash pots' or different bank accounts to allocate money for different purposes.*
- Do they keep track of their money
 - *Explore whether and how they keep track of their money; such as a monthly review of bank statements; use a diary etc. to write down transactions; software such as MS Money, etc.*
 - Who keeps track of the money
- How would they describe their overall approach to dealing with household finances
 - Explore whether their financial management is proactive or reactive

Management of tax credits specifically

- Who receives the tax credits in the household; why this person
- Who deals with tax credits; does it differ to who deals with the general finances
- How do they use tax credits
 - *Added to the common pot or allocated for a specific purpose*
 - Views about how much tax credits contribute to the financial well-being of the household
- How would they describe their overall approach to dealing with tax credits

4) EXPERIENCE OF THE REACH-OUT RENEWALS PILOT APPROACH TO TAX CREDITS RENEWAL

NOTE: Ask everyone who renewed their tax credits about every section of the phone call; Ask people who declined to renew only about those parts of the process they had experienced.

Note to researcher: Say to respondent *'in August or September of this year, an HM Revenue and Customs advisor called you and asked if you would like to renew your tax credits claim over the phone. This was part of a pilot scheme that HM Revenue and Customs were running called Reach-out Renewals. You accepted / declined* this invitation and so renewed / did not renew* at the time of the call.*

If you can now think back to that phone call, I'm going to ask you some questions about what you thought about it.'

*Delete as appropriate

- Did they know why they had been called by HM Revenue and Customs
- What did they see as the purpose of the call
 - Was the purpose of the call clear
 - IF relevant, what was unclear
- How did they see the call fitting in with the tax credits renewal process
 - **Probe:** How did the call fit in with their general understanding of tax credits processes; in what way

- Explore their views about the advisor contacting them directly about renewing their tax credits claim
 - Positive / negative aspects of experience
 - **Probe:**
 - Whether they did not like being contacted by the advisor; reasons why
 - Whether they welcomed the opportunity to renew their tax credits claim in this way; reasons why

- Were they clear about what they had to do
 - Explore reasons why / why not

- Did they renew their claim on the phone with the advisor
 - Reason(s) for this - **probe** for detail
 - Explore whether reason(s) relate to method of contact:
 - *If renewed*; speed of renewal; dislike paper renewal etc.
 - *If did not renew*; imposition, inconvenient time, language barrier etc.

- **To those who declined adviser's invitation to renew only:**
(**Note:** Claimants may have declined at any point in the telephone call)
 - Explore reason for declining the invitation to renew their tax credits
(**Note:** As claimants may decline at any point in the telephone call, please explore this at the point appropriate to each respondent)
 - At what point in the telephone call did they decline the invitation to renew their tax credits
 - ASCERTAIN the point at which they declined: Why did they decline at this point
 - What happened as a result of declining the advisor's invitation to renew the tax credits claim
 - Did they incur any overpayments as a result of not renewing this year

- Were they expecting this
 - How did they deal with paying back the overpayment
 - Prompt: lump sum / instalment
 - How did they deal with the consequences of having an overpayment
 - Impact on their household finances; how did they deal with this
- Do they know how to reclaim tax credits after their claim has been terminated
- **NOTE:** For *all*: but take claimants who declined to renew their claim part way through the telephone call through only the relevant parts of the interview process in the section below

Note to researcher: The following section is based on steps 7 – 16 of the HM Revenue and Customs RoR telephone script.

An extract from the script is shown below. It is for information only. Do not read out.

Step 7 – Checking the customer’s circumstances throughout the tax year, including income and other personal circumstances

“Check the customer’s circumstances throughout the year, and that their circumstances match the details held on the computer.

- did they or their partner receive Income Support, JSA (Income Based) or Pensions Credits for the period they are renewing

- how much did they and their partner receive in the year to 5 April 2007 for each of the following:

- taxable social security benefits

- earnings as an employee

- company benefits (company car / fuel, taxable vouchers and payment in kind)

- self employment

- other household income

- confirm that the customer’s personal circumstances are correct”

Step 8 does not involve the customer directly

Step 9 – Asking the customer whether the previous year income figures provided by them also represent an estimate of their current year income

“Ask the customer if the PY income figures that they have provided also represent an estimate of their CY income.”

Step 10 – If the information given by the customer does not match that held by the advisor, the customer is asked to call back on a specific number when they have the correct information to hand

“I have asked for information that you should know, or that will be on award notices we have sent you. But some of the details you have given me do not match what I already have. Therefore I cannot access your tax credits claim. Please call back when you have this information to hand.”

(The customer is provided the call back number and told it is only available until 31/08/07, after that time they will need to call the normal helpline number)

Step 11-16 do not involve the customer directly

Say to respondent: *'During the telephone call you were asked a series of questions about your household and financial circumstances...'*

- Do they recall being asked these questions
- *If they cannot remember, prompt with details from the box above re Steps 7-16. Do not read the script out, but outline the areas mentioned*
- Did they understand the questions the advisor asked them
 - Any problems; can they remember which questions in particular they found difficult to understand
 - Did they have the information the advisor needed to renew their claim on the phone
 - Any problems; which information in particular did they not have to hand

'The adviser will also have asked you whether the previous years income figures provided by you represented an estimate of their current year income...'

- Do they recall being asked this question
- Did they understand the question
 - Any problems; can they remember what in particular they found difficult

'Sometimes the HM Revenue and Customs adviser asks people to call back...'

- Were they asked to call HM Revenue and Customs back on the dedicated line for the Reach-out Renewals pilot (**Note:** available only until the 31st August 2007)
 - Do they know why they were asked to call back - **spontaneous**
 - **Prompt:**
 - because they were unavailable when the advisor first called
 - because they were unable to confirm name, DOB, NI number etc
 - because they did not have information regarding their circumstances to hand, e.g. income
 - Did they call back; when – how long after original phone call
 - Reason for length of time
 - Explore their views about calling back; why
 - Any problems / concerns – reasons for these
 - What happened when they called back;
 - Any problems; which aspects in particular
 - Did they have the correct information the advisor needed to renew their claim when they called back
 - Any problems; which information in particular

Note to researcher: The following section is based on step 20 of the script and is to gauge the claimant's understanding of the renewal process and to provide information to improve customer understanding.

An extract from the telephone script is provided below. This is for information only and not to be read out.

Step 20 – Asking the customer a series of questions about renewing their claim, then telling the customer the importance of renewing their tax credits claim and the consequences of not renewing in time ('education')

Questions:

- Are you intending to renew your tax credits?
- Do you know what will happen to your tax credits claim if you do not return your renewal form by the reply by date printed on your form?
- Do you know what will happen to the tax credits you have received since April 2007 if you do not return your renewal form by the reply by date printed on the form?

Education:

The script reads as follows:

Inform the customer that if they do not give us the information we need to renew their claim:

"The payments you have been getting will stop, even if you are entitled. And if you want to continue getting tax credits you will have to make a new claim. Payments you have had will become an overpayment which you will have to pay back.

You have to renew every year and you can do so by contacting the tax credits helpline, or sending your renewals form in by post. If you need help in completing your renewal you can contact the tax credits helpline or alternatively the Citizens Advice Bureaus or HM Revenue and Customs's Enquiry Centres offer support.

You should tell us straight away about any changes in your circumstances that could affect your tax credits. The checklist that you get with your award notices can help you see if you need to tell us about a change. It is easy to tell us about changes – you can call the tax credits helpline, or write to the Tax Credits Office."

Say to respondent: *'The HM Revenue and Customs adviser will have asked you some questions about how to renew your tax credits claim and the consequences of not renewing your claim on time...'*

- Do they recall being asked these questions
- If they cannot remember, prompt with details from the box above re Step 20: Questions. Do not read the script out, but outline the areas mentioned
 - Can they recall what questions they were asked
- Did they have any problems with answering any of the questions; which questions in particular
 - Any particular aspects of a question; which
- Explore their views about being asked these questions

- What did they think the purpose of being asked these questions was

Say to respondent: *'The HM Revenue and Customs adviser will also have given you some information about how to renew your tax credits claim and consequences of not renewing your claim on time...'*

- Do they recall the adviser talking to them about this
- *If they cannot remember, prompt with details from the box above re Step 20: Education. Do not read the script out, but outline the areas mentioned*
 - What can they remember
- Did they understand what the advisor told them about:
 - The importance of renewing their tax credits claim
 - The consequences of not renewing on time
 - What aspects did they find difficult, if any
- Explore their views about being given this information
 - What did they think the purpose of being given this information was
- How useful did they find the information given to them
 - In what way was it useful

Overall:

- How would they describe the Reach-out Renewals experience overall

**5) IMPACT OF THE REACH-OUT RENEWALS APPROACH
(ASK ALL, but tailor questioning for those who declined to renew according to the point in the interview at which they declined)**

- What do they see as being the purpose of tax credits
- Explore awareness that HM Revenue and Customs asks claimants to renew their tax credits claim at the end of the claim year
 - What do they see as the purpose of the tax credits renewal process
 - What information are they required to check
 - Awareness of reporting **change of circumstances** at renewal
 - Awareness of which changes they should report
 - Awareness that they have until the end of July to renew their tax credits claim
- Explore whether they have a preferred renewal method (paper / phone)
- Do they feel better informed about the topics above after the RoR call
 - In what way
 - About any aspect in particular; which
 - Explore whether there is anything they now know about tax credits renewals that they did not know before the call

They did not renew their tax credits claim before 31 July 2007-

- EXPLORE whether this was a:
 - deliberate decision
 - to do with the renewal process itself
 - or other reasons

- **Deliberate decision**
 - Reasons for this:
 - **PROBE** whether the amount they were receiving in tax credits was an issue
 - Lack of interest
 - Were they expecting their claim to be renewed even though it was returned late
 - Reasons for this, such as prior experience
- **Reasons to do with the tax credits renewal process**
- Difficulties in obtaining information:
 - about the renewal process
 - and for the renewal process
 - **PROBE** for precise information
 - What would assist in getting information faster
- Any difficulties with the renewal form and declaration form
 - What problems arose
 - What would make the forms easier to deal with
- **Other reasons**
 - Family issues, caring responsibilities, illness, etc.
 - Mismanagement, forgetting the deadline, losing the form etc.
 - Lack of awareness of deadline
 - Language barrier
 - Other reasons
- Have they renewed their tax credits claim late before
 - Explore when and reasons for late claims
- What happened in previous years
 - Did they make a new claim or was their claim renewed without them making a new claim
 - Did they lose out on their tax credits entitlement
 - What effect did that have on their household finances
 - Did they find out / were they ever told what to do in previous years how to avoid renewing late

Explore the effect of the Reach-out Renewals approach on their future renewal behaviour

- **When** do they think they will renew in 2008
 - **Prompt:**
 - Early
 - Late
 - Not at all
 - Reasons for choice
 - Explore any effect of Reach-out Renewals approach
 - Will they rely on RoR to help ensure that they renew in future years
 - Do they understand enough about the system so they can renew in future years without RoR
 - Is there anything else they need to know; what
- **How** do they think they will renew in 2008
 - **Prompt:**
 - By telephone

- By post
- Reasons for choice; refer back to preferred renewal approach mentioned earlier; any change
 - Explore any effect of Reach-out Renewals approach

6) MAKING THE TAX CREDITS RENEWAL PROCESS EASIER (ASK ALL)

- What would make the tax credits renewal process easier for them
 - Changes to the forms, etc.; what else
- What would enable them to send a renewal in on time
- What do they think could be done to help HM Revenue and Customs communicate with claimants during the renewal period
 - Probe for detail
- Ideal method of communicating with HM Revenue and Customs – **spontaneous**; reasons for choice
 - **Prompt:**
 - Postal methods
 - Telephone
 - Internet
 - Reasons for choice
- What would make the Reach-out Renewals process more effective; how could it be improved

Re-emphasise that this is a piece of research and not part of the tax credits process. Claimant will need to inform HM Revenue and Customs about any changes in their circumstances which may effect on their claim. Offer helpline number to respondent: 0845 300 3900.

Thank participant and close discussion

Appendix B: Analysis

Material collected through qualitative methods is invariably rich but unstructured. Much of it is text based, consisting of verbatim transcriptions of interviews. Moreover, the internal content of the material is usually in detailed and micro form (for example, accounts of experiences and inarticulate explanations). The primary aim of any analytical method is to provide a means of exploring coherence and structure within a cumbersome data set whilst retaining a hold on the original accounts and observations from which it is derived.

The analysis of the in-depth interviews was undertaken using a qualitative content analytic method called 'Matrix Mapping', which involves a systematic process of sifting, summarising and sorting the material according to key issues and themes.

The first stage of 'Matrix-Mapping' involves familiarisation with the data (in the form of verbatim transcripts) and identification of emerging issues. Based on this preliminary review of the data, as well as the coverage of the topic guide and the researchers' experiences of conducting the fieldwork, a thematic framework is constructed.

The subject headings that made up the thematic framework used for this research were as follows:

- 1) Household and tax credits profile
- 2) Household and financial management
- 3) Experience of Reach out Renewals Pilot
- 4) Impact of the Reach out Renewals Pilot
- 5) Making the Tax Credits Renewals process easier

The analysis then proceeded by summarising and synthesising the data according to this thematic framework that comprises a series of subject charts displayed in Excel.

Data from each interview transcript was summarised and transposed under the appropriate subject heading of the thematic matrix. The context of the information was retained and the page of the transcript from which it came noted, so that it

was possible to return to a transcript to explore a point in more detail or to extract text for verbatim quotation. Once the data had been sifted a map was produced which identified the range and nature of views and experiences, sought associations and patterns within them and provided explanations and underpinning factors.

The mapping process is similar regardless of the topic being considered. The analyst reviews the summarised data; compares and contrasts the perceptions, accounts, or experiences; searches for patterns or connections within the data and seeks explanations internally within the data set. Piecing together the overall picture is not simply aggregating patterns, but weighing up the salience and dynamics of issues, and searching for structures within the data that have explanatory power, rather than simply seeking a multiplicity of evidence.

Appendix C: The script used by HMRC advisors to educate customers about tax credits

Step 20 – Educate the customer

Tell the customer that you want to explain the importance of renewing their tax credit claim and what happens if they do not renew in time. Use the table below to outline the importance of renewing their claim.

Ask the customer the following questions and complete the data spreadsheet as appropriate (see separate instructions)

Use Annex A about educating the customer

EDUCATE CUSTOMER

- Are you intending to renew your Tax Credits?

For your own tax credits, do you know if we can renew your claim automatically or do you have to return your renewal form?

- HMRC can do it automatically
- I have to return the form

Do you know what will happen to your Tax Credit claim if you do not return your renewal form by the reply by date printed on your form?

- Yes
- No

If yes, what will happen to your claim if you do not return the form by this date?

- Customer answers the claim and their payments will be stopped or
- customer does not know the claim and their payments will be stopped

Do you know what will happen to the tax credits you have received since April 2007 if you do not return your renewal form by the reply by date printed on the form?

- Yes
- No

If yes, what would happen to the tax credits you have received since April 2007 if you do not return the form

- Customer knows that the money will become an overpayment or
- customer does not know that the money will become an overpayment

If the customer knows that the money would become an overpayment, ask

- whether they would have to pay back the overpaid tax credits
- whether they would be able to keep the overpaid money

Education

Inform the customer that if they do not give us the information we need to renew their claim:

“The payments you have been getting will stop, even if you are entitled. And if you want to continue getting tax credits you will have to make a new claim. Payments you have had will become an overpayment which you will have to pay back.

You have to renew every year and you can do so by contacting the Tax Credit Helpline, or sending your

renewals form in by post. If you need help in completing your renewal you can contact the Tax Credits Helpline or alternatively Citizens Advice Bureaus or HMRC's Enquiry Centres offer support.

You should tell us straight away about any changes in your circumstances that could affect your tax credits. The checklist that you get with your award notices can help you see if you need to tell us about a change. It is easy to tell us about changes - you can call the Tax Credits Helpline, or write to the Tax Credit Office”.