

COP 26 - What happens if we have paid you too much tax credit?

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Introduction

This leaflet explains what happens if we have paid you too much tax credit. It tells you:

- some of the reasons why overpayments happen
- how you can pay back an overpayment
- when you don't have to pay back an overpayment
- what to do if you don't agree with us that you have to pay back an overpayment.

If you aren't sure whether we are right when we say you have been overpaid, please [contact us](#). If you have a query about your tax credit claim or whether you can claim please [contact us](#). If you don't know what to do about any letter you receive from us or your award notice then please [contact us](#).

How we work out the amount of your tax credits

Tax credits depend on your income and your family circumstances. When your income or family circumstances change then your entitlement or the amount we pay you may change.

Tax credits are paid for a year – from 6 April to 5 April. Initially we work out how much to pay you from what you tell us about your previous year's income and your family's circumstances now.

After 5 April each year, we send you a renewal pack which asks you to:

- check the information we hold about you
- tell us how much income you had in the year.

You should try to complete and return your renewal form as quickly as possible. We will then work out the actual amount due to you for the year that has just ended and also the amount for the year that started on 6 April.

What causes overpayments?

An overpayment means we have paid you more money than you are entitled to.

Overpayments can occur if:

- you don't give us the right information either when you claim or when you renew your claim at the end of the year
- you are late telling us about a change in your circumstances
- your income is £25,000 more than it was in the previous year
- you give us wrong information when you tell us about a change in your circumstances or income
- we make a mistake when we record the information you give us
- we don't act on information you give us.

Changes in your circumstances or income

We depend on you to keep us up to date with any changes in your income and your family circumstances. The law says that you must tell us about certain changes within one month of them happening. You should use the checklist we send you with your award notice to check which changes you need to report.

If you are still not clear what changes affect your award or what income affects your tax credit award then please contact our helpline - we can help.

After you tell us about a change in your circumstances or a change in your income, we work out the new amount of tax credit payments you are due and issue a new award notice.

Our responsibilities and yours

To help get your award right and avoid overpayments it is important that we fulfill our responsibilities and you fulfill yours.

Our responsibilities are as follows:

- **When you contact us for information we** give you the correct advice based on the information you give us. If you don't understand your award notice please [contact us](#) and we will talk you through this.
- **When we receive or renew your claim we** accurately record and use the information you give us to work out your tax credits and pay the correct amount.
- **When we send you an award notice we** include information you have given us about your family and your income. If you tell us that there is a mistake or something missing on your award notice, we will put it right and send you a corrected award notice.
- **When you contact us to report a change of circumstance we should** accurately record what you have told us and send you a new award notice within 30 days. This 30 day timeframe does not begin until we receive all of the information we need from you to make the change. It is therefore important that you provide us with full and complete information when you report a change.

Your responsibilities are as follows:

- **When you make or renew your claim you** give us accurate, complete and up to date information.

- **You tell us of any change of circumstance throughout the year** so we have accurate and up to date information. We require you to report certain changes within one month of them happening - these are listed on the [checklist](#) you received with your award notice. We also recommend that you report any changes in income as soon as possible to reduce the chance of receiving an overpayment.
- **Each time you get an award notice you** use the [checklist](#) that is sent with each award notice. You should check all the items listed and tell us if anything is wrong, missing or incomplete. You must tell us about some changes within one month of them happening - these are listed on the back of the [checklist](#)

The main details we expect you to check are:

- whether the award is for you as an individual or as part of a couple
- the hours you work
- whether you receive Income Support or income-based Jobseeker's Allowance or Pension Credit
- whether you, or anyone in your household, has a disability element
- the number and age of any children in your household
- childcare costs
- your total household income for the period shown on the award notice.

If you don't get an award notice within one month of telling us about a change in circumstance please [contact us](#) as soon as possible.

- **After you receive any award notice you should check that the payments** you receive from us every week or every four weeks match the amount we said you should receive on the award notice. We expect you to tell us if you have received any payments that did not match what was shown on the award notices during the period that the overpayment arose.
- **If you spot an error on your award notice you** should tell us within one month of receiving your award notice. Please make a note of the date you received your award notice and the date you contacted us. We may ask you to provide this information to show that you acted within one month.

If you don't understand the award notice please [contact us](#)

What if we fail in our responsibilities?

If you fulfil **all** of your responsibilities but we have failed in ours, we won't ask you to pay back all of the overpayment arising from our failure.

However- you must report any errors on your award notice within a month of receiving it. If you do then you won't be responsible for any overpayment which has occurred because of our error. If you report an error more than a month after receiving your award notice we may ask you to repay any overpayment until the time you contact us.

Example 1. On 1 September you tell us about a change in your circumstances but we don't change your award until 16 October. We won't collect back any overpayment that arises **after** 30 September.

Example 2. On 12 August you tell us about a change in your income. We send you a new award notice which you receive on 19 August but we have incorrectly recorded the information you gave us. If you spot and tell us about the error by 18 September (30 days from 19 August) we won't collect any overpayment caused by our mistake.

Example 3. On 12 August you tell us about a change in your income. We send you a new award notice which you receive on 19 August but we have incorrectly recorded the information you gave us. If you spot this and don't tell us about the error until 27 September (38 days from 19th August) you may be responsible for the overpayment up until the date you contacted us.

Whenever you tell us about an error we won't collect any overpayment that may build up because of our failure to correct our error from this time.

What if you fail in your responsibilities?

If we fulfil **all** of our responsibilities but you have failed in yours, we will normally ask you to pay back all of the overpayment. For example if you report an error on your award notice more than one month after receiving your award notice then you may have to pay back any overpayment which has built up until the time you contacted us.

What if we both fail to meet our responsibilities?

We will look at the circumstances of your case and we may write off parts of an overpayment if we have failed to meet one or more responsibilities but you have also failed to meet yours.

What if it takes you some time to tell us we have failed our responsibilities?

We ask you to tell us about any mistakes we have made within one month of receiving your award notice. If you don't tell us within one month we will ask you to pay back the overpayment up to the date you contacted us. **We won't ask you to repay any overpayment, which is due to that mistake, after the date you contacted us.**

However, we do understand that there are exceptional circumstances which may mean that it was not possible for you to meet your responsibilities on time. For example, you, or a close family member may have been seriously ill when you received your award notice and were unable to report an error within a month of receiving the award notice. Please [contact us](#) if you think this applies to you.

If you aren't sure if we have made an error please [contact us](#)

Challenging the recovery of an overpayment

There are two main ways that you can challenge an overpayment. You can dispute the recovery of an overpayment or you can appeal if you don't think the level of your award was correct. The section below tells you how to dispute or appeal and also tells you what to do if you don't understand why you have received an overpayment.

What to do if you don't understand why there is an overpayment

If you don't understand why there is an overpayment then please [contact us](#) and we can provide an explanation over the phone or in writing.

How to dispute an overpayment

If you don't agree that we should ask you to pay back the overpayment you can ask us to look at this again. We call this **disputing** an overpayment. You can do this in writing, or use form [TC846](#) or call us on **0845 300 3900**

When we receive your dispute we will write to you telling you that we have stopped collecting the overpayment while we consider whether you must pay it back.

How do we decide whether you should pay back some or all of the overpayment?

If you dispute recovery of an overpayment, we will check whether you met your responsibilities and we met ours

We will check that:

- we accurately recorded and acted on any information you gave us when reporting a change of circumstance within one month of you reporting the change
- we accurately calculated and paid you your correct entitlement
- the information we included on your award notice was accurate at the date of the notice and
- if you contacted us, we will check what you told us and the advice we gave you based on that information was correct. We will also check whether you contacted us to discuss any queries on your award notice and whether we answered these queries.

We will also check that you:

- gave us accurate and up to date information when you claimed tax credits
- reported any changes of circumstance in the timescales listed on the checklist
- checked your award notice within one month of receiving it and checking that the payments received matched the amounts on the award notice and
- checked your award notice within one month of receiving it and if and when you reported any errors
- whether you have told us of any exceptional circumstances that meant you could not tell us of a change of circumstances or advise us of our error within one month.

Once we have checked whether you have met your responsibilities and we have met our responsibilities we will make a decision about whether the overpayment should be paid back.

We will decide whether you must pay back all or only part of the overpayment. We will give you this decision, along with our reasons, usually in writing.

We may not ask you to pay back an overpayment if you contacted us to tell us your difficult personal circumstances meant you could not check your award notice or bank payments. For example, you or a family member is seriously injured in a car crash or you are critically ill in hospital. If this is the case please [contact us](#) as soon as possible.

If you still think that the overpayment should not be paid back

If you are still unhappy that we have decided to continue collecting the overpayment and this is because you have **new** information to give us, please [write to us](#) as soon as possible. We will stop collecting the overpayment again while we review the **new** information you give us.

We may also review a case if you feel that we have not considered previous information you have provided to us. However we won't suspend recovery whilst reviewing previously provided material.

If there is no new information but you are still unhappy with the decision, you may wish to contact a professional adviser or an organization like Citizens Advice to consider what options are open to you, including any through the courts. If you aren't satisfied with our service please see the section 'putting things right' below.

How to appeal

You cannot appeal against our decision to recover an overpayment but you can appeal against your Child Tax Credit or Working Tax Credit award if you are unhappy with our decision about the **amount** of your overpayment.

You can also appeal against any penalty we have imposed in connection with your tax credits claim. We will always tell you if you have a right of appeal on the notice that sets out the decision.

If you want more information about making an appeal, please read our leaflet [WTC/AP 'How to appeal against a tax credits decision or award'](#)

Paying back an overpayment

How will we expect you to pay back an overpayment?

We can collect back an overpayment from you in two ways. The first is by reducing the payments you receive from an ongoing award. The second is by asking you to make direct payments to us. In some cases we may ask you to do both. Please see the section below for more information.

How much will we recover from an ongoing award

If you are still receiving tax credit payments as the same household for which the overpayment arose, we will automatically reduce the amount we pay you. We automatically reduce your payments to recover an overpayment from an ongoing award. The maximum rate at which we recover depends on your current tax credit award as follows:

Tax Credit award	Maximum recovery rate
A maximum award with no reduction due to income	10%
An award of the family element of Child Tax Credit only	100%
All other awards – For example, those entitled to Child Tax Credit above the family element, or Working Tax Credit below the maximum	25%

Please [contact us](#) if you want help understanding which recovery rate applies to you.

If you feel that you are unable to meet your essential living expenses because of the reduction in your payments then please see [What if you can't meet your essential living expenses?](#)

Recovering an overpayment by direct payments

If you are no longer entitled to tax credits, we will ask you to make a direct payment to us. Or if your tax credit award has ended (this might happen if there is a change in your household for example, you were single and now you are in a couple) then we will ask you to make a direct payment to us. We will do this even if you are receiving another award of tax credits for a new household you are part of.

Paying back an overpayment from an ongoing award and a direct payment

This may happen if you have an overpayment from an old tax credit award which ended (for example, you and your partner split up and then you made another claim as a single person or in a new couple) and an overpayment from a current tax credit award. You could be asked to pay back an overpayment from your current award as well as a direct payment from your previous award.

Asking for more time to repay a direct payment

If we have asked you to pay back an overpayment from a previous award directly but you need more time to repay this then call us on **0845 302 1429** as soon as possible. We can make arrangements for you to pay back in equal installments over a period of 12 months.

If you need a period longer than 12 months, please let us know when you call. We will want to know:

- your family circumstances, in particular anyone chronically ill or disabled
- your income now and in the future
- your living expenses, (for example, rent, council tax, gas or electricity bills)
- your savings, investments and other assets
- your other debts, (for example, mortgage repayments)
- how long it will take you to pay back the overpayment
- whether you are repaying a previous overpayment or have recently repaid one.

If you need to contact us to discuss financial hardship, but exceptional circumstances such as a family crisis, mean that you are unable to set aside time to fully discuss your detailed financial circumstances then please try and give us a quick call to explain this. We will then put the recovery on hold until you are able to fully discuss your situation.

When you call we may ask you about any family circumstances that may lead to extra living costs. For example if you are looking after someone who is chronically ill or disabled. In some exceptional circumstances, we may write off your overpayment altogether.

We can tell you more about the different direct payment options if you call us on **0845 300 3900**

What if you can't meet your essential living expenses?

If you can't meet your essential living expenses either because you are repaying an overpayment directly or we have reduced your ongoing tax credit payments to repay an overpayment then please [contact us](#)

If you think you won't be able to pay for essential living expenses such as your rent, gas, or electricity because we are asking you to pay back an overpayment, please [contact us](#). We will ask detailed questions about your circumstances. Please see [Asking for more time to repay a direct payment](#). Whether you are repaying your overpayment from a reduction in your tax credit payments or through a direct payment, we may offer you an option for extending the period over which you pay back the overpayment by changing the amount being recovered each month or stop recovery in exceptional circumstances. If we do reduce the rate of recovery to help you budget, it will take you longer to pay off the overpayment.

In exceptional circumstances, we may write off your overpayment altogether.

What we do if you have an overpayment and you and your partner separate

When this happens, your joint claim ends and we work out if you have been overpaid. If you have been overpaid we write to both of you at a later time (usually at the end of the financial year in April) telling you the total amount of overpayment due. We ask you to contact us to arrange how the overpayment will be repaid. Once you contact us we usually ask each of you to repay 50% of the overpayment.

Alternatively if you wish, you and your partner may agree between you to pay a different sum of the overpayment back e.g. you may agree that one of you pays 30% of the overpayment and the other may pay 70%. If your personal arrangement fails we will seek 50% of the overpayment from each of you.

If we cannot contact one of you, we may ask the person we can contact to pay the whole amount. This is because by law you are jointly and severally responsible - this means that by law we are able to recover the whole overpayment from both of you or one of you alone. However, we will only ask you to pay the whole amount after making every possible attempt to contact your ex-partner and failing to do so. Again, if you feel that you are unable to repay the full amount of the overpayment then please [contact us](#) to discuss this with

us and we may be able to arrange for you to pay a lesser amount or in exceptional circumstances to have the overpayment written off.

You can make a new claim as a single person or with a new partner but you must contact us to do so. However, we cannot reduce your new claim payments to collect back an overpayment from an earlier claim. You must pay for a previous overpayment by a direct payment, rather than from a reduction in your current payments.

Contact us

- Call us between 8am and 8pm, seven days a week:
Helpline **0845 300 3900**
Minicom/Textphone **0845 300 3909**
If you prefer to speak in Welsh **0845 302 1489**
If you are living overseas and cannot get through on the Helpline number shown, please call **00 44 289 0808 316**
- Visit any HMRC Enquiry Centre – you may need to make an appointment to see an adviser
- Write to
Tax Credit Office
Preston
PR1 0SB.

Customer Service

HM Revenue & Customs commitment

We aim to provide a high quality service with guidance that is simple, clear and accurate.

We will

- be professional and helpful
- act with integrity and fairness, and
- treat your affairs in strict confidence within the law.

We aim to handle your affairs promptly and accurately so that you receive or pay only the right amount due.

Putting things right

If you aren't satisfied with our decision to seek recovery of an overpayment and/or our service, please let the person dealing with your affairs know what is wrong. We will work as quickly as possible to put things right and settle your complaint.

If you are still unhappy, please contact the helpline and your complaint will be referred to the Complaints Manager.

If you have exhausted HM Revenue & Customs's complaints procedures and are still unhappy you may wish to take your case to the Adjudicator. If you are still unhappy after the Adjudicator has considered your case you may wish to take your case to the Parliamentary Ombudsman. For more information please see our factsheet '[Complaints and putting things right \(C/FS\) \(PDF 264K\)](#)' This is also available by calling **0845 300 3900** or from any HMRC Enquiry Centre.

Customers with particular needs

We offer a range of facilities for customers with particular needs, including:

- wheelchair access to nearly all HMRC Enquiry Centres
- help with filling in forms
- for people with hearing difficulties
 - BT Typetalk
 - Induction loops.

We can also arrange additional support, such as:

- home visits, if you have limited mobility or caring responsibilities and cannot get to one of our Enquiry Centres
- services of an interpreter
- sign language interpretation
- leaflets in large print, Braille and audio.

For complete details please:

- contact your local [Enquiry Centre](#)
- contact us. You will find us in The Phone Book under HM Revenue & Customs.

These notes are for guidance only and reflect the position at the time of writing. They do not affect any right of appeal.

Issued by HM Revenue & Customs, Customer Information Team

January 2008