Crown
Commercial
Service

Lot 1 Buyer's Debt Type Characteristics

Debt Resolution Services

(DRS)

RM6226

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HMRC

Debt Type Characteristics

HMRC - Debt Type Characteristics

Overview

HMRC uses the private sector for around 5% of its annual debt portfolio.

The majority of HMRC collection activity is done ‘in house’ from debt creation through to enforcement. This includes Debt Management Field Operations where we make a personal visit to a customer or a business premises as part of our enforcement strategy.

We only use the private sector to undertake ‘desk top’ collection activity on our behalf.

This activity is limited to:

- issuing letters;
- SMS;
- making outbound telephone calls; and
- providing access to secure online portals.

For data security reasons, HMRC **does not currently** allow the private sector to engage with its customers by email.

Private sector debt placement plays a key role in the department’s overall collection strategy. It gives HMRC additional operational capacity and support, which is particularly important in our strategy for managing seasonal variations.

HMRC places a range of debt types with the private sector. Examples of these, including their specific characteristics, are summarised in this document.

Debt Placement Principles

HMRC places the following main taxes debts with the private sector.

There is potential for these to be updated or added to during the lifetime of the contract in response to any changes HMRC introduces to its debt collection policies and strategies:

- Self-Assessment
- VAT
- Corporation tax
- PAYE (Including RTI and associated penalty debts)

Broadly speaking, these debts are placed with the private sector after they have been through an in-house campaign of activities that stop short of any enforcement action. We advise the customer before we send their debt to the private sector of our intention to do so.

They are advised via a 'pre-placement letter' (PPL) that in the absence of them actively engaging with the department to resolve their debt position, that their case will flow to a debt collection agency.

Customers are given 14 days to respond to the PPL before their case is selected for placement with the private sector.

HMRC manages **tax credits** debt collection slightly differently. For these debts we will place them with the private sector after only limited collection activity by HMRC.

That is to say, that once customers have been notified of their debt, HMRC takes no further follow up action ahead of placing the debt with the private sector. This is after the 30-day appeal period. The private sector issues the PPL for these cases on behalf of HMRC but under their own corporate brand.

Typically, placements with the private sector are for **five months** for taxes debts and **seven** for tax credits**.**

For **all** debt types, (unless otherwise advised), HMRC will:

- Inform the customer of the tax/tax credits charge and how it was created
- Advise where appropriate, if there is an appeal or dispute period
- Provide the payment due date and present options for paying the debt

Prior to placing the debt with the private sector, HMRC will:

- Have had recent contact with the customer
- Issue a pre placement letter (for taxes) advising the customer of our intention to place their debt with the private sector

For all debt types, HMRC will provide the private sector with:

- An annual debt placement forecast at the start of the financial year; and
- Regular (minimum monthly) updates to this throughout the year.

Debts will be placed with an upper value limit of:

- Corporation tax £20,000
- VAT £20,000
- Self-Assessment £20,000
- PAYE (Including RTI and associated penalty debts) £10,000
- Tax credits No upper limit

Note: There are no current minimum values set for taxes debts. These will generally fall within the range of £250 to £500. This is driven by HMRC's internal capacity and as such is subject to fluctuation.

For tax credits the minimum value placed remains set at £200.

As with the debt type, there is potential for placement values to be amended during the lifetime of the contract, in response to any changes HMRC introduces to its debt collection policies and strategies

Payment plans

Where it is the right thing to do, HMRC will offer customers opportunities through affordable payment plans to manage their debt.

These arrangements will be usually up to:

- 12 months for tax debts; and
- 10 years for tax credits

Note: As part of government's financial support during the COVID-19 pandemic, HMRC has extended the period for time to pay taxes debts up to 24 months.

This is a temporary provision and it's expected that at an appropriate future date, this will revert to a maximum of 12 months.

There have been no temporary changes applied to tax credits payment plans.

Tax Credits Debt Characteristics

What are tax credits?

There are two types of tax credits:

- Working tax credit (WTC)
  - Available to customers on low income who work a prescribed number of hours per week; and

- Child tax credit (CTC)
  - A means tested benefit available to customers with children

It is possible to qualify for both types of tax credits depending on personal circumstances.

Claims can be made by an individual or a couple. This means that it's possible that a tax credits debt placed with the private sector could consist of a **single** or **joint** liability. For joint liabilities each customer receives their own notification and update from HMRC.

In most cases, HMRC is no longer taking any new claims for tax credits.

Customers have to now make claims through Universal Credit which is administered by the Department for Work and Pensions (DWP). Exceptions to this are for customers with a severe disability premium.

This means that tax credits debts with HMRC will reduce over time, with those remaining with the department increasing in their age profile.

Note: HMRC will not place a tax credits debt with the private sector where it is more than 9 years old.

How overpayments and debts arise for tax credits

Customers can be overpaid tax credits if:

- There's a change in their circumstances, even where they have reported this in time
- A mistake has been made in either the customer's claim or by the Tax Credit Office
- A customer does not renew their tax credits in time

> **Note:** A change in circumstances is generally defined as anything that affects a customer's family or work life. For example, starting or stopping a relationship, change in working hours, child leave home or is taken into custody etc. (More extensive details of all circumstances are available on gov.uk.)

If a customer has a live tax credits award or Universal Credit claim, their overpayment will usually be recovered through these. Where there is no ongoing entitlement to tax credits or Universal Credit, a debt will arise, and the customer is responsible for repaying this to HMRC.

In all circumstances the customer(s) will receive a **Statement of Account** which shows their award and any under/overpayments.

Where an overpayment arises and there is no live claim to recover this from, the customer(s) will then receive a **TC610 Notice to Pay.**

This shows the total amount they need to repay HMRC. It explains how they can pay HMRC and where appropriate, it provides details of the appeal/dispute period. If the customer contacts HMRC and cannot pay in full, we will try to arrange an affordable payment plan with them for a period of up to 10 years.

Note: In the vast majority of cases, HMRC does not charge interest on late payment of tax credits debt.

Once the appeal/dispute period has ended (if appropriate) the overpayment becomes a debt on HMRC's Debt Management systems. Where there has been no contact or positive engagement with the customer, in most cases it will be placed with the private sector. This is usually 30 days after the due date advised to the customer.

For reasons of operational capacity, HMRC places tax credits debts with the private sector at the start of the collection process. The private sector issues a PPL on the department's behalf prior to any DCA collection activity.

This is the **first letter** in the letter in the collection strategy. After a pause of 30 days after the PPL has been issued, the private sector will then send a 'recovery' letter in the next step of HMRC's approved contact and collection strategies.

Note: Although there is no upper limit to tax credit's debt placement, typically their value range is between £1,000 and £5,000.

HMRC's enforcement action

HMRC **does not** currently take any enforcement action with this debt type.

Although enforcement actions are available to HMRC, these would only be used in the unlikely event of a future significant change in departmental policy. For this reason, enforcement sanctions cannot be used as potential consequences during discussions with customers.

In certain circumstances, Debt Management's Field Operations may make a personal call to discuss the debt with the customer where it remains outstanding after placement with a DCA.

This is an opportunity to explore opportunities for managing the debt with the customer through face to face discussion. These visits are **not** in anyway, an enforcement activity.

Self Assessment (SA) debt characteristics

What is SA?

SA is a tax that is not deducted automatically from wages, pensions and savings. Where a customer (including a business) has other income that isn't accounted for by automatic deduction, they must report it in a tax return.

This includes customers who are:

- Self-employed as a 'sole trader'
- Partner in a business partnership
- In receipt of untaxed income such as from:
    - renting out property
    - savings, investments and dividends
    - tips and commissions
    - foreign income, etc.

Note: This is for illustrative purposes and more details are available on gov.uk

As a general rule, paper SA tax returns should be received in HMRC by 31 October. Online tax returns are to be filed by 31 January each year.

- Some customers (based on certain criteria, income level etc.) are required to make Payments on Account (POA's) on the 31 January and 31 July for each tax year.
- These POAs are fifty percent of the customer's total SA liability (less any Capital Gains and Student Loan Repayments) arising from the previous year.
- If there is any further tax arising after this, it is known as a Balancing Payment. This is due for payment on 31 January following the end of the tax year.
- Where a customer is not required to make POAs they are liable for full payment of all tax and Class 4 NIC arising as a Balancing Payment on 31 January.

When the due and payable date passes and there is an outstanding debt, this moves onto HMRC's Debt Management system. This then flows through an automated debt collection campaign, that usually starts 30 days after the due date.

At any stage in the process, where a customer contacts us and is unable to pay in full, HMRC will explore options for setting up a payment plan with them.

> **Note:** Average debt value ranges between £1,000 and £5,000. Customers are liable to interest on late payment. And penalties are applied for late filing tax returns.

HMRC SA collection activity

Regular statements for the amount due are issued by HMRC's SA system with a payslip for the outstanding amount.

Before an SA debt is placed with the private sector, the customer will have received at least 2 to 3 letters, SMS and potentially contact by telephone from Debt Management. At the end of the campaign any outstanding debt (up to the value of £20,000) will receive a PPL from HMRC.

Where the debt still remains outstanding 14 days after the PPL has been issued, it will be placed with the private sector as appropriate.

It will then follow a HMRC approved collection and contact strategy.

HMRC's enforcement action

Details of this are included at www.gov.uk/if-you-dont-pay-your-tax-bill.

Options available to the department include:

- Visit by Debt Management's Field Operations to consider debt recovery through taking and selling the customer's goods at auction
- Pursuing the debt through the County Court
- Issuing a Charging Order etc

VAT Debt Characteristics

What is VAT?

VAT is a tax on consumer expenditure and is charged on business transactions, imports and acquisitions. It is the UK's main method of indirect taxation.

VAT periods can be monthly, quarterly or annually and are identifiable by the month and year in which they end.

For example, a VAT period from 1 January 2021 to 31 March 2021 is referred to as the 03/21 period.

Failure to submit a return for a particular period will result in HMRC issuing a tax assessment. These assessments are enforced in the same way as a return. However, when a return is received by HMRC for the outstanding period, this replaces the assessment.

HMRC VAT collection activity

When the due and payable date passes and there is an outstanding debt, this moves onto HMRC's Debt Management system. This then flows through an automated debt collection campaign, that usually starts 30 days after the due date.

At any stage in the process, where a customer contacts us and is unable to pay in full, we will explore options for setting up a payment plan with them.

Before a VAT debt is placed with the private sector, the customer will have received at least 2 to 3 letters, and potentially contact by telephone.

At the end of the campaign any outstanding debt (up to the value of £20,000) will receive a PPL from HMRC.

Where the debt still remains outstanding 14 days after the PPL letter has been issued, it will be placed with the private sector as appropriate. It will then follow a HMRC approved collection and contact strategy.

> **Note:** Average debt value ranges between £1,000 and £5,000. Customers are liable to interest, surcharges and penalties for late filing and payment.

HMRC's enforcement action

Details of this are included at www.gov.uk/if-you-dont-pay-your-tax-bill.

Options available to the department include:

- Visit by Debt Management's Field Operations to consider debt recovery through taking and selling goods at auction
- Pursuing the debt through the County Court
- Issuing a Charging Order etc
- Direct recovery
- High Court action etc.

Corporation Tax (CT) Debt Characteristics

What is CT?

- CT is payable on the taxable profits of Limited Companies, Public Limited Companies and other organisations
- Companies/organisations file returns for their Accounting Period (AP).
- APs are usually 12 months ending on the date on which the company/organisation draws up its accounts.

HMRC's CT collection activity

When the due and payable date passes and there is an outstanding debt, this moves onto HMRC's Debt Management system. This then flows through an automated debt collection campaign, that usually starts 30 days after the due date.

At any stage in the process, where an authorised company representative contacts us and is unable to pay in full, we will explore options for setting up a payment plan with them.

Before CT debt is placed with the private sector, the company will have received at least 2 to 3 letters, and potentially contact by telephone. At the end of the campaign any outstanding debt (up to the value of £20,000) will receive a PPL from HMRC.

Where the debt still remains outstanding 14 days after the PPL has been issued, it will be placed with the private sector as appropriate. It will then follow a HMRC approved collection and contact strategy.

> **Note:** Average debt value ranges between £1,000 and £5,000. Companies are liable to interest and penalties for late filing and payment.

HMRC's enforcement action

Details of this are included at www.gov.uk/if-you-dont-pay-your-tax-bill.

Options available to the department include:

- Visit by Debt Management's Field Operations to consider debt recovery through taking and selling the company/organisation's goods at auction
- Pursuing the debt through the County Court
- Issuing a Charging Order etc

PAYE Debt Characteristics

What is PAYE?

PAYE is the system operated by employers to deduct and pay over to HMRC, tax and Class 1/1a National Insurance Contributions from their employee's salaries.

Deductions from employees by the employer will be paid over to HMRC monthly.

All payments should be made to HMRC by 19th April of the respective tax year. If the account doesn't balance with their return, then the employer could have overpaid or underpaid.

In both scenarios, HMRC will notify the employer. Where an overpayment has arisen, the employer will be asked to account for this. Where this is a small or nominal amount it will be reallocated to the following tax year.

Where an underpayment has arisen, HMRC will ask the employer to settle the balance due.

Note: These debt types are predominantly for 'Real Time Quarterly Payers' (RTIQ).

RTIQ is for employers or pension providers who pay less than £1500 per month to HMRC. These are underpayments from employers and pension providers who make quarterly payments to HMRC.

These typically account for 85 to 90% of the PAYE debt types HMRC places with the private sector. The remaining 5 to 10% is a range of PAYE associated penalty debts.

HMRC's PAYE related collection activity

When the due and payable date passes for the underpayment and there is an outstanding debt, this moves onto HMRC's Debt Management system. This then flows through an automated debt collection campaign, that usually starts 30 days after the due date.

At any stage in the process, where an employer contacts us and is unable to pay in full, we will explore options for setting up a payment plan with them.

Before PAYE debt is placed with the private sector, the company will have received at least 3 to 4 letters. At the end of the campaign, any outstanding debt (up to the value of £10,000) will receive a PPL from HMRC.

Where the debt still remains outstanding 14 days after the PPL has been issued, it will be placed with the private sector as appropriate. It will then follow a HMRC approved collection and contact strategy.

Note: Average debt value is below £1,000. Employers are liable to interest on late payment.

HMRC's enforcement action

Details of this are included at www.gov.uk/if-you-dont-pay-your-tax-bill.

Options available to the department include:

- Visit by Debt Management's Field Operations to consider debt recovery through taking and selling the employer's goods at auction
- Pursuing the debt through the County Court
- Issuing a Charging Order etc

Home Office

Debt Type Characteristics

Home Office - Debt Type Characteristics

Overview

HO uses Shared Services Connected Limited (SSCL) for its debt collection activity. There is no in-house debt collection function, but a small Debt Strategy team provides a central enabling function which exists to:

- Provide specialist advice and guidance to operational units
- Establish and monitor debt management processes and procedures
- Identify and delivering continuous improvement
- Report on the debt position to internal and external stakeholders
- Provide operational units with access to third party debt collection agents

HO income arises mainly through the department's provision of services for which it is the sole issuer, such as: Visas, Passports, Licenses and General Register Certificates. Most fees and charges are paid for in advance and the opportunity for a debt to arise is limited.

Customers who become debtors are predominantly individuals or companies liable to pay fines, civil penalties or the department's legal costs following unsuccessful court action.

All income streams have a collection strategy and are worked by SSCL in the first instance. When SSCL efforts are exhausted, some debt types will be referred to DMI for placement with debt collection agents.

HO uses DMI for Collections, Litigation and Enforcement services, and Analytics services.

Collections activity includes:

- issuing letters
- SMS
- making outbound telephone calls
- providing access to secure online portals

Litigation and enforcement services include:

- issuing LBA (Letter Before Action)
- verification checks
- advance trace checks
- instructing High Court Enforcement Officers

Analytics services include:

- Real time processing of individual debtor data via an online, on-screen interface
    - Debt Management
    - Full Investigation
    - Advanced Search

- List Residents
- Residency / Trace Person
- Pre-Investigation Report
- Commercial File
- Identity Assurance Report
- Single Person Discount Report
- Tenancy Verification Report

Analytics services are managed through a separate call-off contract.

Debt Placement Principles

When SSCL exhaust their collections activity, the following debt types are referred to DMI:

- Illegal Working Civil Penalty
- Illegal Working Litigation costs
- Landlords Civil Penalties
- Cash Forfeiture & Condemnation Legal Costs
- Litigation Cost Recovery
- HR and Payroll debts

Before referring debts to DMI, SSCL will have completed the following collections strategies:

Debt Type	Letters	Frequency	Calls	Frequency
Illegal Working	No letters		Faster Payment Option	day 20
				day 8
Illegal Working Litigation costs	No letters		Faster Payment Option	day 20
				day 8
Landlords	Letter 1	day 5	Call 1	day 40
	Letter 2	day 15	Call 2	day 50
	Letter 3	day 30		
Cash Condemnation & Forfeiture	Letter 1	day 5	Call 1	day 40
	Letter 2	day 15	Call 2	day 60
	Letter 3	day 30		
Litigation Cost Recovery	Letter 1	day 5	Call 1	day 40
	Letter 2	day 15	Call 2	day 60
	Letter 3	day 30		
HR Payroll				

	Collections are managed separately by SSCL HR and involve letters and calls. A Staff Debt Panel meets to decide whether debts should be referred to DMI

Debt Types

IWCP-Illegal Working Civil Penalty

- The UK's existing prevention of illegal working measures are provided under section 8 of the Asylum and Immigration Act 1996 (the 1996 Act) and sections 15 and 21 of the Immigration, Asylum and Nationality Act 2006 (the 2006 Act). The provisions in the 2006 Act replaced those under the 1996 Act.
- Employers can be liable for a civil or criminal sanction if they employ someone who is subject to immigration control; aged over 16; and is not entitled to undertake the work in question because either they have not been granted leave to enter or remain in the UK or because their leave to enter to remain in the UK is invalid, has ceased to have effect, or is subject to a condition preventing them from accepting the employment.
- Under Section 8 of the 1996 Act employers of illegal workers can be prosecuted if they have not complied with the requirement to establish a statutory defence by carrying out right to work document checks prior to employment commencing. Under Section 15 of the 2006 Act employers of illegal workers can be issued with a civil penalty if they have not established a statutory excuse by checking documents to prove right to work prior to employment commencing. This sanction came into force on 29 February 2008 and applies to persons employed on or after this date.
- The Immigration (Restrictions on Employment) Order 2007 specifies the requirements to establish a statutory excuse and the requirements of the notice of objection, in response to a notice of liability. Under the Immigration (Employment of Adults Subject to Immigration Control) (Maximum Penalty) Order 2008, civil penalties can be issued to the maximum value of £10,000 per illegal worker.
- Section 21 of the 2006 Act provides the criminal provision to prosecute employers who knowingly employ an illegal worker. A conviction may attract a fine of currently £5,000 for each person employed illegally and/or imprisonment for up to 6 months. Following conviction on indictment, there is no upper limit to the level of fine that can be imposed, and an employer may also be subject to imprisonment for up to two years.
- The Civil Penalty Compliance Team (CPCT) administers the debt.
- Litigation proceedings for Official Illegal Working Appeals through the County Courts in which the Home Office (HO) is successful and where the Court may order the claimant to the proceedings to pay, or a party will agree to pay some or all of the HO's legal costs incurred in dealing with the proceedings.

Type of debtor: Employers including individuals, sole traders, partnerships and limited companies

Illegal Working Litigation costs

- In litigation proceedings in which the Home Office (HO) is successful, for example Judicial Review following the HO decision to refuse asylum or the setting of removal

directions from the UK, the Court may order the claimant to the proceedings to pay, or a party will agree to pay some or all of United Kingdom Border Agency's legal costs incurred in dealing with the proceedings.

- Such orders or agreements can be for a specific amount or for an amount to be assessed.
- When the order is for an amount to be assessed, it can then be agreed between HO and the litigant or failing that can be assessed by the Court.
- If an agreement is reached between the HO and the litigant, an Agreement confirming the amount to be paid will be signed.
- If no settlement can be reached through negotiation, the costs due will be determined by the Court at a Detailed Assessment or a Default Cost Hearing. This process can take months and the number of these cases will be minimal. These transactions will not be put onto Adelphi, until the case has been settled.
- When the amount to be paid to the HO has been determined at the hearing, a Final Costs Certificate will be issued by the Court.

Type of debtor: Solicitors, Immigration Advisors and Individuals

Landlords Civil Penalties

- Civil penalties imposed for non-compliance on a person/business responsible for undertaking the checks, to ensure that adults who are illegally in the UK are not permitted to access private accommodation.
    - New Civil Penalties introduced following Immigration Act 2014. Enforcement action commenced 1 December 2014 as a pilot until May 2015.
- Landlords are not permitted to allow adults who are illegally in the UK to access private accommodation. Landlords much check the immigration status of all perspective tenants and be able to produce on request evidence of those checks, and their compliance.
- The scheme applies to:
    - Landlords and anybody else who lets accommodation, for which rent is paid, to a person as their main or only home.
    - Tenants who sub-let accommodation. This applies to both private and within social housing.
    - Anyone taking in a lodger
    - Letting Agents where an agreement exists that an agent is responsible for carrying out checks under this scheme

Type of debtor: Individuals, sole-traders and companies

Cash Forfeiture & Condemnation Legal Costs

Cash forfeiture and condemnation proceedings are civil, and the usual rule in such proceedings is that the successful party may claim their costs against the opposition. Where the Home Office's application for forfeiture of cash under Section 298 of the Proceeds of Crime Act 2002 or for condemnation of goods under the Customs and Excise Management Act 1979 is successful, the HO may apply to the Court for its costs against the other side. The court has discretion to award costs - it will not do so in every case.

Type of debtor: Individuals predominantly UK citizens

Litigation Cost Recovery

When HO is successful in litigation proceedings, for example Judicial Review following a HO decision to refuse asylum or the setting of removal directions from the UK, the Court may order the claimant to pay, or a party will agree to pay some or all of HO's legal costs incurred in dealing with the proceedings.

HR and Payroll debts

This type of debt arises from payroll error activities

Type of debtor: Individuals

Department for Work and Pensions

Debt Type Characteristics

DWP - Debt Type Characteristics

Overview

DWP Debt Management uses the private sector for around 3% of its annual debt portfolio.

The majority of DWP Debt Management collection activity is done ‘in house’ either by recovery from customer social security benefit, voluntary payment plans or direct earnings attachment.

We use the private sector to undertake collection activity on our behalf.

This activity is limited to:

- issuing letters;
- SMS;
- making outbound telephone calls; and
- providing access to secure online portals.
- a small amount of litigation activity for Compensation Recovery Scheme debt

For data security reasons, DWP does not currently allow the private sector to engage with its customers by email.

DWP places a range of debt types with the private sector. Examples of these, including their specific characteristics, are summarised in this document.

Debt Placement

DWP places the following debt types with the private sector.

1. Benefit Debt
2. Compensation Recovery Scheme Debt

There is potential for these to be updated or added to during the lifetime of the contract in response to any changes DWP introduces to its debt collection policies and strategies.

These debts are placed with the private sector after they have been through an in-house campaign of activities that currently stop short of any internal litigation action. We advise the customer before we send their debt to the private sector of our intention to do so.

Benefit Debt

Debt referrals are benefits that have been overpaid as a result of a failure to disclose a change in circumstances or a misrepresentation of personal circumstances.

Customers can accumulate a number of debts, they can also fluctuate between claiming benefits and being in employment which does result in a proportion of aged debt being transferred to private sector on a regular basis. Currently twenty percent of DWP customers referred will have a number of debts with a combination of in statute and statute barred debt. DWP expect private sector to pursue all debts for the customer and this is to ensure the customer has a single view of all DWP debt owed. A tailored letter strategy will be required to reflect this.

Customers are advised via a 'Letter Before Action' (LBA) that in the absence of them actively engaging with the department to resolve their debt position, that DWP will either contact their employer to arrange a direct earnings attachment or their case will flow to a debt collection agency

Customers are given 21 days to respond to the LBA before their case is either selected for placement with the private sector or a direct earnings attachment is applied depending upon suitability

There are a multitude of benefit debt types, we currently have a matrix of 150 plus that we may refer, however the bulk of referrals to the private sector are made up of the following debt types

1. DWP benefits

    a) Jobseekers allowance – benefit for unemployed people who are capable of work

    b) Employment and Support Allowance – benefit for people who cannot work because of sickness and disability

c) Income Support – income based benefit for people who under benefit law do not have to be available for work.ie lone parent for children under 5yrs of age.

d) Social Fund Loans – loans for people with expenses that are difficult to meet on low incomes, normally had to be in receipt of a state benefit.

e) Universal Credit - was introduced to bring together different types of income related support for people of working age whether they are in or out of work. UC replaces JSA,ESA,IS, Working and Child Tax credits and Housing benefit

2. Tax Credits – Administered by Her Majesty's Revenue and Customs(HMRC**).** There are two types of tax credits, working tax credit which is a payment available to top up earnings of people on low incomes and Child Tax credits for people responsible for children on low incomes.

3. Housing Benefit - benefit assistance for people with housing costs on low income administered by Local Authorities.

Minimum transfer value to private sector is £10 and there is no upper limit. The majority of debts fall into the middle band data range with a value between £150 to £4999.99.

DWP will offer customers opportunities through affordable payment plans to manage their debt.

These arrangements are based on financial affordability and do not have set time limits.

Compensation Recovery Scheme Debt

There are just two types of Compensation Recovery Scheme Debt transferred to the private sector as follows

1. Compensation Recovery Debt – The Compensation Recovery Scheme (CRS**)** recovers Social Security benefits from compensators where people have received compensation for an accident, injury or disease and who have claimed benefits as a consequence of that accident, injury or disease. It also recovers costs incurred by the National Health Service (NHS) under the NHS Injury Costs Recovery Scheme (ICRS) whilst treating the victims of accidents where compensation is payable by the compensator for example following a road traffic accident. These debtors are primarily large organisations within the insurance industry and solicitor firms acting as agents.
2. Employment Tribunal Debt – These are debts which have been created when an employer has dismissed a member of staff without following the stated policies. The case has then been referred to an employment tribunal and judgement has been against the employer. As a result of the judgement any benefits claimed by the member of staff as a result of unfair dismissal are recoverable from the employer. These debtors range from large organisations to sole traders and partnerships.

The majority of the referrals to private sector consist of Compensation Recovery Debt with Employment Tribunal Debt amounting to less than five percent of the transfer value.

On average, customers are sent two letters and two phone calls are attempted before referral to the private sector.

Minimum transfer value to the private sector is £20 although to give an example of balances typically transferred the minimum NHS repayment amount is approximately £600 . There is no upper limit to referral.

Compensation Recovery Scheme debt is normally recovered in one installment as the debts are owed in the main by large insurance companies. However there is scope to set up payment plans if required. DWP do not accept settlements and expects the debt to be repaid in full. If recovery is not achieved by Debt Collection Agency then subject to certain criteria Compensation Recovery Scheme debt will be considered for litigation action.