



House of Commons
Work and Pensions Committee

**Concentrix:
Government Response
to the Committee's
Fourth Report**

**Eighth Special Report
of Session 2016–17**

*Ordered by the House of Commons
to be printed 30 January 2017*

Work and Pensions Committee

The Work and Pensions Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Office of the Department for Work and Pensions and its associated public bodies.

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[Rt Hon Frank Field MP](#) (*Labour, Birkenhead*) (Chair)

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Publication

Committee reports are published on the [publications page](#) of the Committee's website and in print by Order of the House.

Evidence relating to this report is published on the [inquiry page](#) of the Committee's website.

Committee staff

The current staff of the Committee are Adam Mellows-Facer (Clerk), Margaret McKinnon (Second Clerk), Ian Hart (Committee Specialist), Libby McEnhill (Committee Specialist), Rod McInnes (Committee Specialist), Alison Pickard (Senior Committee Assistant), and Jessica Bridges-Palmer (Media Officer).

Contacts

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Eighth Special Report

The Work and Pensions Committee published its Fourth Report of Session 2016–17, *Concentrix* ([HC 720](#)) on 1 December 2016. The Government's response was received on 27 January 2017 and is appended to this report.

In the Government response, the Committee's recommendations appear in **bold text** on the table's left column and the Government's responses are on the right column.

Appendix: Government Response

	Recommendation	Response:
1	<p>Letters from Concentrix to claimants did not inform them of the nature of suspicions against them. Concentrix usually had this information, but chose not to share it. This made disproving those suspicions unnecessarily difficult. This approach was not only unfair on claimants: it increased the pressure on phone lines and led to more costly appeals. Concentrix should have shared with claimants the supposed evidence against them. HMRC should have insisted that they did.</p> <p>We recommend letters to claimants challenging entitlement to benefits detail the reasons fraud or error is suspected. (Paragraph 30)</p>	<p>It is long-standing HMRC practice to share with the claimant our reasons for suspicion before asking them to supply evidence. We are happy to commit to this practice. We are currently considering how best to make it work in practice (for example, whether in some cases, it is better to do so over the telephone)</p>
2	<p>Speaking to a caseworker over the telephone was a standard part of the tax credit verification process used by both Concentrix and HMRC. In many cases claimants needed to take advice on the nature of the suspicions against them and the steps they needed to take to retain their tax credits. They were unfairly disadvantaged by the failure of the telephone system.</p> <p>We recommend that any future deadline for the submission of supporting information by claimants is extended by the length of time for which key telephony performance indicators were not met. (Paragraph 42)</p>	<p>Our priority is to ensure that a tax credits claimant wishing to telephone us to provide supporting information is able to get through without waiting an unreasonable amount of time. We are therefore prepared to make it our practice that claimants will be given more time to respond if, during the time period allowed for their response, the telephone handling performance for our tax credit compliance teams falls below acceptable levels. We are also exploring ways of enabling claimants to supply the necessary information electronically.</p>

<p>3</p>	<p>More than one third of the decisions to suspend tax credits made by Concentrix during their fateful HRR16 cycle have been appealed. This proportion will rise. The overwhelming majority of those appeals—more than nine in ten—have been upheld. These are extraordinary figures for any appeals process, let alone one that left people in hardship. The original decision making process was flawed. As a result of those flaws, many thousands of people went weeks without benefits upon which they and their families relied. (Paragraph 90) HMRC tolerated a very high Mandatory Reconsideration success rate. Indeed, the appeals process was accepted by both Concentrix and HMRC as a routine feature of the system. This should not be the case. The process of appealing benefit removal can be difficult and stressful for claimants. This is doubly true when their tax credits have been stopped in the meantime. (Paragraph 91)</p> <p>We recommend the Government better publicise the availability of hardship payments as part of a far more comprehensive online guidance service for tax credit claimants. (Paragraph 95)</p>	<p>HMRC is committed to helping claimants understand what they are entitled to and to supporting them when they get in contact, and recognises that there has been an absence of general guidance on its hardship process available on gov.uk..</p> <p>HMRC will be publishing new content by February 2017 with guidance on the process and links to HMRC’s online hardship application form and the tax credits helpline for claimants in financial difficulty.</p> <p>Our contact centre advisors are trained to identify vulnerable claimants and offer them extra support including immediate and emergency payments.</p>
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<p>4 It is far from clear that relying on the Mandatory Reconsideration system to correct poor initial decisions was cost effective. Mandatory Reconsiderations are expensive to process, divert staff from other functions and became the gateway for claimants to apply for special hardship payments. (Paragraph 96)</p> <p>We are concerned that claimants who had benefits to which they were entitled stopped by a flawed decision making process will have been unable to apply for a Mandatory Reconsideration. (Paragraph 103)</p> <p>We recommend HMRC review all decisions to stop tax credits payments taken by Concentrix in HRR16 that have not been subject to a Mandatory Reconsideration.</p>	<p>When it became clear that Concentrix's significant customer service issues could not be rectified, HMRC took back 181,000 incomplete cases and took responsibility for dealing with Mandatory reconsideration requests.</p> <p>HMRC has finalised all 181,000 cases it took back from Concentrix and has made it clear that all claimants who disagree with Concentrix's decisions about their tax credits awards should contact HMRC to initiate a Mandatory Reconsideration.</p> <p>By 9 January, of the 59,000 claimants whose awards were amended by Concentrix during the High Risk Renewals 2016 process, around 36,000 claimants had requested a Mandatory Reconsideration. HMRC has reinstated the claimant's entitlement in 87% of these requests. In a significant number of cases, claims were reinstated because new information came to light during the Mandatory Reconsideration process.</p> <p>HMRC will carry out a risk-based assurance review of the remaining High Risk Renewal 2016 cases where Concentrix has amended or terminated a claimant's award but no Mandatory Reconsideration has been requested. HMRC will review those cases to establish that decisions made by Concentrix were properly made and communicated to claimants. Where absolutely necessary, we will re-contact the claimant to request further information relating to their claim. Current plans indicate that this activity could be completed by March 2017 but the scope of this work will be confirmed once an analysis of the total cost has been produced.</p>
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<p>5</p>	<p>The hardship from the loss of tax credits meant some claimants took out expensive loans or accumulated rent arrears, exacerbating their financial difficulties. We see no justification for refunds being given in instalments.</p> <p>We recommend that all tax credit refunds be made in a lump sum. (Paragraph 108)</p>	<p>Where a tax credits claimant’s payments are reinstated, the system automatically checks to see whether they are owed tax credits. If they are, this money is paid out as a lump sum.</p> <p>However, for some claimants, there will have been some other kind of change in their circumstances that has reduced their entitlement to tax credits: for example, if a child has left home or the claimant has reported a higher income. This can mean that they are not owed money on reinstatement of payments, and so their payments will continue at a lower rate. On the very rare occasions where someone has not received a lump sum and their regular payments appear to have gone up by a small amount, this will be a function of the way the system has automatically arranged their current award to fit into regular payments across the rest of the year rather than a way to spread a lump sum payment.</p> <p>It is possible for HMRC to make a manual one-off payment even to those who are not owed money, to reflect the fact that they have had unexpected fluctuations in their payments. However, this will mean that their payments for the rest of the year are reduced, so that over the whole of the year they are not paid more than they are due and thereby risk future debts. These lower payments can cause hardship later in the year but nonetheless HMRC can make these payments in exceptional cases.</p>
<p>6</p>	<p>A tax credit refund does not compensate for the consequences of the initial cut, which may include emotional distress and debt. We are deeply concerned that tax credit claimants may have further lost out by tax credit refunds taking them above income thresholds for other means tested benefits.</p> <p>We recommend the Government conduct an urgent assessment of this issue and act accordingly to ensure that no households have received less in total benefits than they were entitled to as a result of a decision by Concentrix to stop tax credits which was ultimately shown to be incorrect. (Paragraph 109)</p>	<p>HMRC and Department for Work and Pensions (DWP) policy teams worked together to review the position for Housing Benefit claimants, as this benefit was specifically mentioned in evidence to the Committee. They concluded that claimants will not have been left worse off overall as a result of tax credits payments being stopped and then reinstated.</p> <p>If any claimant has suffered financially as a result of tax credits payments being stopped incorrectly, HMRC urges them to get in touch so that the department can consider their individual cases and compensate them if appropriate. It is part of HMRC’s existing processes to consider whether redress or compensation should be paid.</p>

<p>7 HMRC monitored Concentrix decision making on narrow technical grounds. On those terms they were satisfied their contractor was doing a good job. (Paragraph 127)</p> <p>Outsourcing public service provision should not exempt it from public and parliamentary scrutiny. It is imperative that private contractors can be held accountable for their performance. This should extend to the identity, responsibilities and performance of subcontractors.</p> <p>We recommend HMRC and DWP make an explicit commitment to ensuring that where private contractors are used to deliver services, standards of official statistics and responses to parliamentary scrutiny regarding those services should be at least as good as those which apply to services provided directly. (Paragraph 130)</p>	<p>HMRC accept that where private contractors are being used to deliver services this should not as a matter of course lead to a reduction in the ability of Parliament and the public to hold HMRC to account.</p> <p>We are committed to complying, together with the Department for Work and Pensions and all other government departments, with the recent government policies relating to best practices in contracting and transparency. The policies can be read via the links below:</p> <p>Procurement Policy Note 13/15: Increasing the transparency of contract information - Publications - GOV.UK</p> <p>Procurement policy note 05/16: Open book contract management - Publications - GOV.UK</p> <p>Procurement policy note 10/16: Onerous practices in procurement and contracting - Publications - GOV.UK</p> <p>These policies require departments to agree, as far as possible, up front contractual provisions on transparency with a presumption in favour of disclosure.</p> <p>For example, in the 2016 variation and settlement deed, HMRC included a provision which enabled disclosure of detailed information relating to the exit to Parliament and parliamentary committees.</p> <p>It is recognised in the policies that there may be instances where disclosure will not always be possible in particular circumstances, but this will only be where non-disclosure is properly justified and decided on a case by case basis.</p>
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<p>8</p>	<p>We have grave concerns about the delegation of benefit decision making to private companies. This is especially true when payment structures incentivise the removal of benefits—and rejection of appeals—and layers of sub-contractor, ever further removed from the claimant, are involved. This was the first time such a high degree of decision making authority with regard to benefit claims was delegated to a private company. It was not a successful experiment. (Paragraph 137). While HMRC had a responsibility to ensure their contractor acted fairly and properly, it is clear that their overriding priority was the maximisation of expenditure savings. We struggle to marry describing cuts to a single parent’s benefits as a “strike” with a public service ethos. (Paragraph 138) We welcome HMRC’s commitment not to use further private contractors to make benefit decisions. DWP should consider carefully the experience of Concentrix before they contemplate letting any similar contract. (Paragraph 139)</p> <p>We recommend the Government commission an independent root and branch review of tax credit compliance processes incorporating decision making and appeals, appropriate evidential burdens and timescales, and the effects on claimants. This review should report before any further HRR cycles are undertaken. (Paragraph 145)</p>	<p>HMRC is in the process of planning for the 2017 tax credits Renewals process, one element of which is ensuring that error and fraud is corrected at the point of renewal (“High Risk Renewals”). We are currently closely examining our processes to ensure that the important issues which arose from cases handled by Concentrix during the 2016 Renewals process do not recur. This includes improving contact with the claimant, such as making it easier for them to provide the required information, and considering further safeguards before we alter or suspend their tax credits. We will involve our independent stakeholder group, the Benefits and Credits Customer Group, and members of HMRC’s Board in this examination. We will write to in March 2017 to share our conclusions.</p> <p>HMRC is committed to helping claimants claim correctly and receive the payments to which they are entitled. Over the next 12 months we will explore other options to shift the focus of our compliance activity to a greater emphasis on education and preventing error and fraud at the point of entry to the system.</p>
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