



House of Commons
Work and Pensions Committee

Overpayments of Carer's Allowance

Thirtieth Report of Session 2017–19

*Report, together with formal minutes relating
to the report*

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Work and Pensions Committee

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Summary

The unpaid contribution that carers make to the economy is immense. Most people will become a carer at some point in their lives, caring for a partner, parent, friend or disabled child who cannot cope without their support. Across the UK 6.8 million people—around 1 in 8 adults—provide unpaid care to a loved one who is older, disabled or seriously ill and this number is set to rise to 9 million as our population ages. Many carers find it difficult to make ends meet. According to Carers UK's 2019 'State of Caring' report, 39% are in financial hardship and 73% of carers on Carer's Allowance are unable to afford to save for retirement. This Committee has already reported on the need for the Government to make changes in the benefit system and in the workplace better to support carers to both find work and stay in employment. With the number of carers at an all time high, it is even more vital that the Government provides carers with both the support and recognition they deserve. Instead, we discovered that administrative failures by the Department for Work and Pensions (DWP/the Department) have led to substantial overpayments of Carer's Allowance—leaving many carers with sizeable debts. Our report looks at what went wrong and sets out what the Department must now do to put things right.

Problems in Carer's Allowance

Many carers rely on Carer's Allowance (CA), which is currently £66.15 per week, for financial support. Carers can claim CA if their earnings are no more than £123 a week and they provide at least 35 hours a week of care. The presence of this earnings threshold or "cliff edge" means that working carers—who often lead hugely stressful lives—can be heavily penalised for making honest mistakes. If they fail to report a rise in their earnings that takes them above the threshold, even if just by £1, they will owe the Department the full £66.15 a week that they receive. Inevitably, many carers have inadvertently fallen foul of this rule.

In theory, the Department should be spotting these errors, because it has access to data about carers' earnings from HMRC. But problems with its systems, compounded by prolonged staff shortages, have led to substantial backlogs in the checking process. This has left many carers—who are often already struggling financially—with substantial debts, which in some cases will take decades to repay.

The Department has made no assessment of the impact that repaying overpayments has on carers. Unsurprisingly, we have heard evidence that this can cause carers significant distress and anxiety. We recommend that the Department review, on a case by case basis, whether overpayments are worth pursuing given its culpability, the cost of recouping the overpayments and the impact on the lives of carers and those who they care for. We further recommend that the Department formally assesses the impact of these repayments on claimants' lives.

Staff shortages at the DWP also led to unacceptable delays in processing new claims and the changes in circumstances that claimants must report to the Department. The number of claims for CA has almost doubled over the past decade, but the Department underestimated both this growth and its own staff turnover. This led to substantial

backlogs in claims which needed to be processed or amended. For claimants this has meant delays to receiving money they urgently need—and to which they are entitled. The Department has made efforts to resolve these issues by increasing staff numbers working in its Carer's Allowance Unit. However, it is still a long way off meeting its “aspirations” to process new claims on average in 15 days and changes in circumstances within an average of 13 days. Nor has it set these as firm targets. We recommend that the Department sets itself firmer goals for processing new claims and changes in circumstances and ensures that it has the staff in place to meet them.

Preventing future overpayments

The Department has now put a new system in place which it hopes will be more effective in preventing overpayments. Its new Verified Earnings and Pensions service (VEPs) will alert the Department to potential overpayments more frequently than its previous systems. However, these alerts will still need to be investigated by its staff. While the Department has increased the number of full-time staff investigating overpayments, the number of potential overpayments each staff member would need to investigate is around 4 times more than in its previous system. It is too early to judge whether the new system is working; it is, however, clear that its success will depend on the Department having adequate resources in place. We recommend that the Department sets targets for the length of time between potential overpayments being identified and cases being investigated. If it fails to meet these targets, it should review the number of staff allocated to this work on a six-monthly basis.

The introduction of Universal Credit (UC) also presents the Department with an opportunity to improve how quickly it identifies potential overpayments to carers, because the UC system holds data on a claimant's earnings from HMRC's Real Time Information system. The Department ultimately expects its VEPs system to provide it with alerts using the same data. However, until then the Department must make better use of information it already holds to ensure that any potential overpayments are dealt with swiftly. We recommend that the Department automates alerts to its Carer's Allowance Unit when the earnings of carers on UC rise above the CA earnings threshold. For carers on UC, CA is deducted pound for pound from their UC entitlement. When a carer loses their entitlement to CA, their UC award should increase as the CA should no longer be deducted. However, the Department told us that this is not done automatically. Instead carers are expected to use their UC journal to inform DWP about the change. Otherwise, they will not receive their full UC entitlement. There is therefore a risk that many claimants, not unreasonably, will not realise that they need to give the Department information it already holds and will lose out as a result. We further recommend that the Department automates the increase of a claimant's UC award, following a loss of entitlement to CA.

Reducing the burden on carers

If a carer fails to realise that their earnings have risen above the £123 a week “cliff edge”, even by a very small amount, and report this to the Department, they can face disproportionately punitive effects compared to other benefits. This is because they will owe the Department the full £66.15 per week they are receiving. The Department

does not hold data on how far over the earnings threshold claimants' earnings were for the overpayments it is recovering. A sample of cases reviewed by the National Audit Office, however, suggested that many carers with overpayments were only slightly over the limit. The Department has previously rejected this Committee's recommendation to introduce a taper for CA, which would reduce the impact on carers if they make honest mistakes and overpayments occur. However, the fact remains that the design of CA sets carers up for a fall. The Department must do more to minimise the risk for claimants. We recommend that the Department looks again at the different options for introducing a taper into CA. If it will not do this, where claimants' earnings are within 5% of the earnings threshold, the Department should limit the period for which an overpayment is recoverable to one month. The time period over which a carer's earnings are calculated can also cause particular issues for claimants with fluctuating earnings, such as those on zero hour contracts. We recommend that the Department makes it clearer to claimants that their earnings can be averaged and uses the data it holds on claimants' earnings to explore whether assessing carers' income over a different time period from the current default weekly payments would work better for the majority of carers.

In addition, the earnings threshold can create difficulties for carers earning the National Living Wage. Working 16 hours at the current National Living Wage pays almost £10 more than the current Carer's Allowance earnings threshold of £123. This is problematic for carers claiming Tax Credits, as working for 16 hours is a prerequisite for claiming the benefit and forces them to choose between Tax Credits and Carer's Allowance. Similarly, parents must work for at least 16 hours or more at the National Living Wage to be eligible for free childcare. To avoid carers having to make these trade-offs, this Committee has previously recommended that the Government set the CA threshold to no less than 16 hours at the National Living Wage. We stand by this recommendation and recommend that the Government links the CA earnings threshold with the National Living Wage.

Problems caused by the design of CA are exacerbated by the Department's failure to provide claimants with clear information about the rules. We heard that the annual letters the Department provides to carers—who are often living chaotic and stressful lives—are not sufficiently clear to allow claimants to comply with the rules on CA. Nor do they make clear the financial consequences of failing to inform DWP about changes on time. The Department is consulting Carers UK on the content of the communications it sends out to carers, which is welcome. It has told us, however, that it faces serious difficulties in changing the letters it sends to claimants because of the limitations of the computer system that produces them. In 2019, the Committee simply cannot accept that there are no alternatives. We recommend that the Department continues to work with stakeholders, including carers themselves, to improve the information it provides to claimants. If it cannot upgrade its computer system before it is next due to send communications to claimants, it must find another way to ensure all claimants get this information in a form that is easy for them to access and understand.

The increase in Carer's Allowance means that the Department will need to recover overpayments from many more carers, adding to a workload it is already struggling to deal with. Many overpayments only last for a week. However, the Department does not seek to recover overpayments which are less than or equal to £65—this is known as the small overpayments limit. Until now, that has meant that it has not sought to

recover overpayments of less than a week as the weekly rate for CA was under the limit. However, in April 2019 CA increased from £64.60 to £66.15 per week. We recommend that the Department links any increase in Carer's Allowance to the small overpayments limit, so that it is not seeking to recover overpayments of just one week.

Measuring fraud and error

The Department does not have a good understanding of the causes and levels of fraud and error in CA, as the last time it produced estimates of the rates of overpayments and underpayments was in 1996–97—over 20 years ago. Following repeated calls from the National Audit Office to update these estimates, the Department plans to remeasure the rates of overpayments and underpayments in CA in 2020. While this is a welcome step forward, the Department must maintain its understanding of fraud and error in CA going forward and commit to measuring the rates more regularly. We recommend that the Department consults the National Audit Office on how often it should measure the rates of underpayments and overpayments in Carer's Allowance and complies with its advice.

Levels of fraud and error in the benefits the Department administers are at a record high. But the Department is not setting itself ambitious targets for tackling the problem. The absence of targets for individual benefits leaves it with little incentive to ensure it is tackling fraud and error equally across all benefits. This has been illustrated in this inquiry, as we have seen that overpayments of Carer's Allowance were allowed to spiral out of control. We recommend that the Department assesses the levels of reductions of fraud and error which are achievable across all of its benefits, and sets individual targets for underpayments and overpayments for each of the benefits it administers.

Listening to concerns

The Department could, and should, have got to grips with the problems in Carer's Allowance much more quickly. Instead it has taken the action of a whistleblower—who first raised concerns over issues in CA in 2010—over many years, an NAO investigation and a select committee inquiry to persuade the Department of the urgent need to act and to listen to carers' representatives. The result is that thousands of carers are now being asked to pay back large sums of money, and are experiencing distress and hardship as a result. We recommend that the Government set out, in response to this report, an action plan for improving the Department's capacity to listen—to its own staff, to its customers, and to outside organisations—and how it will measure success.

1 Introduction

1. A carer is anyone who cares, unpaid, for a friend or family member who, due to illness, disability, a mental health problem or an addiction, cannot cope without support.¹ Research carried out by Carers UK and Sheffield University in 2015 estimated that there are around 7 million carers in the UK (around 1 in 8 adults), who make an unpaid contribution of £132 billion to the UK economy every year.²

Carer's Allowance

2. The Department for Work and Pensions (DWP/the Department) pays Carer's Allowance (CA) to carers who care for someone, in receipt of certain benefits, for at least 35 hours a week. As of April 2019, it is paid at a flat rate of £66.15 a week³ and is not affected by the amount of savings someone has, nor is it dependent on their national insurance contributions. To be entitled to CA a person must:

- be aged 16 or over;
- be providing at least 35 hours of care a week for someone in receipt of a qualifying disability benefit;
- not be in full-time education or studying for 21 or more hours a week; and
- if in paid work, have earnings after certain deductions of no more than £123 a week.²³

Cliff edge

3. Most benefits have a taper which means that as a claimant's earnings rise their benefit is withdrawn gradually. However, in CA, if a claimant's earnings rise above the £123 weekly earnings threshold, the carer loses 100% of the benefit. This means that a small increase in a claimant's earnings can lead to the full amount of £66.15 a week being withdrawn.

Allowable deductions

4. The Department allows claimants to make certain deductions from their earnings before they are assessed as falling above or below the threshold. Deductions include:

- National Insurance contributions;
- 50% of workplace or personal pension contributions; and
- Up to 50% of net earnings can be deducted towards the cost of alternative care for the disabled person, or for a child under 16, while the carer is at work.⁴

1 Carer's Trust, [About carers](#), accessed 22 July 2019

2 Carers UK, [Valuing Carers 2015: The rising value of carer's support](#), accessed 22 July 2019

3 GOV.UK, Department for Work and Pensions, [Benefit and pension rates 2019 to 2020](#), accessed 22 July 2019

4 GOV.UK, Department for Work and Pensions, [Carer's Allowance eligibility](#), accessed 22 July 2019

Reason for the inquiry

5. In 2018, this Committee conducted an inquiry into the support available for people with caring responsibilities to help them get into and stay in work. Based on the evidence we heard, we published our report, “*Employment support for Carers*”, in May 2018.⁵ The report made recommendations to the Government on improvements to the benefits system and the workplace, which would make it easier for carers to seek and maintain employment. We were disappointed by the Government’s response to our recommendations, which failed to commit to changes that would improve work incentives for carers—such as introducing a taper so that carers no longer face the “cliff edge” the earnings threshold creates, and aligning the weekly amount a claimant can earn before they lose their entitlement to CA with 16 hours at the National Living Wage.

6. The Committee began its inquiry into CA in response to reports that many carers were facing large overpayments. Following initial correspondence with the Department, which revealed that some claimants were facing overpayments of tens of thousands of pounds,⁶ the Committee wrote to the then Comptroller and Auditor General, Sir Amyas Morse, in November 2018 to ask the National Audit Office (NAO) to investigate.⁷ The NAO published its report, “*Investigation into the overpayment of CA*”, on 26 April 2019.⁸ We would like to thank everyone who contributed to our inquiry, especially the carers who responded to our survey about their experiences. We particularly thank the NAO whose timely investigation and report on this issue has been invaluable to our inquiry.

5 Work and Pensions Committee, Thirteenth Report of Session 2017–19, [Employment support for carers](#), HC 581

6 [Letter to the Chair from Sarah Newton MP](#), 28 January 2019

7 [Letter from the Chair to Sir Amyas Morse](#), 27 November 2018

8 National Audit Office, [Investigation into overpayments of Carer's Allowance](#), HC 2103, 26 April 2019

2 Detecting and recovering overpayments

Concerns about overpayments in CA

7. The Committee began its inquiry into CA in Autumn 2018, in response to reports that many carers were facing large overpayments. Through subsequent correspondence with the Department, we uncovered the scale of the problem. Some carers had amassed overpayments of tens of thousands of pounds. In a letter to the Chair, the then Minister for Disabled People, Health and Work, Sarah Newton, provided the Committee with data on the overpayments the Department had identified in 2017–18. While the majority of overpayments (68%) were under £1,000, almost 5,000 claimants owed between £1,000 and £5,000, and a small number of claimants had accrued overpayments of almost £50,000 (see Table 1).⁹ In response to these figures the Committee called on the National Audit Office (NAO) to investigate how the Department allowed such large overpayments to go undetected for so long.¹⁰

Table 1: Number of overpayments identified in 2017/18 within value ranges specified

Range (£)	Volume (all figures rounded to the nearest 10)
£65.01-£100	150
£100.01-£500	8,710
£500.01-£1,000	3,050
£1,000.01-£5,000	4,870
£5,000.01-£10,000	530
£10,000.01-£20,000	180
£20,000.01-£30,000	20
£30,000.01-£40,000	10
£40,000.01-£50,000	Fewer than 5

Source: [Letter to the Chair from Sarah Newton MP](#), 28 January 2019

Outstanding overpayments of CA

8. The NAO found that, as of March 2019, the DWP was seeking to recover a total of £150 million from just under 80,000 carers. While in most cases (56%) the value of the overpayment is less than £1,000, around 8% (7,000) of cases have debts of over £5,000 and 133 cases are worth £20,000 or more.¹¹ The full distribution of outstanding overpayments is shown in the figure below.

9 [Letter to the Chair from Sarah Newton MP](#), 28 January 2019

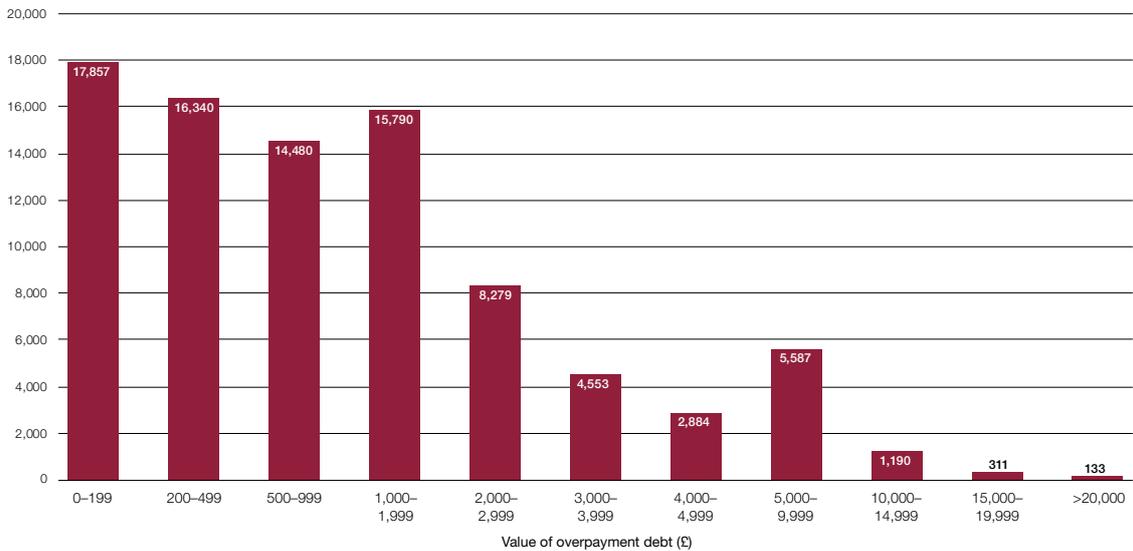
10 [Letter from the Chair to Sir Amyas Morse](#), 27 November 2018

11 National Audit Office, [Investigation into overpayments of Carer's Allowance](#), HC 2103, 26 April 2019, pg 5

Value of all overpayments outstanding, March 2019

Most overpayment debts are under £1,000. However, more than 7,000 carers have debts greater than £5,000

Number of overpayment cases



Note

1 There were 87,404 outstanding debt balances at the end of March 2019, compared with 79,210 carers with outstanding debt balances. This is because some carers have multiple balances.

Source: National Audit Office analysis of Department for Work & Pensions' debt management data

9. While many overpayments last just one week, the NAO found that some last much longer. The average length of an overpayment referred to the DWP's debt management team—who deal with the recovery of overpayments the Department deems to be recoverable—in 2018–19 was about 6 months. Overpayments of more than £20,000 lasted on average nearly eight years, with some lasting up to a decade.

Cause of overpayments

10. The NAO's findings suggest that the majority of overpayments identified by the Department arose because of honest mistakes by claimants. It stated that most (70%) overpayments identified since 2008 were caused by claimants “failing to notify the Department of their correct income in reasonable time”.¹² While it noted that this was “sometimes due to fraud and sometimes due to error”, it stressed that less than 10% of identified cases were either referred to the Crown Prosecution Service or had an administrative penalty—an alternative to prosecution—applied.¹³

11. This is of little surprise, given that the presence of a weekly earnings threshold in CA creates a “cliff edge” for claimants, which means that if they do not realise their earnings have risen above the threshold, even by a small amount, they will immediately owe the Department the full amount of Carer's Allowance they were paid. Emily Holzhausen OBE, Director of Policy and Public Affairs, Carers UK, stressed that the design and the complexity of the rules around CA are a principal cause of overpayments, saying “Most people say, “I just did not realise” for whatever reason”. She identified some specific problems:

- people paid monthly who needed to convert their earnings to a weekly equivalent;
- difficulties for self-employed people in calculating their weekly earnings;

12 National Audit Office, [Investigation into overpayments of Carer's Allowance](#), HC 2103, 26 April 2019, pg 12

13 National Audit Office, [Investigation into overpayments of Carer's Allowance](#), HC 2103, 26 April 2019, pg 21

- difficulties for people with fluctuating incomes, such as those on zero hours contracts—who may earn above the threshold some weeks, but below it in others; and
- confusion about permissible deductions claimants can make before their earnings are classed as falling above or below the threshold.¹⁴

How have overpayments accrued?

12. In most cases, the Department should know when a claimant's earnings rise above the £123 weekly threshold. It uses data-matching to compare earnings carers report with the data it holds on claimants' earnings from Her Majesty's Revenue and Customs (HMRC). But this is not an automated process. Where discrepancies are detected, cases are flagged and must be investigated by DWP staff. This is because employers do not always provide accurate and timely data to HMRC and data in HMRC's systems does not contain all of the information needed to determine whether a claimant's earnings fall below the threshold, as it does not show costs that the carer is allowed to deduct from their earnings.¹⁵

Staff shortages

13. In recent years, the Department has failed to ensure that it has adequate staff in place to detect overpayments. The NAO explained that issues with the Department's systems and staff shortages "since at least 2014" meant that the Department could not process all the matches that its systems flagged for investigation.¹⁶ While the systems it uses for data-matching have improved how quickly potential overpayments are identified, staff shortages led to backlogs in the Department investigating whether or not an overpayment had occurred. The NAO's findings on how these backlogs accumulated in the different systems the Department has used in recent years are set out in table 2 below.

14 [Q2](#)

15 National Audit Office, [Investigation into overpayments of Carer's Allowance](#), HC 2103, 26 April 2019, pg 25

16 National Audit Office, [Investigation into overpayments of Carer's Allowance](#), HC 2103, 26 April 2019, pg 27

Table 2: Systems used and reasons for backlogs

System	HMRC data source	Potential matches left unresolved	Reasons for backlogs
RD23 scans (1990s-2015)	National Insurance Payment Service (NPS)	120,000	Between 1998 and 2015, the Department used data that were provided on an annual basis. Computer errors led to these returns identifying few potential matches until 2008. Correcting these errors led to a backlog which the Department attempted to clear between 2009 and 2015. This led to a peak in detected overpayments in 2010-11. It stopped processing the backlog in 2015 and there are currently around 120,000 cases unresolved. The Department is considering investigating around half of these in 2019-20. It will delete the remaining cases as it believes that 95% of them have or will be subsequently flagged by new data matching systems or not require investigation.
Real Time Information (RTI) (2014-2018) Earn (PAYE) data from e	Pay As You Earn (PAYE) data from employers and pension providers	5,000	Between 2014 and 2018, the Department started using monthly data and deployed a team of eight full-time equivalent (FTE) staff to investigate these cases. Between 2016 and 2018, this data matching identified an average of 3,220 cases per month worthy of investigation, but the team were asked to only investigate an average of 380 (12%) cases. There are currently 5,000 cases outstanding that have not been investigated. The Department plans to allocate 16 FTE staff to investigate these cases in 2019-20.
General Matching Service (GMS) (2017-present)	P45/P46 returns and SA100 returns	Just under 2,000	In 2017, the Department introduced earnings data matching criteria to GMS which it runs in parallel to its RTI system. It told staff to investigate all the matches flagged as potential overpayments, but it did not have the staff to investigate the 5,170 cases per month flagged by the system on average. By July 2018, the Department had a backlog of 13,000 cases that needed investigating and a further 1,000 that had been referred to fraud teams for potential prosecutions.

Source: National Audit Office, [Investigation into overpayments of Carer's Allowance](#), HC 2103, 26 April 2019, pg. 26

14. The Department is detecting overpayments now that it could have detected earlier. The NAO explained that this is because in the past year it has “put in place more people and new systems to detect overpayments and is resolving backlogs generated by a previous shortage of staff.”¹⁷ Overall, the number of full-time staff investigating data matches rose

from 13 in 2017–18 to 52 in 2018–19. The Department brought in three extra teams to try to clear the extra matches identified by its General Matching Service (GMS), which it used from 2017 onwards. An average of 36 staff worked on Carer's Allowance GMS matches in the period October 2018 to March 2019.¹⁸

15. This has led to a sharp rise in the number of overpayments the Department is detecting—the Department detected 93,000 overpayments in 2018–19, compared with an average of 41,000 over the last five years.¹⁹ The NAO noted that the Department's internal audit team found that around two-thirds of carers with debts over £2,500 for overpayments caused by failure to correctly report earnings “would have had their overpayments stopped earlier if the Department had put in place sufficient staff to effectively investigate all matches identified by its matching systems.”²⁰

New claims and changes of circumstances

16. Staff shortages have also led to backlogs in the Department processing new claims and the changes in circumstances that carers report. The NAO noted that the Department underestimated both staff turnover and how much claims for Carer's Allowance would increase—from 2007–08 to 2017–18 the number of people receiving CA almost doubled, rising from 471,000 to 826,000. It found that the backlog for processing new claims of CA peaked at 52,000 in September 2017. While the Department aims to process new claims within 15 days, at the end of March 2019, just over 250 carers were waiting more than 60 days for their claim to be processed. It added that, as the Department struggled to process new claims, backlogs in processing changes to claims also developed. From April 2017 to November 2018, this backlog doubled to more than 100,000. The NAO explained that in such cases, the Department will often suspend carers' benefits to “mitigate the risk of overpayments”. It said:

It has taken several months, and in some cases years, for these cases to be properly resolved. At the peak of the backlog, 63% of changes outstanding were at least 121 days old.²¹

17. The NAO noted that the Department has brought in more staff as part of its recovery plan to help clear the backlogs in processing new claims and changes in circumstances.²² In correspondence, Peter Schofield, the Permanent Secretary, set out that the Department's “recovery and stability plans” have reduced the number of outstanding new claims by 57% to 23,000 in April 2019 (from 52,000 in September 2017) and changes in circumstances by around 42% to 60,000 in April 2019 (from 104,000 in November 2018).²³ However, the NAO stated that the Department regards figures of 19,000 and 34,000 respectively as a manageable workload. In April 2019, the average processing times for new claims were 21 days and 66 days for changes in circumstances. The Permanent Secretary added that the Department's available resources in CA are “flexed between telephony and processing” to

18 National Audit Office, [Investigation into overpayments of Carer's Allowance](#), HC 2103, 26 April 2019, pg 28

19 National Audit Office, [Investigation into overpayments of Carer's Allowance](#), HC 2103, 26 April 2019, pg 12

20 National Audit Office, [Investigation into overpayments of Carer's Allowance](#), HC 2103, 26 April 2019, pg 28

21 National Audit Office, [Investigation into overpayments of Carer's Allowance](#), HC 2103, 26 April 2019, pg 31

22 National Audit Office, [Investigation into overpayments of Carer's Allowance](#), HC 2103, 26 April 2019, pg 32

23 [Letter to the Chair from Peter Schofield](#), 28 June 2019

meet customer needs and that it is the Department's "current aspiration" to process new claims and changes in circumstances within an average of 15 days and 13 days respectively. The Department does not, however, set itself any targets for performance.²⁴

18. Emma Haddad, Director General of Service Excellence at DWP, explained that the Department took on more staff to deal with the backlogs, but added that the Department will "gradually have to bring the staffing down to the right level that keeps up with intake each week and the acceptable head of work".²⁵ In correspondence, the Permanent Secretary set out that once the "outstanding work position stabilises", the Department estimates that it will require 447 Full Time Equivalent (FTE) staff to work on CA.²⁶ This equates to 234 fewer staff than in April 2019. The numbers of staff working in the Carer's Allowance Unit from October 2018-April 2019 are shown in Table 3 below.

Table 3: Staffing levels in DWP's Carer's Allowance Unit

Month	Staffing levels in Carer's Allowance Unit (FTE)	Of which are fixed term contracts (FTE)
October 2018	545	51
November 2018	586	49
December 2018	610	49
January 2019	642	47
February 2019	648	41
March 2019	670	38
April 2019	661	20

Source: [Letter to the Chair from Peter Schofield](#), 28 June 2019

19. **The number of carers claiming UC has risen significantly over the past 10 years. Inadequate staffing has led to unacceptable delays in processing new claims and the changes in circumstances that claimants report to the Department. For claimants this can mean delays to receiving money they urgently need—and to which they are entitled. This is far from an excellent service. While we welcome the Department's efforts to resolve issues that past shortages of staff have created, we are not assured that it has the staff it needs in place to prevent further delays. While it is laudable that the Department has "aspirations" to process new claims on average in 15 days and changes in circumstances within an average of 13 days, it has no firm targets—and is a long way off meeting even its aspirations. It must set itself firmer goals, and make more effort to meet them.**

20. *We recommend that the Department ensures that it has sufficient staff in place to meet the current demand and any future rise in the numbers claiming CA in order to prevent delays. It should make its current "aspirations" for processing new claims (15 days) and changes in circumstances (13 days) firm targets and set out when they will be achieved. These targets should be published so that claimants know what to expect. The Department should review staffing levels for its CA unit if these targets are not met.*

24 [Letter to the Chair from Peter Schofield](#), 28 June 2019

25 [Q143](#)

26 [Letter to the Chair from Peter Schofield](#), 28 June 2019

21. *We further recommend that the Department provide the Committee with details of how it came to its assessment that 447 (FTE) staff will be sufficient to deliver CA services and how this accounts for any future growth in the CA caseload. Along with targets for processing new claims and changes in circumstances, it should set out the levels of service it expects this level of staffing will allow it to deliver to claimants.*

Impact of overpayments on claimants

22. The Department reclaims overpaid CA by either reducing a claimant's benefits (at a rate of 15% for means-tested benefits) or through deductions of up to 20% from employee earnings if they are no longer claiming the benefit. The NAO found that, at the standard rate of £11.10 a week, it would take an average of three and a quarter years for a claimant on benefits or the state pension to pay off their debts. More starkly, a carer on benefits or state pension with a debt of £20,000—of whom there were 133 in March 2019—could be paying the Department back for the next 34 years.²⁷

23. In a press release in October 2018, Carers UK stressed that repaying overpayments can put additional pressure on carers, many of whom are already struggling financially. It said:

[Repaying overpayments] can be hugely stressful, particularly for those providing significant care or who are juggling responsibilities, or who are on low incomes and are finding it hard to manage financially. Our most recent survey found that over a third of carers (37%) were struggling to make ends meet. When that overpayment goes back several years, this can become extremely difficult or even impossible for the carer to repay.²⁸

24. Emily Holzhausen OBE, Director of Policy and Public Affairs at Carers UK, told the Committee about the devastating impact that overpayments can have on a carer's mental health. She said:

The first thing you see when the queries come through [from carers with overpayments] is that the emotional impact is really very significant, people saying they have been crying for days on end, their mental health has been affected and some of them practically do not know how they will manage.²⁹

This was supported by responses to a survey the Committee carried out to hear from carers who had been overpaid CA. Some of the stories carers shared with us are provided in Box 1 below.

Box 1: Committee survey responses

I received a bill a year after my mother died demanding £308 and threatening an additional fee of £50 if I did not have a reasonable explanation for allowing the overpayment. They accepted the fact that I was grief stricken and did not keep track of when the payments were due to conclude and did not charge the additional fine. The money was paid by a dear friend as I was still waiting for a decision on PIP, and was

27 National Audit Office, [Investigation into overpayments of Carer's Allowance](#), HC 2103, 26 April 2019, pg 16

28 [Carer's UK press release](#), accessed 24 June 2019

29 [Q19](#)

turned down for ESA. Because of my emotional state I could not sign on as fit for work, so I had nil income at the time. My friend took care of me until I was strong enough to take care of myself. The alternative was suicide.

(Respondent with overpayment of £308)

I have always worked and a few years ago I was put in a position that turned my life upside down. My mum had dementia and Alzheimer's. I accidentally did too many hours, I was caring for my mum and my mentally ill son and holding down my job, I wasn't aware that I'd done wrong until I was called for an interview at the job centre. I was charged with fraud and taken to court, I was given community service of 180 hours unpaid work as if I didn't have enough to deal with. My son went into care because I couldn't cope, and I have now had to give up work and care for mum. I had to move in with her and give up my home, my job, my life. I am now having to pay the money back. My own health has suffered, and my finances are rock bottom. I feel my life has been in a downward spiral and I haven't been able to cope since.

(Respondent with overpayment of £3,000)

Source: Work and Pensions Select Committee survey of carers

25. Peter Schofield, Permanent Secretary at DWP, refused several opportunities to apologise for the Department's failings.³⁰ He told the Committee that he did not accept that carers suffer hardship as a result of repaying overpayments, on the grounds that the Department offers flexible repayment plans—known as hardship rates—to claimants who are struggling financially. He said:

I am pushing back on the point about hardship, only in the context of what the report says around the hardship regime that we work. What we are trying to do through recovery is, if it is a genuine mistake, we ask for the money back that was the overpayment, but as part of that process—and I have sat with agents in our debt management offices as they have done this—it is a genuine conversation about how much people can afford to pay back. That tends to be, in my experience anyway, led by the claimant saying, “This is what I can afford.”... what we are trying to do is give people as much time as they need to pay it back. In one case you have the 34 years; that is because we are giving people a very long time to pay [the overpayment] back.³¹

26. However, the NAO noted that just 1,000 carers were in receipt of these hardship rates and that the Department “does not know how these repayments [of overpayments] affect carers or the disabled person they care for, as it has not assessed the impact of these repayments.” It explained:

Under legislation, the Department does not need to assess the impact on carers when seeking repayments and deductions from benefits. It has not conducted any recent evaluation of the impact of its debt recovery policies.³²

30 [Q97, Q98, Q100](#)

31 [Q98](#)

32 National Audit Office, [Investigation into overpayments of Carer's Allowance](#), HC 2103, 26 April 2019, pg 6

27. The Permanent Secretary told us that, in the light of the NAO's report, the Department is planning to do further research into the impact the recovery of overpayments has on claimants' wellbeing.³³ However, in correspondence following the session, it was not clear that this would fall within the scope of the research. He explained that the research will "address evidence gaps highlighted by previous research including the need for up-to-date research on the factors that lead to carers claiming CA and what works to support carers in employment." He added that the work, which is currently in the commissioning stages, will be published in Spring 2020.³⁴

28. Carers—who often lead very stressful lives and whose invaluable contribution saves the taxpayer substantial costs—can suffer considerable distress and face financial difficulties when they have to repay overpayments that they often had no idea they were accruing. It is therefore unacceptable that the Department has stuck its head in the sand and done nothing to assess how these repayments affect the lives of carers and those that they care for. The Permanent Secretary's refusal to apologise for the Department's role in creating this problem, and to accept that the result is hardship for many carers, is profoundly disappointing.

29. We recommend that the Department includes an evaluation of the impact overpayment repayments have on claimants in the research it plans to publish in Spring 2020.

Recovering overpayments

30. Recovering overpayments could be costly for the Department. The NAO noted that at the rate at which the Department is recovering overpaid CA—it recovered £22 million in 2018–19—it would take nearly seven years to recover the current outstanding debt balance of £150 million.³⁵ In addition, claiming CA affects the benefit entitlements of the disabled person the claimant is caring for, making them ineligible for the Severe Disability Premium as well as reduced Council Tax. Therefore, if the Department finds that the carer was not entitled to the money they were receiving through CA, it may need to pay arrears of other benefits, such as the Severe Disability Premium, to the person being cared for. The current rate for the Severe Disability Premium is £65.85 a week, which is just 30p less than the rate for CA. In some cases, depending on eligibility, the amount of arrears due may be similar to the amount of CA. Joshua Reddaway, Director of Work and Pensions at the NAO, commented on the additional burden this process creates for the Department, claimants and the taxpayer. He said:

The oddity here is the taxpayer has paid out a large amount of money over a long time that should not have been paid ... It is then seeking to reclaim that potentially over a long period of time and, on top of that, is now having to pay a lump sum payment to another party. From the household point of view, they have two lots of benefit and a long trail of payments going forward; from a taxpayers' point of view, they have paid out twice and are trying to reclaim.³⁶

33 [Q96](#)

34 [Letter to the Chair from Peter Schofield](#), 28 June 2019

35 National Audit Office, [Investigation into overpayments of Carer's Allowance](#), HC 2103, 26 April 2019, pg 16

36 [Q62](#)

31. There are limited circumstances in which the Department will write off overpayments. For example, if it deems there is no legal basis to recover the overpayments; if further recovery is not cost effective; or, exceptionally, where recovery would cause a risk to the health of the debtor or their immediate family. The Committee asked Sir Amyas Morse, then C&AG at the NAO whether, given that the Department could have done more to detect many of the overpayments earlier, it should be writing off some of the debts carers owe. In response, he said that while he understood that a broad write-off of outstanding debt might create “quite awkward precedents for the Department” it would be sensible for the Department to look at claimants’ “individual circumstances”.³⁷

32. **The presence of an earnings threshold in CA means that carers can be heavily penalised when they make honest mistakes. If a claimant fails to report a rise in their earnings of even £1 which takes them above the weekly threshold, the Department would effectively be overpaying them by £66.15 a week. This is compounded by the fact that the Department has, for many years, allowed overpayments to build up because of administrative failures and a prolonged lack of resources. The Department has belatedly decided to remedy its past failures, but pursuing these debts can be costly for both the Department and the carers affected. While the Department has not assessed the impact repaying overpayments has on claimants and the person they are caring for, we heard that carers—who are often already struggling financially—can suffer considerable stress and anxiety, as they face substantial financial debts, which in some cases may take years to repay. We urge the Department to reassess its approach.**

33. *We recommend that the Department conduct a review of the individual cases where it is seeking to recover overpayments of CA and where its own administrative failures have allowed overpayments to accrue. It should consider on a case by case basis whether overpayments are worth pursuing given its culpability, the cost of recouping the overpayments and the impact on the lives of carers and those who they care for. The Department should start with cases of overpayments worth over £2,500, the majority (two-thirds) of which its internal audit team found it could have detected earlier and decide whether it should be writing off amounts where the claimant has made an error in failing to report changes in their circumstances, which is understandable due to the complexity of the rules around CA and unclear advice issued by the Department.*

34. *In some cases of overpayments to carers, the disabled person for whom they care would have been entitled to a similar amount in disability benefits if Carer's Allowance had not been claimed. We recommend that, in those individual cases and with the consent of the carer and the disabled person, the Department should seek to resolve the situation without clawing back the money from the carer, only to pay a similar amount to the person they were caring for.*

3 Preventing future overpayments

35. As soon as a carer's earnings rise above the £123 weekly earnings threshold, they are no longer entitled to claim CA. The presence of this "cliff edge" means that if claimants do not realise that they are no longer entitled to the benefit, they can unknowingly amass substantial debts. Sir Amyas Morse stressed that, for this reason, it is vital that the Department ensures it has sufficient resources in place to detect overpayments early on. He said:

What is not all right is creating a wave pattern and then expecting people to pay up... That is particularly true when this sort of cliff edge penalty can occur. You could suddenly find people going from qualifying for this allowance to not qualifying in a relatively short step. Letting that develop over a period of time can mean quite large sums of money relative to the circumstances of people who have to pay them. That is a reason you need to resource it consistently and make sure you are steadily dealing with everything on time. You just cannot let that keep building up.³⁸

New system

36. In September 2018, the Department put in place a new system, intended to provide a more preventative approach to avoiding overpayments. The Verified Earnings and Pensions service (VEPs) provides the Department with more frequent alerts and will allow the Department to verify carers' earnings before it approves their claim. The NAO explained that while data matching was previously a monthly process that identified matches to be investigated, the new system uses HMRC data to "produce daily alerts whenever the data show a carer with earnings over the limit." The new system is not currently able to identify all overpayments. For example, if carers are no longer paid Carer's Allowance the Department will not be able to pick up historical overpayments; software errors mean that the Department cannot use the service for around 30% of carers; and the VEPS service currently only provides Real Time Information data going back 12 months, which makes it difficult for staff to identify overpayments that have accrued for longer periods.³⁹

Staffing

37. Despite these issues, DWP estimates that VEP alerts will produce additional savings of £136 million by 2025–26 by reducing CA fraud and error.⁴⁰ However, the NAO stressed that the success of the new system is dependent on it being sufficiently resourced, as it will still require staff to look at whether claimants have allowable expenses that can be deducted from their earnings. The DWP expects the system to generate about 75,000 alerts a year, although not all alerts will require a full investigation. The Department has increased the number of full-time staff investigating data matches from 8 to 33 in 2018–19. But even with these numbers, the NAO calculates that each staff member would need to investigate about 190 cases per month. For comparison, in the previous system each member of staff

38 [Q66](#)

39 National Audit Office, [Investigation into overpayments of Carer's Allowance](#), HC 2103, 26 April 2019, pg 34

40 National Audit Office, [Investigation into overpayments of Carer's Allowance](#), HC 2103, 26 April 2019, pg 16

was expected to investigate 47 cases a month.⁴¹ Joshua Reddaway, Director of DWP Value for Money at the NAO, cautioned that it was too early to say whether the new system is working. He said:

At the moment it looks okay but it is too early to tout that as a complete success until we know whether or not it is being properly staffed and properly working.⁴²

38. The Committee welcomes the new system the Department has put in place to improve its ability to provide carers with more timely alerts that they may have made mistakes. However, as the new technology still requires manual interventions by DWP staff, it will be of little use if it is not adequately resourced. We urge the Department to learn from its past mistakes and ensure that it has the staff in place to ensure that carers do not inadvertently amass substantial financial debts.

39. We recommend that the Department ensures that its Carer's Allowance Unit is adequately resourced to investigate matches flagged by its VEPs system. It should set targets for the length of time between matches being flagged and the claimant's case being investigated, which minimise the impact on claimants. It should immediately review the number of staff it allocates to investigating matches if it is failing to meet these 6 monthly targets.

Universal Credit

40. Carers on Universal Credit can also claim CA. The Department already holds data on these carers' earnings, as it receives earnings data for most UC claimants through a Real Time Information data feed from HMRC, which it uses to calculate a claimant's award.⁴³ Despite this, carers claiming both CA and UC are still expected to report any changes in their income to the Department. Peter Schofield told the Department that the VEPs system is "based on exactly the same feed as Universal Credit" and will "ultimately" be able to alert the CA unit immediately, if a claimant's earnings rise above the earnings threshold.⁴⁴

41. The introduction of Universal Credit presents the Department with an opportunity to improve how quickly it flags potential overpayments to carers, as data on claimants' earnings—from HMRC's Real Time Information system—is fed directly into the UC system. It is astonishing that the Department is not yet able to use this information to prevent overpayments from occurring. The Department expects its VEPs system—which receives the same data on claimants' earnings—to be able to flag overpayments straight away eventually. Until then the Department must make better use of the information it already holds on claimants' earnings within UC to ensure that potential overpayments are dealt with swiftly.

42. We recommend that the Department automate alerts to its CA unit when the earnings of carers on UC rise above the CA earnings threshold, using the data it holds on claimants' earnings within the UC system.

41 National Audit Office, [Investigation into overpayments of Carer's Allowance](#), HC 2103, 26 April 2019, pg 8

42 [Q64](#)

43 This information is not available for self-employed claimants who must report their earnings to the Department 7–14 days after the end of an assessment period.

44 [Q126](#)

43. For carers on UC, CA is deducted pound for pound from their UC entitlement, but they are also entitled to the carer's element in UC worth around £160 a month. When a carer loses their entitlement to CA, their UC award should increase as the CA should no longer be deducted. However, Peter Schofield explained that in this situation a claimant's UC award will not adjust automatically. Instead, claimants are expected to use their UC journal to notify UC that they have lost their entitlement. He said:

We have not yet automated that for universal credit, so if a claimant loses carer's allowance when they are on universal credit, the key thing is write in your journal straight away, "I've lost carer's allowance. Please can you uplift my universal credit?" That then kicks off a conversation with the case manager on this.⁴⁵

44. When carers on UC lose their entitlement to CA because their earnings increase, they will be entitled to a higher UC award as their CA should no longer be deducted pound for pound from their UC payment. The Committee was very surprised to learn that this is not an automated process, even though the DWP itself knows that the claimant is no longer receiving CA. Instead, carers are expected to use their UC journal to inform DWP about the change. Otherwise, they will not receive their full UC entitlement. Many claimants, not unreasonably, will not realise that they need to give the Department information that it already holds. This process will inevitably lead to claimants losing out.

45. We recommend that the Department finds a way to automate process of increasing a claimant's UC award when they lose their entitlement to CA. Until it can do this, it should urgently and then regularly communicate to carers claiming UC that they must inform UC if their CA is stopped, and the consequences of them failing to do so.

4 Reducing the burden on CA claimants

Change of circumstances

46. Carers are responsible for informing the Department about changes in their circumstances which affect their claim, including changes to their earnings. By law, claimants must do this “as soon as practically possible”. The NAO highlighted that this term is not defined in legislation and that the Department says that “it depends on the facts of the case”.⁴⁶

Design of CA

47. The design of CA means that failing to report even a minor change in their circumstances can have disproportionately punitive effects on carers compared with other benefits. The presence of the earnings “cliff-edge” of £123 a week means claimants can easily go over the threshold by a very small amount, but when they do this can result in large overpayments. Sir Amyas Morse told the Committee that “having a system like that makes it easy for distress to be created by quite small errors”.⁴⁷ He added that even if claimants understand their responsibilities in reporting changes of circumstances, they may not be able to cope with the burden of reporting even minor changes. He explained:

You have to imagine that you are someone out there who has irregular earnings who is going to find that they have perhaps not the most organised life in the world and so they have [the DWP's] communication, but since their earnings bump up and down or they do not quite know what has been put through in the automated tax return, they find themselves going above the limit by even a small amount of money and they are immediately penalised.⁴⁸

48. The NAO found that “the Department does not measure how many carers have earnings marginally over the limit”.⁴⁹ However, in the sample of cases that it examined it found “many cases of carers whose earnings were substantially over the limit whilst in receipt of CA, and many whose earnings were only marginally over.”⁵⁰ Joshua Reddaway, Director of Work and Pensions Value for Money at the NAO, told the Committee that “there were quite clearly some [people] that would have been caught out”.⁵¹

Introducing a taper

49. This Committee has previously recommended that the Government introduces a taper for CA to remove the earnings “cliff edge” and ensure that work always pays for carers.⁵² This would mean that instead of CA being withdrawn in its entirety at an earnings

46 National Audit Office, [Investigation into overpayments of Carer's Allowance](#), HC 2103, 26 April 2019, pg 21

47 [Q72](#)

48 [Q72](#)

49 National Audit Office, [Investigation into overpayments of Carer's Allowance](#), HC 2103, 26 April 2019, pg 21

50 Ibid.

51 [Q73](#)

52 Work and Pensions Committee, Thirteenth Report of Session 2017–19, [Employment support for carers](#), HC 581

threshold, it would be gradually withdrawn as earnings increase. This is what happens in Universal Credit, which has a 63% taper rate—for each additional £1 earned above a threshold, the claimant loses 63p. However, the Government rejected this recommendation on the basis that CA is not a means-tested benefit and is “essentially there to provide a test of whether the carer is in “gainful employment”, while tapers are designed to ensure that work pays in mean-tested benefits. It also stated that, in order to create a ‘cost-neutral’ taper, the taper would need to begin at a lower level than the current earnings limit. But this would reduce the amount of CA for some carers, reduce work incentives for carers on low incomes and “complicate” the current CA scheme.⁵³

50. The Committee stands by its previous recommendation that the Department should introduce a taper for CA. Not only would it increase work incentives for carers, it would also lessen the impact on them if they make honest mistakes and overpayments occur. This inquiry has shown that the design of Carer's Allowance, and in particular the presence of the earnings threshold, sets carers up for a fall. If claimants fail to realise that their earnings have risen above the threshold, even slightly, and the overpayment goes undetected, they can be left with substantial financial debt. We urge the Department to minimise the risk for such claimants.

51. We recommend that the Department introduce a taper to CA. It should explore the different options at which it could start the taper as well as different withdrawal rates. This should include looking at options which are not cost neutral, such as tapering CA at the same rate as UC, given that CA is only 3% of the Government's overall benefit expenditure.

52. If it will not do this, we recommend that where claimants' earnings are within 5% of the earnings threshold the Department should limit the period that an overpayment is recoverable for to one month. The Department expects its new systems to be more efficient at identifying overpayments, and on that basis we do not expect it would need to make these adjustments in many cases.

Fluctuating earnings

53. We heard that the time period over which CA is paid and a claimant's earnings are calculated can cause particular difficulties for carers with fluctuating earnings; for example, those on zero hour contracts. The GOV.UK website says that carers can choose to be paid either weekly or four weekly.⁵⁴ However, in a letter to the Chair, Sarah Newton, then Minister for Disabled People, explained that the Department can also try to identify a “pattern of earnings” and average carers' earnings accordingly. She said:

We recognise that some carers will have earnings that vary from week to week depending on how many hours they work. Where we can establish a pattern of earnings we calculate an average over an appropriate period so that the carer does not need to report their earnings on a weekly basis and we do not have to keep reviewing their entitlement.⁵⁵

53 Work and Pensions Committee, Thirteenth Special Report, [Employment Support for Carers: Government Response to the Committee's Thirteenth Report](#), HC 1463, 31 July 2018

54 <https://www.gov.uk/carers-allowance>, accessed 19 July 2019

55 [Letter to the Chair from Sarah Newton MP](#), 28 January 2019

She later clarified that the appropriate period is decided by DWP staff on a case-by-case basis and that it does not seek to agree this with the carers concerned. She added that the Department is “currently in the process of reviewing the way [it] treats fluctuating earnings with a view to simplifying the process for both DWP staff and carers”, but that the Department has “no current plans to move to an annual assessment of earnings”.⁵⁶

54. Emily Holzhausen OBE, Director of Policy and Public Affairs at Carers UK explained that even when the Department averages carers' income it is not always straightforward for the carer to work out whether or not their earnings have risen above the CA threshold. She said:

The other issue is that people have fluctuating earnings, therefore in actual fact it is not, “I get £119 a week regularly”. Certainly, for people we have seen who are on zero-hours contracts, for example, it is very difficult to say what they might get. For their pattern of work there is a different way of averaging out earnings, which means it is sometimes very difficult. The carer might say, “That is my pattern” and they might have interpreted it differently to the Carer's Allowance Unit. That sets quite a complex picture for people to be able to work out where they are.⁵⁷

55. Carers UK gave examples of how difficulties in understanding how to average their earnings have left carers with overpayments to repay.⁵⁸ This was also supported by responses to a survey the Committee carried out to hear from carers who had been overpaid CA. Some of the stories carers shared with us are provided in Box 2 below.

Box 2: Committee survey responses

I have been told I was overpaid carer's allowance by £500, I worked [part time] and only earned the amount allowed each week, which at the time was £116 a week, as I'm paid monthly my wage went up and down, due to 4 or 5 week months. I was told by the carers allowance team that they do not go by the weekly allowance and that they have a monthly cut off of £520 and if you earn more than £520 they do not pay carers allowance for the whole month, I pointed out that the Government website or even there website only states a weekly amount and that I have only ever earned less than the amount stated so that I never owed money back, they told me that they did not know what the government website said and that they only go by the monthly amount, I lost money because of having to pay back over £500, plus I lost money I could earn each week, which affected my family.

I care for my adult son who has autism. I work part-time for [a charity], at three different offices, and I did not realise that over a period of just under 2 years, my earnings had crept just above the limit. With variable income over different periods, the calculations are extremely complicated, and it was not clear to me that I had gone over the limit I feel very angry that I have been punished for going over the earnings limit by a small amount while working on a low income for a charity that helps people, given that the earnings limit was not straightforward to calculate in my situation My

56 [Letter to the Chair from Sarah Newton MP](#), 12 March 2019

57 [Q7](#)

58 Carers UK ([OCA001](#))

family have been struggling to manage since I was made redundant from a professional position in 2013, and my wife was made redundant in 2016, so having to pay back almost £6000 will mean real hardship for us.

Source: Work and Pensions Select Committee survey of carers

56. Many carers, such as those on zero-hour contracts, have fluctuating earnings and so may earn slightly above the CA earnings threshold one week and slightly under it the next. While the Department has processes in place to average earnings for these carers, its website does not make it clear that this is an option, nor does it explain publicly to claimants how this averaging works, so that they can understand whether or not they are still entitled to CA. We welcome the Department's plans to review how it treats carers with fluctuating earnings. In the meantime, it must do more to help carers in these circumstances.

57. *We recommend that, as part of its review into how it treats carers with fluctuating income, DWP should use the data it holds on carers' earnings patterns to look at whether assessing carers' income over a different time period from the current default weekly payments would work better for the majority of carers. It should report these findings to the Committee.*

58. *We further recommend that the Department makes it clear to claimants that they can ask for their earnings to be averaged if they have fluctuating income, and makes it easy for them to do this. This information should be presented in a clear and accessible way on the GOV.UK website and in the letters the Department sends to carers. Once an averaging pattern has been identified, claimants should be told how to average their earnings across this period.*

Communications with carers

59. The Department reminds carers annually, by letter, of the rules on CA. However, the Committee has heard that these letters do not provide sufficiently clear information to enable carers to comply with the rules. For example, while the letter states that a claimant's entitlement to CA "could be affected" if their circumstances change, it does not explain that they can lose entitlement to the whole amount of CA if their earnings rise above the £123 a week threshold. While it provides a link for claimants to report changes in circumstances to the CA Unit, the letter does not make it clear that changes of circumstances need to be reported directly to the CA Unit, even if claimants have reported the changes to other DWP departments who may need to be informed. Carer's UK noted that the letters are "fairly long and full of complex information", which means that claimants may miss some important information.⁵⁹ In addition, while the letter specifies that claimants can earn up to the threshold limit, after "taking off certain expenses" from their earnings, it does not provide information on what those expenses are.⁶⁰ The Committee believes that the Department has a duty to ensure that every carer is aware of the earnings threshold and its consequences and is given clear guidance to enable them to plan their work and give the correct information in a timely manner to avoid overpayments and the consequent distress and hardship they cause.

59 Carers UK ([OCA0001](#))

60 National Audit Office, [Investigation into overpayments of Carer's Allowance](#), HC 2103, 26 April 2019, Appendix Two

60. Peter Schofield told the Committee that the Department is working with Carers UK to improve the information it provides to claimants in its letters. However, he said that amending the content of the letters is not straightforward because of the limitations of the computer system that produces them. He said:

The letter is generated by a very old computer system and making changes is difficult. It is not impossible, it is difficult, which is why we are working to do two things. One is what we can do within the parameters of the existing system to improve the letter and also what we are doing in terms of upgrading the computer system, which we will have much more progress on over the course of the next 12 months.⁶¹

Emma Haddad, Director General of Service Excellence at DWP, told us that the Department was also looking at using text messages to communicate with claimants. She said, "I think we could do a lot more there, not just rely on hard copy letters."⁶²

61. Rules on claiming CA are complex and make it easy for claimants—who are often living chaotic and stressful lives—inadvertently to make mistakes which can leave them in debt to the Department. The Department places the burden of reporting even minor changes in their circumstances on carers. But it does not communicate the rules on CA clearly, nor does it make clear the financial consequences of failing to inform the DWP about changes on time. It is surely welcome that the Department is consulting Carers UK on the content of the communications it sends out to carers. But the Committee was astonished by the Permanent Secretary's explanation that, in 2019, the Department is using a computer system which makes it almost impossible to update a letter for at least 12 months.

62. We recommend that the Department continues to work with stakeholders such as Carers UK to improve the information it provides to claimants including both direct communications to individual claimants (e.g. letters) and generic communications such as those on the GOV.UK website. It should also ask carers themselves to give feedback on its communications and how they could be improved. If it cannot upgrade its computer system it must find another way to ensure all claimants get the information they need in a form that is easy for them to access and understand.

63. As part of its work with stakeholders, the Department should consider how best the letters sent annually and at the start of a claim to carers could make clear that claimants lose their entitlement to CA in every week in which their net earnings exceed £123 per week. It should also consider how best to communicate the allowable deductions to carers—perhaps with a list in the letter of the main allowable deductions, and a link to the full list on GOV.UK to enable claimants to work out their net earnings. The Department must also give carers clear details at every opportunity of how claimants must report a relevant change of circumstances, including earning above the threshold in any one week, even if they have already informed other DWP departments of the changes, and give the relevant phone number, email or weblink.

61 [Q102](#)

62 [Q120](#)

National Living Wage

64. Carers UK argued that the earnings threshold for CA should be brought in line with the National Living Wage (NLW). It explained that, when the NLW rises faster than average wages, it reduces the number of hours that carers can work and still receive CA.⁶³ In our previous report, *Employment Support for Carers*, we explained that employees can be inadvertently tipped over the threshold by an increase in the NLW, meaning they are left considerably worse off because of a relatively small pay rise.⁶⁴ This poses a particular problem for claimants on CA who are also claiming Tax Credits, as for many people on Tax Credits, working 16 hours is a prerequisite for claiming the benefit. However, 16 hours at the current NLW (for people aged 25 and over) of £8.21 pays £132.16 per week, almost £10 more than the current Carer's Allowance earnings threshold of £123. Carers UK explained that the number of hours that a carer over the age of 25 earning the NLW can work and still receive CA has fallen from 15.3 hours in 2018 to its lowest level of 14.9 hours per week from April 2019.⁶⁵ Carers can therefore face a choice between the two benefits. In addition, parents must work at least 16 hours or more at the NLW to be eligible for free childcare for three and four year olds. This means that parent carers who choose to reduce their hours to fewer than 16 hours a week so they can claim CA would then lose their entitlement to free childcare.

65. This Committee has previously recommended that the Government set the CA threshold to no less than 16 hours at the NLW.⁶⁶ In response to our recommendation the Government argued that some claimants would still be able to work 16 hours and retain their eligibility for CA, as the earnings threshold does not take into account certain expenses such as half of the cost of pension contributions or a contribution to the cost of care while the carer is in work. It gave the example below:

Claimant (over 25) works for 16 hours at the NLW and has net earnings of £125.28 per week. This would usually result in a disallowance to CA because earnings are over the £120 net earnings limit. But if this claimant chose to boost their savings for retirement and £12 per week towards a workplace pension, £6 would be counted as a deduction towards the CA earnings limit. So, the figure used to determine CA eligibility would be £119.28.⁶⁷

It did not set out how many carers working 16 hours at the NLW would be able to maintain their eligibility for CA this way.

66. The Committee maintains its view that as long as the threshold for removing or reducing Carer's Allowance is below 16 hours at the National Living Wage, carers receiving Working Tax Credit will face disincentives to work. A similar 16 hour rule remains in eligibility for free childcare, which means parents who both work and care could lose their entitlement to free child care if they reduce their hours to ensure they fall below the CA earnings threshold. While we acknowledge the Department's

63 Carers UK ([OCA0001](#))

64 Work and Pensions Committee, Thirteenth Report of Session 2017–19, [Employment support for carers](#), HC 581

65 Carers UK ([OCA002](#))

66 Work and Pensions Committee, Thirteenth Report of Session 2017–19, [Employment support for carers](#), HC 581

67 Work and Pensions Committee, Thirteenth Special Report, [Employment Support for Carers: Government Response to the Committee's Thirteenth Report](#), HC 1463, 31 July 2018

argument that some carers may be able to work for 16 hours and retain their benefit because they have allowable expenses, the Government should seek to remove barriers to work for all carers.

67. *We recommend that the Government links the CA earnings threshold with the National Living Wage. For as long as 16-hour rules exist in the benefits system, the CA earnings threshold should be equivalent to no less than 16 hours at the National Living Wage.*

Small overpayments limit

68. The Department does not seek to recover overpayments which are less than or equal to £65. This is known as the small overpayments limit. Until now, that has meant that it has not sought to recover overpayments of less than a week, because until April 2019 the weekly rate for CA was below the limit—in 2018–19 carers were entitled to £64.60 a week. The NAO reported that many overpayments the Department detects “last just one week”.⁶⁸ The increase in CA to £66.15 per week from April 2019 therefore means that many more carers will fall outside of the small overpayments limit as the Department will be chasing overpayments of a week for the first time.

69. **The Department has previously made the decision not to recover overpayments of one week from carers. Given that many of the overpayments it identifies fall within this category, the increase in Carer's Allowance to £66.15 per week means that the Department will be seeking to recover overpayments from many more carers adding to a workload that it is already struggling to deal with. We do not think this is a sensible use of resources.**

70. *We recommend that the Department links any increase in Carer's Allowance to the small overpayments limit, so that it is not seeking to recover overpayments of just one week.*

5 Measuring fraud and error

71. Overpayments and underpayments of CA and other benefits occur when the Department pays claimants more or less money than they are entitled to. This can happen when claimants make honest mistakes (claimant error), when claimants deliberately provide or withhold information (fraud), or when DWP staff make mistakes when processing claims or changes to claims (official error). In cases of official error, where the Department considers itself to be at fault, it does not seek to recover the resulting overpayments from claimants. Neither does it seek to recover overpayments less than £65, unless the claim is fraudulent.⁶⁹

Department's understanding of fraud and error in CA

72. The Department looks at samples of live claims and checks whether they are correct in order to estimate the rates of overpayments and underpayments in CA and other benefits. In its 2017–18 accounts, the Department estimates that overpayments accounted for 5.5% (£160 million) of its total expenditure on CA. However, the rate of 5.5% is based on sampling it carried out over 20 years ago, in 1996–97. The NAO concluded that the outdated estimates mean that the Department has a “limited understanding of underlying rates of fraud and error” in CA.⁷⁰ For example, based on the outdated estimates the Department estimates that 89% of overpayments are caused by claimant fraud or error, of which the majority (80%) is due to claimant fraud. However, data on the overpayments it identified in recent years suggest that this is not the case. The NAO noted that less than 10% of overpayments were referred to the Crown Prosecution Service (CPS) for prosecution or had an administrative penalty—an alternative to prosecution—applied over the last five years.⁷¹

73. The NAO said that it has “repeatedly raised” the issue with the Department over the last few years and recommended that the Department update its estimates. The Department has now agreed to remeasure the rates and intends to publish them in May 2020.⁷²

74. Peter Schofield, Permanent Secretary at DWP, explained that the Department has not previously updated the estimates because it is an expensive process and must be balanced with the need to work on tackling fraud and error. He said:

When we pull together our global figures for fraud and error we don't look at, we don't sample every single benefit each and every year ... It is incredibly expensive and you always have to ask yourself a question: are we better off spending money measuring fraud and error or are we better off spending money tackling fraud and error? Clearly, you have to have a combination of the two to know that you are directing things in the right way.⁷³

69 National Audit Office, [Investigation into overpayments of Carer's Allowance](#), HC 2103, 26 April 2019, pg 7

70 National Audit Office, [Investigation into overpayments of Carer's Allowance](#), HC 2103, 26 April 2019, pg 6

71 National Audit Office, [Investigation into overpayments of Carer's Allowance](#), HC 2103, 26 April 2019, pg 21

72 National Audit Office, [Investigation into overpayments of Carer's Allowance](#), HC 2103, 26 April 2019, pg 19

73 [Q160](#)

The Department does not plan to annually remeasure these rates. The NAO reported that this is because “[DWP] believes that the underlying causes of fraud and error in Carer’s Allowance do not vary as much as for some other benefits and Carer’s Allowance is not as significant an area of spending.”⁷⁴

75. The Department’s understanding of the levels of fraud and error in CA, and their causes, is based on measures from more than 20 years ago. It has ignored repeated recommendations from the NAO to update its estimates. It now plans to remeasure the rates in 2020, but this must not be a one-off exercise. In order to maintain its understanding of fraud and error in CA going forwards, it must commit to measuring it more regularly.

76. We recommend that the Department take the advice of the National Audit Office on how often it should measure the rates of underpayments and overpayments in Carer’s Allowance, and that it should comply with that advice.

Overall fraud and Error targets

77. In the Department’s 2018–19 Accounts, the Comptroller and Auditor General noted that benefit overpayments and underpayments, excluding State Pension, are at their highest levels since the Department introduced its current method for estimating fraud and error in 2005–2006.⁷⁵ He added that the Department expects the value of overpayments across all benefits to increase by £1.3 billion in the next 6 years. The Department sets itself targets for the total overpayments and underpayments as a proportion of its overall benefit expenditure, in order to measure its progress in tackling fraud and error. However, its targets have previously been criticised as lacking in ambition. For example, in its 2018 report, “*Employment and Support Allowance*”, the Public Accounts Committee said that the Department’s target for 2017–18, that it should underpay claimants by no more than 0.9%, “does not challenge the Department to improve, nor does it reflect the number of real people’s lives affected”.⁷⁶ Furthermore, the Department’s overall measure of fraud and error masks the issues within individual benefits. It provides the Department with little incentive to tackle fraud and error in benefits such as CA—which is just 3% of the Department’s overall benefit expenditure excluding State Pension⁷⁷—but which can still have a huge impact on claimant’s lives when things go wrong.

78. Laura Squire, Head of Fraud, Error and Debt, Strategy, Policy, and Change at DWP, confirmed that the Department does not set itself targets for fraud and error for individual benefits. She explained that the Department’s approach to tackling fraud and error is to look at the causes of underpayments and overpayments across all benefits and to find solutions. She added that the causes of fraud and error are often the same “across a number of different benefits”—giving as an example the issue of unreported earnings, which the Department aims to address with its VEPs system, which receives real time information on claimants’ earnings.⁷⁸ The Department estimates that the VEPs system

74 National Audit Office, [Investigation into overpayments of Carer’s Allowance](#), HC 2103, 26 April 2019, pg 19

75 Department for Work and Pensions, [Annual Report and Accounts 2018–2019](#), HC 2281

76 Public Accounts Committee, Fifty-fifth Report of Session 2017–19, [Employment and Support Allowance](#), HC 975, 18 July 2018

77 National Audit Office, [Departmental Overview: Department for Work and Pensions](#), October 2018

78 [Q164](#)

will produce additional savings of £136 million by 2025–26 by reducing fraud and error in Carer's Allowance.⁷⁹ It is unclear to the Committee why the Department can estimate savings from the system, but not set a corresponding target for reducing fraud and error.

79. Levels of fraud and error in the benefits the Department administers are at an all time high. But the Department is not setting itself ambitious targets for tackling the problem. Moreover, the absence of targets for individual benefits leaves it with little incentive to ensure it is tackling fraud and error effectively across all benefits. We have seen the result of that in this inquiry: overpayments of Carer's Allowance were allowed to spiral out of control. The Department must now commit to setting itself more ambitious goals for addressing these escalating issues, and should do so at the level of individual benefits.

80. *We recommend that the Department assesses the levels of reductions of fraud and error which are achievable across all of its benefits, and sets individual targets for underpayments and overpayments for each of the benefits it administers.*

6 Learning lessons

81. The NAO's report reveals that the issues raised in its report were not new concerns. It was the brave actions of a whistleblower who first raised the alarm over issues with Carer's Allowance, almost ten years ago. This individual first raised the alarm within the Department in 2010, before finally making a complaint to the then Permanent Secretary in 2016. Following that complaint, the Department commissioned its own internal audit team to report on how it used its matching tools. Two internal audit reports—in 2017 and 2019—found that there was “only limited assurance through the Department's overall controls for Carer's Allowance”.⁸⁰

82. The then Comptroller and Auditor General, Sir Amyas Morse, told us that the Department had been too slow to take action. He said:

These issues have been being flagged up for some time. They did not get a timely reaction. It took some time for the Department to get out of the blocks and start doing something about this. They are doing it now, but internal audit was flagging this up quite some time ago. They should have been moving on this earlier.⁸¹

83. Joshua Reddaway, Director of Work and Pensions Value for Money at the NAO, noted that there had been an increase in management oversight of Carer's Allowance at the same time as the Committee's inquiry and the NAO's investigation had been announced. He concluded that this was “illustrative of the fact things could have been raised and escalated—they were escalated, but they could have taken attention earlier.”⁸² Sir Amyas Morse added: “To be fair to the Department, it was starting to move. It was starting to move before that, but the lesson is: move faster, be more ready to receive these messages.”⁸³

84. Sir Amyas Morse noted in particular that the whistleblower in this case, like many other public sector whistleblowers, had had to be persistent in raising concerns over a long period of time. He said:

It should not need the whistleblowers to have to be very persistent and determined in order to get a hearing. There needs to be a quicker reaction time. It is pretty tough on whistleblowers to say you are going to get heard only if you keep on and on. That is unfortunate.⁸⁴

We asked Sir Amyas whether he thought that the Department had learned lessons from this case. He said:

They are certainly listening. We are not accusing them of not listening, but what I do think—and forgive me just to go on a bit on this—is that there are other lessons in the case. These issues have been being flagged up for some time. They did not get a timely reaction. It took some time for the

80 National Audit Office, [Investigation into overpayments of Carer's Allowance](#), HC 2103, 26 April 2019, pg 34–35

81 [Q67](#)

82 [Q 69](#)

83 [Q 70](#)

84 [Q 69](#)

Department to get out of the blocks and start doing something about this. They are doing it now, but internal audit was flagging this up quite some time ago. They should have been moving on this earlier.

He concluded that:

The real lesson is when you start hearing signals, don't take a long time to react because it does create this unsatisfactory position when you are looking at the circumstances of people who have very little resource. There are lessons there about listening, being receptive, not having a tin ear when you are getting told that things are going wrong. I think that is quite serious.⁸⁵

85. The Permanent Secretary acknowledged that the Department needed to do more to develop its culture. He told us:

I want us to be a Department that is listening, which is open and engaging, particularly in terms of how we engage with outside partners and those who support groups whom we serve, including carers.⁸⁶

He said, by way of example, that he had met Carers UK the previous week in preparation for giving oral evidence to the Committee.

86. The Department could, and should, have got to grips with the problems in Carer's Allowance much more quickly. Instead, it has taken action by a whistleblower over many years, an NAO investigation and a select committee inquiry to persuade the Department of the urgent need to act and to listen to carers' representatives. The result of the Department's delay to act is that some carers are now being asked to pay back large sums of money, and are experiencing distress and hardship as a result. This situation must not be repeated.

87. We recommend that the Government set out, in response to this report, an action plan for improving the Department's capacity to listen to feedback—from its own staff, its customers, and outside organisations—and how it will measure success.

85 [Q 67](#)

86 [Q 94](#)

Conclusions and recommendations

Detecting and recovering overpayments

1. The number of carers claiming UC has risen significantly over the past 10 years. Inadequate staffing has led to unacceptable delays in processing new claims and the changes in circumstances that claimants report to the Department. For claimants this can mean delays to receiving money they urgently need—and to which they are entitled. This is far from an excellent service. While we welcome the Department's efforts to resolve issues that past shortages of staff have created, we are not assured that it has the staff it needs in place to prevent further delays. While it is laudable that the Department has "aspirations" to process new claims on average in 15 days and changes in circumstances within an average of 13 days, it has no firm targets—and is a long way off meeting even its aspirations. It must set itself firmer goals, and make more effort to meet them. (Paragraph 19)
2. *We recommend that the Department ensures that it has sufficient staff in place to meet the current demand and any future rise in the numbers claiming CA in order to prevent delays. It should make its current "aspirations" for processing new claims (15 days) and changes in circumstances (13 days) firm targets and set out when they will be achieved. These targets should be published so that claimants know what to expect. The Department should review staffing levels for its CA unit if these targets are not met.* (Paragraph 20)
3. *We further recommend that the Department provide the Committee with details of how it came to its assessment that 447 (FTE) staff will be sufficient to deliver CA services and how this accounts for any future growth in the CA caseload. Along with targets for processing new claims and changes in circumstances, it should set out the levels of service it expects this level of staffing will allow it to deliver to claimants.* (Paragraph 21)
4. Carers—who often lead very stressful lives and whose invaluable contribution saves the taxpayer substantial costs—can suffer considerable distress and face financial difficulties when they have to repay overpayments that they often had no idea they were accruing. It is therefore unacceptable that the Department has stuck its head in the sand and done nothing to assess how these repayments affect the lives of carers and those that they care for. The Permanent Secretary's refusal to apologise for the Department's role in creating this problem, and to accept that the result is hardship for many carers, is profoundly disappointing. (Paragraph 28)
5. *We recommend that the Department includes an evaluation of the impact overpayment repayments have on claimants in the research it plans to publish in Spring 2020.* (Paragraph 29)
6. The presence of an earnings threshold in CA means that carers can be heavily penalised when they make honest mistakes. If a claimant fails to report a rise in their earnings of even £1 which takes them above the weekly threshold, the Department would effectively be overpaying them by £66.15 a week. This is compounded by the fact that the Department has, for many years, allowed overpayments to build up because

of administrative failures and a prolonged lack of resources. The Department has belatedly decided to remedy its past failures, but pursuing these debts can be costly for both the Department and the carers affected. While the Department has not assessed the impact repaying overpayments has on claimants and the person they are caring for, we heard that carers—who are often already struggling financially—can suffer considerable stress and anxiety, as they face substantial financial debts, which in some cases may take years to repay. We urge the Department to reassess its approach. (Paragraph 32)

7. *We recommend that the Department conduct a review of the individual cases where it is seeking to recover overpayments of CA and where its own administrative failures have allowed overpayments to accrue. It should consider on a case by case basis whether overpayments are worth pursuing given its culpability, the cost of recouping the overpayments and the impact on the lives of carers and those who they care for. The Department should start with cases of overpayments worth over £2,500, the majority (two-thirds) of which its internal audit team found it could have detected earlier and decide whether it should be writing off amounts where the claimant has made an error in failing to report changes in their circumstances, which is understandable due to the complexity of the rules around CA and unclear advice issued by the Department. (Paragraph 33)*
8. *In some cases of overpayments to carers, the disabled person for whom they care would have been entitled to a similar amount in disability benefits if Carer's Allowance had not been claimed. We recommend that, in those individual cases and with the consent of the carer and the disabled person, the Department should seek to resolve the situation without clawing back the money from the carer, only to pay a similar amount to the person they were caring for. (Paragraph 34)*

Preventing future overpayments

9. The Committee welcomes the new system the Department has put in place to improve its ability to provide carers with more timely alerts that they may have made mistakes. However, as the new technology still requires manual interventions by DWP staff, it will be of little use if it is not adequately resourced. We urge the Department to learn from its past mistakes and ensure that it has the staff in place to ensure that carers do not inadvertently amass substantial financial debts. (Paragraph 38)
10. *We recommend that the Department ensures that its Carer's Allowance Unit is adequately resourced to investigate matches flagged by its VEPs system. It should set targets for the length of time between matches being flagged and the claimant's case being investigated, which minimise the impact on claimants. It should immediately review the number of staff it allocates to investigating matches if it is failing to meet these 6 monthly targets. (Paragraph 39)*
11. The introduction of Universal Credit presents the Department with an opportunity to improve how quickly it flags potential overpayments to carers, as data on claimants' earnings—from HMRC's Real Time Information system—is fed directly into the UC system. It is astonishing that the Department is not yet able to use this information to prevent overpayments from occurring. The Department expects its

VEPs system—which receives the same data on claimants' earnings—to be able to flag overpayments straight away eventually. Until then the Department must make better use of the information it already holds on claimants' earnings within UC to ensure that potential overpayments are dealt with swiftly. (Paragraph 41)

12. *We recommend that the Department automate alerts to its CA unit when the earnings of carers on UC rise above the CA earnings threshold, using the data it holds on claimants' earnings within the UC system.* (Paragraph 42)
13. When carers on UC lose their entitlement to CA because their earnings increase, they will be entitled to a higher UC award as their CA should no longer be deducted pound for pound from their UC payment. The Committee was very surprised to learn that this is not an automated process, even though the DWP itself knows that the claimant is no longer receiving CA. Instead, carers are expected to use their UC journal to inform DWP about the change. Otherwise, they will not receive their full UC entitlement. Many claimants, not unreasonably, will not realise that they need to give the Department information that it already holds. This process will inevitably lead to claimants losing out. (Paragraph 44)
14. *We recommend that the Department finds a way to automate process of increasing a claimant's UC award when they lose their entitlement to CA. Until it can do this, it should urgently and then regularly communicate to carers claiming UC that they must inform UC if their CA is stopped, and the consequences of them failing to do so.* (Paragraph 45)

Reducing the burden on CA claimants

15. The Committee stands by its previous recommendation that the Department should introduce a taper for CA. Not only would it increase work incentives for carers, it would also lessen the impact on them if they make honest mistakes and overpayments occur. This inquiry has shown that the design of Carer's Allowance, and in particular the presence of the earnings threshold, sets carers up for a fall. If claimants fail to realise that their earnings have risen above the threshold, even slightly, and the overpayment goes undetected, they can be left with substantial financial debt. We urge the Department to minimise the risk for such claimants. (Paragraph 50)
16. *We recommend that the Department introduce a taper to CA. It should explore the different options at which it could start the taper as well as different withdrawal rates. This should include looking at options which are not cost neutral, such as tapering CA at the same rate as UC, given that CA is only 3% of the Government's overall benefit expenditure.* (Paragraph 51)
17. *If it will not do this, we recommend that where claimants' earnings are within 5% of the earnings threshold the Department should limit the period that an overpayment is recoverable for to one month. The Department expects its new systems to be more efficient at identifying overpayments, and on that basis we do not expect it would need to make these adjustments in many cases.* (Paragraph 52)

18. Many carers, such as those on zero-hour contracts, have fluctuating earnings and so may earn slightly above the CA earnings threshold one week and slightly under it the next. While the Department has processes in place to average earnings for these carers, its website does not make it clear that this is an option, nor does it explain publicly to claimants how this averaging works, so that they can understand whether or not they are still entitled to CA. We welcome the Department's plans to review how it treats carers with fluctuating earnings. In the meantime, it must do more to help carers in these circumstances. (Paragraph 56)
19. *We recommend that, as part of its review into how it treats carers with fluctuating income, DWP should use the data it holds on carers' earnings patterns to look at whether assessing carers' income over a different time period from the current default weekly payments would work better for the majority of carers. It should report these findings to the Committee.* (Paragraph 57)
20. *We further recommend that the Department makes it clear to claimants that they can ask for their earnings to be averaged if they have fluctuating income, and makes it easy for them to do this. This information should be presented in a clear and accessible way on the GOV.UK website and in the letters the Department sends to carers. Once an averaging pattern has been identified, claimants should be told how to average their earnings across this period.* (Paragraph 58)
21. Rules on claiming CA are complex and make it easy for claimants—who are often living chaotic and stressful lives—inadvertently to make mistakes which can leave them in debt to the Department. The Department places the burden of reporting even minor changes in their circumstances on carers. But it does not communicate the rules on CA clearly, nor does it make clear the financial consequences of failing to inform the DWP about changes on time. It is surely welcome that the Department is consulting Carers UK on the content of the communications it sends out to carers. But the Committee was astonished by the Permanent Secretary's explanation that, in 2019, the Department is using a computer system which makes it almost impossible to update a letter for at least 12 months. (Paragraph 61)
22. *We recommend that the Department continues to work with stakeholders such as Carers UK to improve the information it provides to claimants including both direct communications to individual claimants (e.g. letters) and generic communications such as those on the GOV.UK website. It should also ask carers themselves to give feedback on its communications and how they could be improved. If it cannot upgrade its computer system it must find another way to ensure all claimants get the information they need in a form that is easy for them to access and understand.* (Paragraph 62)
23. *As part of its work with stakeholders, the Department should consider how best the letters sent annually and at the start of a claim to carers could make clear that claimants lose their entitlement to CA in every week in which their net earnings exceed £123 per week. It should also consider how best to communicate the allowable deductions to carers—perhaps with a list in the letter of the main allowable deductions, and a link to the full list on GOV.UK to enable claimants to work out their net earnings. The Department must also give carers clear details at every opportunity of how claimants*

must report a relevant change of circumstances, including earning above the threshold in any one week, even if they have already informed other DWP departments of the changes, and give the relevant phone number, email or weblink. (Paragraph 63)

24. The Committee maintains its view that as long as the threshold for removing or reducing Carer's Allowance is below 16 hours at the National Living Wage, carers receiving Working Tax Credit will face disincentives to work. A similar 16 hour rule remains in eligibility for free childcare, which means parents who both work and care could lose their entitlement to free child care if they reduce their hours to ensure they fall below the CA earnings threshold. While we acknowledge the Department's argument that some carers may be able to work for 16 hours and retain their benefit because they have allowable expenses, the Government should seek to remove barriers to work for all carers. (Paragraph 66)
25. *We recommend that the Government links the CA earnings threshold with the National Living Wage. For as long as 16-hour rules exist in the benefits system, the CA earnings threshold should be equivalent to no less than 16 hours at the National Living Wage. (Paragraph 67)*
26. The Department has previously made the decision not to recover overpayments of one week from carers. Given that many of the overpayments it identifies fall within this category, the increase in Carer's Allowance to £66.15 per week means that the Department will be seeking to recover overpayments from many more carers adding to a workload that it is already struggling to deal with. We do not think this is a sensible use of resources. (Paragraph 69)
27. *We recommend that the Department links any increase in Carer's Allowance to the small overpayments limit, so that it is not seeking to recover overpayments of just one week. (Paragraph 70)*

Measuring fraud and error

28. The Department's understanding of the levels of fraud and error in CA, and their causes, is based on measures from more than 20 years ago. It has ignored repeated recommendations from the NAO to update its estimates. It now plans to remeasure the rates in 2020, but this must not be a one-off exercise. In order to maintain its understanding of fraud and error in CA going forwards, it must commit to measuring it more regularly. (Paragraph 75)
29. *We recommend that the Department take the advice of the National Audit Office on how often it should measure the rates of underpayments and overpayments in Carer's Allowance, and that it should comply with that advice. (Paragraph 76)*
30. Levels of fraud and error in the benefits the Department administers are at an all time high. But the Department is not setting itself ambitious targets for tackling the problem. Moreover, the absence of targets for individual benefits leaves it with little incentive to ensure it is tackling fraud and error effectively across all benefits. We have seen the result of that in this inquiry: overpayments of Carer's Allowance were

allowed to spiral out of control. The Department must now commit to setting itself more ambitious goals for addressing these escalating issues, and should do so at the level of individual benefits. (Paragraph 79)

31. *We recommend that the Department assesses the levels of reductions of fraud and error which are achievable across all of its benefits, and sets individual targets for underpayments and overpayments for each of the benefits it administers.* (Paragraph 80)

Learning lessons

32. The Department could, and should, have got to grips with the problems in Carer's Allowance much more quickly. Instead, it has taken action by a whistleblower over many years, an NAO investigation and a select committee inquiry to persuade the Department of the urgent need to act and to listen to carers' representatives. The result of the Department's delay to act is that some carers are now being asked to pay back large sums of money, and are experiencing distress and hardship as a result. This situation must not be repeated. (Paragraph 86)
33. *We recommend that the Government set out, in response to this report, an action plan for improving the Department's capacity to listen to feedback—from its own staff, its customers, and outside organisations—and how it will measure success.* (Paragraph 87)

Formal minutes

Wednesday 24 July 2019

Members present

Rt Hon Frank Field, in the Chair

Heidi Allen	Steve McCabe
Neil Coyle	Nigel Mills
Rosie Duffield	Chris Stephens
Ruth George	

Draft report (*Overpayments of Carer's Allowance*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 87 read and agreed to.

Resolved, That the Report be the Thirtieth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Wednesday 4 September at 9.15am

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Wednesday 28 November 2018

Emily Holzhausen OBE, Director of Policy and Public Affairs, Carers UK [Q1–56](#)

Wednesday 15 May 2019

Sir Amyas Morse KCB, Comptroller and Auditor General, National Audit Office, and **Joshua Reddaway**, Director, Work and Pensions Value for Money [Q57–92](#)

Peter Schofield, Permanent Secretary, **Emma Haddad**, Director General, Service Excellence Group, and **Laura Squire**, Head of Fraud, Error and Debt, Strategy, Policy, and Change, Department for Work and Pensions [Q93–169](#)

Published written evidence

The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

OCA numbers are generated by the evidence processing system and so may not be complete.

1 Carers UK ([OCA0001](#)), ([OCA0002](#))

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee's website.

Session 2017–19

First Report	Universal Credit: the six week wait	HC 336
Second Report	A framework for modern employment	HC 352
Third Report	Protecting pensions against scams: priorities for the Financial Guidance and Claims Bill	HC 404
Fourth Report	PIP and ESA assessments: claimant experiences	HC 355
Fifth Report	Universal Credit Project Assessment Reviews	HC 740
Sixth Report	British Steel Pension Scheme	HC 828
Seventh Report	PIP and ESA assessments	HC 829
Eighth Report	European Social Fund	HC 848
Ninth Report	Pensions freedoms	HC 917
Tenth Report	Assistive technology	HC 673
Eleventh Report	Universal Credit: supporting self-employment	HC 997
Twelfth Report	Carillion	HC 769
Fourteenth Report	Appointment of Professor Sir Ian Diamond as Chair of the Social Security Advisory Committee	HC 971
Fifteenth Report	The Motability Scheme	HC 847
Sixteenth Report	Collective defined contribution pensions	HC 580
Seventeenth Report	Universal Credit and Domestic abuse	HC 1166
Eighteenth Report	Universal Support	HC 1667
Nineteenth Report	Benefit Sanctions	HC 955
Twentieth Report	Universal Credit: managed migration	HC 1762
Twenty First Report	Universal Credit: support for disabled people	HC 1770
Twenty-Second Report	Universal Credit: Childcare	HC 1771
Twenty-Third Report	Two-child limit	HC 1540
Twenty-Fourth Report	The benefit cap	HC 1477
Twenty-Fifth Report	Universal Credit: childcare: Government Response to the Committee's Twenty-Second Report	HC 2078
Twenty-Sixth Report	Universal Credit: tests for managed migration	HC 2091
Twenty-Seventh Report	Universal Credit: natural migration	HC 1884

Twenty-Eighth Report	Welfare safety net	HC 1539
First Special Report	Child Maintenance Service: Government's Response to the Committee's Fourteenth Report of Session 2016–17	HC 354
Second Special Report	Self-employment and the gig economy: Government Response to the Committee's Thirteenth Report of Session 2016–17	HC 644
Third Special Report	Disability employment gap: Government Response to the Committee's Seventh Report of Session 2016–17	HC 652
Fourth Special Report	Victims of modern slavery: Government Response to the Committee's Twelfth Report of Session 2016–17	HC 672
Fifth Special Report	Employment Opportunities for Young People: Government response to the Committee's Ninth Report of Session 2016–17	HC 872
Sixth Special Report	Protecting pensions against scams: priorities for the Financial Guidance and Claims Bill: Government Response to the Committee's Third Report	HC 858
Seventh Special Report	A framework for modern employment: Government response to the Second Report of the Work and Pensions Committee and First Report of the Business, Energy and Industrial Strategy Committee	HC 966
Eighth Special Report	PIP and ESA assessments: Government Response to the Committee's Seventh Report	HC 986
Ninth Special Report	British Steel Pension Scheme: The Pensions Regulator Response to the Committee's Sixth Report	HC 987
Tenth Special Report	Pension freedoms: Government response to the Committee's Ninth Report	HC 1231
Eleventh Special Report	Carillion: Responses from Interested Parties to the Committee's Twelfth Report	HC 1392
Twelfth Special Report	Universal Credit: supporting self employment: Government Response to the Committee's Eleventh Report	HC 1420
Thirteenth Special Report	Employment Support for Carers: Government Response to the Committee's Thirteenth Report	HC 1463
Fourteenth Special Report	Carillion: Government Response to the Committee's Twelfth Report	HC 1456
Fifteenth Special Report	Assistive technology: Government Response to the Committee's Tenth Report	HC 1538
Sixteenth Special Report	Universal credit and domestic abuse: Government response to the Committee's Seventeenth Report	HC 1611

Seventeenth Special Report	Universal Support: Government Response to the Committee's Eighteenth Report of Session 2017–19	HC 1862
Eighteenth Special Report	Universal Credit: managed migration: Government Response to the Committee's Twentieth Report of Session 2017–19	HC 1901
Nineteenth Special Report	Benefit sanctions: Government Response to the Committee's Nineteenth Report of Session 2017–19	HC 1949
Twentieth Special Report	Universal Credit: support for disabled people: Government Response to the Committee's Twenty- First Report of Session 2017–19	HC 1998
Twenty-First Special Report	Two-child limit: Government Response to the Committee's Twenty-Third Report	HC 2147
Twenty-Second Special Report	The benefit cap: Government Response to the Committee's Twenty-Fourth Report	HC 2209
Twenty-Third Special Report	Universal Credit: childcare: Government Response to the Committee's Twenty-Fifth Report	HC 2422
Twenty-Fourth Special Report	Universal Credit: tests for managed migration: Government Response to the Committee's Twenty-Sixth Report	HC 2499