

Introduction (Paula Dean)

Hello and welcome. I would like to start by thanking you all for attending. I am Paula Dean. And with me today are Ali Myers Ward, Sarah McCall and the Webmaster, the National Coordinators and core team of the Tax Credit Casualties.

TCC is a volunteer funded and run organisation supporting and defending the rights of tax credit claimants who have received non fraudulent overpayment bills.

In brief, we are here today to:

- Present *Voices of the Victims*, an insight into the who, why and how of overpayment
- Demand to have our experiences heard
- And to call for action to end the injustices that are ruining lives

To do this we will be discussing the victims, the figures and the future. I hope you find it useful and I'm sure many of you will find it eye-opening. Hard copies of all our information are available to take away.

The Problems (Sarah McCall)

It's good to see so many faces here today from so many different backgrounds – different parties, different beliefs, different people. At least with Tax Credits true equality has been achieved – it doesn't matter who you are, or what your background is - you can have an overpayment!

I'd like to ask you – if you had £3,800 what would you spend it on? How would you use that money for your families? I was given £3,800 in tax credits - a lot of money to me. I used it to pay the rent and council tax; to put food on the table; in short I spent the money on every day bills and trying to provide for my son, but thanks to an error by HMRC – information I provided not being acted on – I am now being told to give back this money. Money I don't have because this £3,800 was paid to me several years ago over a long period.

So £3,800 – how many of us can just lay our hands on that amount of money? Even if I arranged to pay it back in instalments, my son and I would have to go without something each week to do so. That's without the questionable morality of forcing me to pay back money I accepted in good faith. £3,800 would be:

- Four months' mortgage payments
- Or more than 2 years' worth of Council tax

And I'm not alone. Each year 1/3rd of all claims are overpaid – that's 2m families every year accepting money in good faith, using it to provide for their families, and then being hounded in an unethical and immoral manner to repay.

For many of the millions of families overpaid, repayment would mean:

- Being unable to meet existing financial commitments and so falling into debt, or further debt;
- Not being able to meet regular household expenses;
- Limitations on essential spending for food, clothing, employment and education;
- A complete lack of security in having available money to meet unexpected costs, for example household repairs;
- The inability to afford non-essential but important utilities;
- Eradicating the possibility of expenditure on vital family time together.

Because even if HMRC accept a plea of poverty regarding repayment plans, their Hardship Assessment procedure disallows many expenses and caps the rate of others generically.

We hear of elderly members of our communities forced to choose between eating and heating – do we intend to make parents choose between food for their children and repayments to HMRC? Do we want to force the very people tax credits was set up to help, back into poverty?

Two million families each year..... It's hard to imagine that amount of people; it's hard to put a human face on this mess. But today we are launching *'Voices of the Victims'* a small insight into the impact of tax credit overpayments. All the stories in the book are true; all are told by the victims in their own words. Every error, issue and instance of malpractice covered there can be evidenced. But the most upsetting thing about this book – the scariest thing - is that this is the tip of the iceberg! The book tells a handful of stories – there are two million every year. Two million new personal disasters year on year and with no end in sight: no expected point where the misery will stop and people can expect to only receive money they are entitled to and can keep.

I said as I opened that tax credits achieve true equality – that's not entirely true. Whilst any claimant can and does receive overpayments (after all it is a 1 in 3 chance each year), we at Tax Credit Casualties tend to find that the people who struggle most to fight repayments, those who most need our help, are the most vulnerable in our society – those on the lowest incomes with little experience of dealing with such systems, including single parents and workers with disabilities. Some of the most vulnerable people in our society are claimants. Yet these people are working, trying to improve their lives, actively contributing to society. How does HMRC repay them? The helping hand of tax credits slaps them in the face! Because of the low incomes that those claiming tax credits, by definition, are living

on it is simply not possible to pay back £20k when eking an existence on incapacity benefit. Even a debt of £500 can be insurmountable for a family where every penny has to be accounted for just to survive.

A wise man once said 'every society is judged by how it treats the least fortunate amongst them'. We have a moral duty to listen to those in need, to help those people that tax credits were established to help. Granting an amnesty is the right thing to do!

Now it's very easy for us to say an amnesty is the right thing to do and easy for those aware of the misery recovery causes to agree, but we need to do what is best for society as a whole, not just morally and ethically, but also financially. After all, as MPs you have a financial responsibility to the electorate.

TCC has been continually told by a wide variety of HMRC officers that an amnesty is impossible because of the duty to the public purse to recover public monies. Sounds very fine and grand, but what if we could prove to you here today that even the most conservative estimate shows that it is not in the public's interest to recover any sum less than £1,900? £1,900 is an exceptionally conservative estimate. We don't know what the true cost of recovery is because HMRC either won't say or are unable to sufficiently understand their own budgets – a little alarming as they are supposed to understand claimants' financial circumstances! The frequent answer from HMRC, as I know a lot of you know from questions you have asked in the House, is 'the information is not available due to the disproportionate cost required to obtain it'. To spare HMRC the 'disproportionate cost' we have done our own research and should HMRC wish to substitute their own figures, we would ask only that they do so with transparency and openness.

Already, we have established a write-off limit of £1,900, allowing everything below that figure which is non-fraudulent to be written off immediately, with no nett loss to the public purse! There would be no need for lengthy disputes, no need for HMRC to shift blame to the claimant and invite time-consuming complaints; the 'debt' would just be gone! Imagine the efficiency savings for HMRC from all those letters and demands not being needed; let alone the heavy burden lifted from those claimants!

Clearly, protecting the public purse arguments for recovery don't stack up. With one Freedom of Information request letter alone costing £150 to handle, and that's on figures from 3 years ago, how is it cost-effective to keep a file open and case-managed for 40 years? It is plainly absurd to have instalment plans destined to continue until a middle-aged claimant is 92! There has already been a Parliamentary Independent Enquiry which showed it was not in the public interest for this money to be pursued.

The first £1,900 of any write-off would be entirely paid for by savings in recovery costs alone. TCC would like more to be done and believe it is only ethical to do more. The non take-up of tax credits alone could fund a full write-off. Research from

unbiased.co.uk, which represents independent financial advisors, shows unclaimed tax credits now stand at £3.6 billion. Not only could this wipe clean all non-fraudulent tax credit overpayments currently in dispute, but go some way towards improving the system. A safer system would generate renewed confidence and need less advertising and promoting – itself an expense with the original ‘Money with your name on it’ campaign costing £9m.

Freed from the pressures of recovering overpayments dating back years, stretching years into the future, the Government and HMRC could focus its energy and resources in a competent system which is reliable, transparent and fair, and avoids compounding overpayment problems with the biased and inaccessible dispute process claimants currently face. And TCC would be happy to be a resource for change to right these injustices.

Let’s now consider the legal responsibility our Government has: the requirement to act in a lawful manner. Would an amnesty be lawful?

Not only would an amnesty be lawful and in keeping with the discretion given to HMRC to waive overpayments, there is a precedent in Australia. In 2001 Australia recognised that its tax credit system had failed the people it was established to help; they recognised that the position was untenable and something had to be done – and done quickly. An amnesty was granted on all non-fraudulent overpayments less than \$1,000. If you are wondering what Australia’s tax credit system looked like, you may be shocked to hear that it was like ours and generated identical problems! Despite the problems faced in Australia, we implemented the same system here, two years later; using technology which has been condemned as unready for the task and pressed into action too soon. Why weren’t lessons learned from Australia? Why weren’t the public warned? We wait with baited breath for the outcome of appeals on the recent court case around HMRC’s lack of a Duty of Care and it is currently only a lack of funding that is preventing TCC bringing a case based on Corporate Negligence.

So we have the moral and ethical requirements for an amnesty and we can justify this financially and legally. What’s stopping us? What is preventing TCC from delivering an amnesty to victims? Unfortunately we can’t do this by ourselves. We need you – our MPs, our Government – to make this happen. Only YOU can put the legislation and policy in place for HMRC to deliver this. We can’t afford, financially or psychologically, to wait up to 2 years for a General election and manifesto promises. Lives continue to fall apart while we wait. We hope today to open MPs and – through the media – the wider public’s eyes to the fact that we have a crisis of Tsunami proportions here, hidden only because the pain is silently borne in homes across the country and not immediately visible in one place. We need an Amnesty for all non-fraudulent overpayments and proper reform of the tax credit system NOW. We need – all victims need - this to happen. Right NOW. MPs – your country needs YOU NOW!

Voices of the Victims (The Webmaster)

Voices of the Victims puts a human face to the tax credit fiasco, and demonstrates the effect an overpayment and HMRC's aggressive recovery tactics have on the lives of real people and their families.

Some of the stories are incredibly hard to read. All are written by people trying to do their best for their families. Honest, decent people who were not trying to commit fraud, not trying to get something for nothing – these are hardworking folk who accepted money they genuinely thought they were entitled to!

All the cases are emotive. All are unique, individual stories. Yet all have elements in common:

- serious errors made by HMRC;
- conflicting information given by HMRC staff;
- threats of court action;
- no support from HMRC to know and act on their basic rights.

I could go on. The reasons for overpayments are never straightforward; rarely is there a single cause, but usually layer upon layer of reasons – commonly a catalogue of HMRC errors - culminating in the overpayment.

Tax Credit Casualties will only defend claimants from recovery of non-fraudulent overpayments and ex-Paymaster General Dawn Primarolo has herself agreed 'most claimants are honest'. Yet HMRC treats claimants as personally responsible for every overpayment, enforcing recovery with the same hard-nosed, adversarial approach used to prise taxes from tax evaders and criminals.

It is only recently that HMRC has stopped insisting that it is 'reasonable' for every claimant to have known about their overpayment before HMRC did; punishing claimants for not spotting HMRC errors by enforcing full recovery regardless of the blame that lies with them. Although the discredited 'reasonableness' test has been abandoned, the onus still lies with claimants to prove they did everything HMRC has retrospectively set out as expected of them, rather than HMRC to prove them negligent, even when claimants' honest actions are undermined by repeated HMRC mistakes. The tax law which is inappropriately applied to tax credits has set a burden of proof which is always against the victim and this sits poorly with what is essentially a benefit.

As you will see from the cases in 'Voices of the Victims', despite the rhetoric of 'claimant fraud and error', the reality is that most overpayments are caused by HMRC's own systems and errors. HMRC frequently fail to act on information provided, yet mercilessly hound claimants for recovery whilst failing to explain what went wrong. HMRC are responsible for this mess and continue to add to it.

'Voices of the Victims' could be dissected into classes of overpayment, with facts and figures extracted by quantitative researchers. But as the first user-led piece of qualitative research on the real experiences of real people locked into an oppressive system of clawbacks and recovery, we want to look beyond the cold, hard facts and statistics, and finally unveil the devastation caused to real families when a system set up to help them breaks down and seriously hurts them.

These are just a few of the stories we had permission to share; the tip of a dangerous iceberg. At TCC we are always privy to harrowing tales, whether talking to desperate people contemplating suicide, empowering terrified people whose first indication anything was wrong is a letter threatening court action, or listening to people for whom tax credit recovery is the last straw, as they struggle with bereavement or terminal illness. Years of reports on the failures of the tax credit system, from:

- Citizens Advice
- the Parliamentary Ombudsman
- Treasury Committee
- Public Accounts Committee
- Low Income Tax Reform Group
- Child Poverty Action Group
- One Parent Families
- Advice Northern Ireland

and many other reputable sources have come and gone, yet our suffering continues. Claimant story after claimant story has hit the media, yet still people's lives are being ruined because recovery of these overpayments has always taken precedence over justice and compassion.

At TCC just when we think we have heard the saddest, bleakest story, someone comes along with an ever more desperate story. There was much we could have included, but to ask claimants to share the lowest, bleakest moments of their lives, whilst they are still taking each day as it comes trying not to break, was not something lightly done. Sadly, the tears and sleepless nights of millions have so far not proved compelling enough evidence for those in power to concede the savage human cost and silence forever their strident demands for recovery. In compiling this book, we faced real dilemmas when distressing stories unfolded before us which would break the hardest HMRC and Ministerial hearts should they be shared. I cannot tell you how hard the asking sometimes was. If these stories shock you, bear in mind that for each heartbreaking tale there are many which will remain forever untold. Please ask yourselves: do people have to die before we see justice done?

HMRC are culpable and yet nothing is done. Why? Firstly because HMRC has no duty of care – it is probably the largest and most powerful organisation in the country and yet has no responsibility and no public duty to service users. Secondly, because

the sitting Government does not want to admit it has made a mistake. But something desperately needs to be done.

There has been much publicity about those in need being penalised by this Government and policies devised by our Prime Minister when he was Chancellor, such as abolishing the 10p tax band, fuel tax, and others. Everyone knows the extent of public and political opinion on these decisions, the local elections proved that, and there has been some backtracking and rapid policy changes as a consequence. Similarly, measures were taken to try to assist first time buyers and keep mortgage rates from rising further, Northern Rock was bailed out. All these things were done to try to avert further financial hardship for ordinary people. *'Voices of the Victims'* tells equally deserving, tragic and traumatic stories, crying out for a proper response. Sadly we have been refused permission, with no reason given, to go to Downing Street and leave a copy of *Voices of the Victims* for Gordon Brown.

Overpayments affect approximately 2 million claimants every year, and it is common for families still reeling from one overpayment demand to receive further demands for each successive year. Clearly our publication shows only a small fraction of the misery caused. Many of the claimants willing to share their stories in the book see themselves as being in a stronger position than many, many others, because they found Tax Credit Casualties. TCC is the only dedicated user group working on tax credit overpayments. We are able to give case specific guidance and advice claimants on their rights.

We are currently directly assisting over 1000 casualties, with several thousand more using the website's step by step guide on their own. Unique hits on our website stand at 54,000 to date and rising, and in just one month (28th April to 28th May) 95 people downloaded our claims pack. Yet HMRC keep telling us things are getting better! HMRC recently reported their accuracy rate as 97% - yet, without the benefit of any public launch, we have 95 claimants in just one month finding us through their own efforts, who believe that their overpayment is not their own fault and deserves a write-off!

We have called this meeting today to present our case for an Amnesty of all non-fraudulent overpayments and to ask our MPs and media supporters to work with us to ensure that Victims' voices do not go unheard. TCC only exists because the system is so cruel and fallible that every moment of free time we have outside our paid jobs feels it needs to be dedicated to a higher cause; to trying to prevent and offset some of the undeserved misery and hardship overpaid claimants continue to face. If we succeed with what we are striving to achieve, we would never be needed again.

Countless people's lives are being made a misery, Casualties cannot even have their disputes looked at impartially and promptly, and the hurdles we face are unbelievable. Something the Ombudsman, the many others mentioned earlier have

all heavily criticised. A reformed system must be reliable and transparent, fair, and deal with claims in a logical, just and common-sense way,

We need action now. We can't wait 1 or 2 years for a General election. We want tax credit injustices kept on the agenda. We are calling for Members of Parliament, local councillors and other politicians, a the media and public to right this injustice. We need proper reform of the TC system and an Amnesty for all non-fraudulent overpayments. Once you have read voices of the Victims I think you will find it hard not to understand why an amnesty and reform and needed so urgently.

We will be taking questions, and after that will be available for informal discussions. Please let this be the start of positive change and feel free to use us as an ongoing resource as we have a wealth of evidence from our members on any aspect of tax credit overpayments and their recovery that you may wish to pursue.