

Investigative Action

The purpose of this activity is for a caseworker to raise a SR to request an investigation. The SR will be routed to the Financial Investigation Unit (FIU) who will review the allegation made and an Investigative Officer (IO) will carry out an investigation if appropriate. FIU will record the result and notify the caseworker. For Northern Ireland the Investigative Action SR is routed to FIU by the Legal Enforcement Team. The Investigating Officer will record the result and notify the caseworker. For more information refer to [Financial Investigation Unit \(FIU\) Summary](#).

Investigative action by an IO can be required at any point in the lifecycle of a case, particularly when gathering other party information. It may be required during investigations into suspected criminal activity and where there is a requirement for face to face information gathering.

When caseworkers suspect a receiving parent or paying parent of criminal activity or an investigation is requested by a client, obtain as much information as possible to support the allegation. The client can be advised that a referral will be made for FIU to consider opening an investigation, FIU will contact the client during this process, assess the information supplied and decide if their case can be accepted. The Investigative SR is raised in the first instance, record all information gathered within the SR notes. After investigating, FIU will advise of the result and next steps.

If a receiving parent or paying parent requests timescales regarding the investigation, refer to the published average times. However, every case is individual and will be dealt with in accordance to the information received. The FIU need to assess a variety of open and closed sources of information, before evaluating all of the evidence to decide if there should be any changes to income and maintenance calculation.



Clients who are being investigated should never be told that FIU are investigating the case.

Investigative action is conducted by FIU and triggered when a Child Maintenance Group (CMG) caseworker requires an IO to gather information in order to progress a case. While an investigation is taking place, the ownership of the case will not transfer to FIU.

To request an investigation by an IO the caseworker will create a service request (SR) and record the details of the information to be gathered.

The SR will be routed to the FIU who will review the case and decide if face to face information gathering is appropriate.

When an investigation is completed FIU will record the results on the SR, including the FIU decision maker's details, name and staff number, and return it to the owning caseworker. For Northern Ireland, the IO will record the results on Investigative Action SR, including the FIU decision maker's details, name and staff number, and return it to the owning caseworker for action.

The process will complete when the caseworker is satisfied that the required information has been received.

It is important the correct actions are taken to ensure CMG have exhausted our own actions including financial investigation before a client is referred to HMRC Fraud. Caseworkers must never signpost clients to the Fraud Hotline. If the client raises concerns we will take all

possible action, including making our own investigations, and should not direct clients to HMRC. If after our investigations are complete the client tells the caseworker

Financial Investigation Unit FIU

Summary

The FIU are responsible for investigating allegations of criminal/civil activities that negatively impact the correct amount of Child Maintenance being calculated. It will also deal with a variety of different cases, such as:

- Allegations of fraud when attending or supplying a DNA test
- Allegations that the paying parent is a complex earner and has failed to report their true level of income
- Employers who fail to comply with deduction from earnings orders (DEO)
- Offences that relate to client status, for example:
 - A QC may no longer be a QC
 - The QC may no longer be in the receiving parents household
 - A CIFBA is reported instead of a ROC

Complex earners come from a diverse customer base, such as self employed, directors of Ltd companies and those in receipt of unearned income. Elements that contribute to a complex earners income can be manipulated to reduce their overall level of income, this directly impacts on the amount of child maintenance being calculated. FIU will provide advice for caseworkers dealing with complex earners.

To request an investigation to FIU, create a SR as per [Investigative Action](#), recording details of the information to be gathered.

The SR will be routed to FIU who will review the allegation made and carry out an investigation if appropriate. While FIU are conducting the investigation the owning segment will continue to own the case and continue to perform business as usual activities (keeping notes up to date) on the case until a response is received from FIU. There is no need to lock assign the case in a particular segment unless specifically requested by FIU, this will be decided on a case by case basis. Within the referring SR, detail conversations with the paying parent and the receiving parent, and include the Verint reference number for these calls. Verint reference numbers will be provided by team leaders (TL).

The following lists examples of when to consider instigating FIU action:

- Paying parent Self Employed/Partner/Director and historic income has been disputed by receiving parent and history of income or information known
- Receiving parent believes paying parent diverting income i.e. new partner employed by their company
- Paying parent fails to provide earnings information and we are unable to calculate liability or use estimated earnings/DMD
- Paying parent not employed and not claiming benefit
- Variation applied for by receiving parent for paying parent additional income or assets held (HMRC has no trace and or evidence known unable to reach client outcome)
- Paying parent knowingly supplying false information or it is suspected that the paying parent has supplied false information



This list is not exhaustive. Contact FIU for further advice when uncertain of reason for referral. Do not ignore the client as they can escalate their issue. FIU are available to assist with any queries relating to referrals being made and can provide advice regarding the information required or the process to follow. FIU are situated within all main CMS centres with the exception of Leicester, Leicester colleagues can contact FIU Dudley team.



Do not inform the client who is being investigated when a referral is made to FIU that FIU are investigating their case, and ensure all notes are recorded on relevant contact notes on CMS2012.

Contact with Receiving Parent

If the receiving parent challenges the income figure, ask what the paying parent does for work and what type of employment this is. Check Paying Parent information on RTI to see if it supports information provided by the Receiving Parent. If the receiving parent advises the paying parent is PAYE, establish what information they have to suggest this is different to the income information held. FIU does not accept referrals where the receiving parent challenges the income figure without any supporting information. The receiving parent does not need to provide evidence but does need to provide credible information to support the challenge. The receiving parent should not be tasked to source information they do not have. Credible information includes, but is not limited to:

- I know they keep two sets of books
- They were adjusting their books when we were together
- Significant information shows their lifestyle doesn't match the income declared

Once FIU have completed the investigation the case will be returned to the caseworker to implement the change by following BAU instructions for Change Income. For more information refer to [Change Income](#).

Input the new calculation, FIU will already be recorded as the Decision Maker on the Investigative Action SR. At this point the paying parent can be advised if the income change is as a result of the FIU investigation. Do not challenge the new calculation with FIU nor refer the case to Advice & Guidance as the income has been already been investigated by FIU.



If a maintenance calculation is implemented as a result of FIU decision this will need to be considered when the case goes through Income Current Periodic Check or through Annual Review. This is so that the caseworkers can determine whether the existing current income continues to be more accurate. When we conduct a Periodic Current Income Check we are seeking to establish current income that is reflective of the NRP's circumstances at the effective date of the income review. This includes deciding whether we should retain the existing current income if it continues to be more reflective of the NRP's circumstances. For more information refer to [Periodic Income](#) and [Annual Review](#).

Complex Earners

People in certain positions are able to control or influence either the manner by which they are paid, and / or the amount of the pay they receive (directly). The most commonly seen of these are company directors and self-employed individuals. There is no suggestion that all clients with such earnings are seeking to "cheat the system" (tax or maintenance), merely that such means exist. Do not refer clients to the HMRC Fraud hotline. If concerns are addressed CMG will take all possible action, including making investigations, and should not direct clients to HMRC. If after our investigations are complete, the client advises the caseworker they still wish to report tax evasion, the caseworker should direct the client to do this on line by using [HMRC Fraud on-line \(link is external\)](#). For more information on complex earners and different income refer to the following information:

- Company directors are employed earners, employed under a contract of employment with their company. They can influence the level of own salary as well as dividends (and the level of those dividends)

Self-employed earners' earnings relate directly to the profit and loss of their business i.e. they do not "pay" themselves a wage. They can affect declared profit by falsely creating or

elevating business expenses, or failing to declare payments received into the business i.e. “off the books”.

- Information held on RTI may help determine if a Paying Parent is employed / self employed / a director.

Other (complex) methods by which clients may reduce their taxable income include:

- Diversion of income – e.g. paying a third party instead of oneself
- Retaining capital within the company / business, which could otherwise be considered as profit

Use of tax avoidance schemes – e.g. Umbrella companies (IR35) / film share schemes / Employee Benefit Trusts (EBTs)

For more information refer to Policy, Law and Decision Making Guidance .

Income Types

A paying parent can be in receipt of more than one income type.

For more information regarding income types refer to Policy, Law and Decision Making

Guidance 

Employed

A person who is employed, but not exclusively by one company and pay tax via the PAYE system will normally have a contract of employment between them and the company they are employed by. Their contract will normally detail the hours of work with the exception of a zero hours contract. Information held on RTI may help determine if the Paying Parent is employed.

Self Employed

A person who works for themselves i.e. not contracted to one company but may use the term sub-contractor. The self employed will complete a self-assessment tax return annually via their accountant online. Those in the construction industry who are self employed must hold a Construction Industry Scheme (CIS) card.

Self employed paying parents have the ability to hide income from HMRC and therefore CMS. Where it is suspected that the true income figure has not been declared, referring the receiving parent to HMRC may not resolve the issue, an FIU referral should be considered where there is enough supporting information. For more information on what information to gather refer to FAQ's.

Partner

Two or more people who set up a non limited company, they will have a partnership agreement with the other partners on how profit will be split amongst them, generally based on an individual's investment or worth to the company. This is very common in law firms and Medical/Dental practices and is generally a limited liability partnership. Partners also complete an annual self assessment tax return.

Directors

All directors are employees of the Limited company they are a director of. They can take wages in the form of PAYE income, normally up to the current personal tax allowance threshold, and then take dividends based on their share of the shareholders funds if they hold shares in the company. They also complete a self assessment tax return annually for their whole earnings. For more information on unearned income and action to take refer to FAQ's.

Other Case Types

Where the maintenance calculation is based on current income, the paying parent is required to inform CMS when their income increases by 25% or more (See PLDMG [Changes self-employed non-resident parents are required to report](#)).

When the receiving parent reports a change to the paying parents income, check if a change income would apply to gather evidence. Where this process is exhausted and the receiving parent has credible information that other evidence may exist, check RTI to see if information supplied can be verified, if not contact the paying parent to verify the claim. If the paying parent fails to respond, or responds however denies the change, you may need to refer this to FIU.

Where the paying parent reports a change of circumstances, for example, they are no longer working and are being supported by family and/or friends. If this is challenged by the receiving parent and it seems improbable based on information held or reported, this can be considered for FIU.

Where the paying parent has multiple cases and is reporting as living together with one of the receiving parents, refer this to FIU for investigation, this may also apply to claims for ROCS.

People who work in the 'Hidden Economy' and do not complete self-assessments for tax purposes are called 'Ghosts'. You may see these where the HMRC interface returns no information, gather information from the receiving parent and check CWOL, if the information gathered suggests different, consider a referral to FIU.

Additional Income Variations

If the receiving parent advises the paying parent is a director, or this is viewed on [Companies House \(link is external\)](#), ask the receiving parent if they believe the paying parent is receiving dividends. If the receiving parent advises the paying parent has property rental income, establish as much information as possible to identify whether the paying parent is receiving a profit from this.

For variation purposes, the paying parent would need to receive a profit of at least £2500.00 per annum. If the receiving parent confirms the paying parent has dividends or receives at least £2500.00 in property rental income, inform the receiving parent they can apply for a variation. Refer to [Variation – Additional Income](#) for more information. If during the variation process the HMRC unearned income field is blank or zero, or the receiving parent provides credible information to show why the returned figure is wrong, or the information held on CMS suggests the returned figure is wrong, refer the case to FIU by launching the enforcement SR. Refer to [Investigative Action](#) for instructions.

For more information regarding Additional Income refer to Policy, Law and Decision Making

Guidance 

Benefit Fraud

If the receiving parent advises the paying parent is working, however CMS shows they are in receipt of a benefit, do not refer the receiving parent to the benefit fraud helpline. Instead, record this information and use the **Fraud Referral FMO** icon from the workstation desktop. Select **C-MEC** from the dropdown list of referrers, and then complete as many of the information fields as possible. The following is a list of some of the information required. Do not forget to ask the receiving parent if they have this if CMS doesn't:

- Nino
- Address
- Phone numbers
- Description of paying parent

- Employment type - Employed, or self-employed
- What they paying parent does for work and who is their employer if not self-employed
- What time do they leave for work and come home
- What area are they working in if exact location is not known
- Details of how the paying parent is paid

CRA/PSG Check

CRA information may appear to contradict the income figure held on our system or the information given by the paying parent, check CRA/PSG financial activity to identify if this indicates otherwise e.g. HMRC income figure is low but the paying parent has high credit availability, there are no or few defaults, or the paying parent has a mortgage that is close to or exceeds their income. These are indicators something may be wrong but does not mean criminal activity is taking place. Gather all possible information and consider a referral to FIU .

Third Party Information (TPI) Datamart

On a monthly basis the Financial Investigation Unit (FIU) sends details of non-compliant cases currently sitting with the Enforcement and Arrears teams to the DWP Data & Analytics team to be checked against a commercial database called 'TPI Datamart'. This then identifies any Income the paying parent receives from savings interest or share dividends. For further information refer to [Third Party Information \(TPI\) Datamart](#).