

**INFORMATION FOR LOCAL
AUTHORITIES USING
DIRECT EARNINGS ATTACHMENTS
to RECOVER HOUSING BENEFIT
DEBT**

SUMMARY OF EVALUATION OF PILOT

DIRECT EARNINGS ATTACHMENT PILOT APRIL TO OCTOBER 2013 DWP DEBT MANAGEMENT

INFORMATION FOR LOCAL AUTHORITIES

The Welfare Reform Act 2012 supported by the Social Security (Overpayments and Recovery) Regulations 2013 introduced Direct Earnings Attachments (DEA) from April 2013. A DEA allows for recovery of overpaid benefit directly from a debtor's earnings without having to apply via the court system. The Regulations also allow Local Authorities (LAs) to recover overpayments of Housing Benefit and Council Tax Benefit using a DEA. The Department for Work and Pensions (DWP), Debt Management undertook to pilot a revised recovery process for dealing with off benefit customers which took place between April and October 2013.

DWP selected cases using agreed criteria to cover a representative sample of the types of cases in the current off benefit debt stock. A control group of cases ran alongside the pilot cases for each sample. Data matching was done through Her Majesty's Revenue & Customs (HMRC) PAYE system for employer details. It is acknowledged that LAs will not have the facility to obtain information from HMRC on employer details.

One of the main aims of the new process was to speed up the recovery and as a result quicker "cash to bank". It is important to note that we wanted to facilitate recovery through a voluntary arrangement, rather than a DEA, and that is why an initial Letter Before Action (LBA) notification was drawn up to send to customers prior to initiating a DEA. This was to prompt the debtor to contact DWP in an attempt to seek a voluntary repayment from them without the need for a DEA. The DWP policy intent for the use of a DEA is as a "last resort". If there is no contact from the debtor a DEA is implemented after 14 days (this has been reviewed and changed to 21 days, to allow for mail handling times and posting from a central source).

Where a voluntary payment plan defaulted the project introduced a step in the process to attempt contact with the customer over a period of 7 days to reinstate the plan before implementation of a DEA. The customer was given this option on a 'one chance' only basis. Any further voluntary payment defaults would result in DEA consideration where employer details were known.

DWP found that all employers using computerised payroll systems required new payroll software in order to accommodate this change. They are required to calculate the amount of deduction from 'net' pay and make regular deductions from their employees' earnings. In this respect, the pilot team established a working relationship with software suppliers to develop a specification for new software and this should be available from April 2014.

In the meantime, employers are using workarounds with existing software or manual intervention to make the deductions.

An “Employers’ Handbook” and an “Employers’ Guide” have both been made available to employers. A dedicated “Employer Interface Team” was set up by DWP to handle queries from employers, send out notifications to employers and action issues raised by employers. This has proved invaluable. It has been decided to continue this service in live running. It is acknowledged that this might not be cost effective for LAs to set up as a stand alone service due to the scale of the number of queries.

Guidance on the software specification, alongside updated guidance for employers can be found on www.gov.uk .

[Please note that the software has been developed for DWP DEAs and whilst the software will equally apply to LA DEAs this may not always be the case and any changes may need a new discussion, lead-in time etc. and this needs to be borne in mind.]

Calls from debtors in respect of the DEA process, repayment of the debt and setting up of voluntary payments or payment plans are handled by DWP Debt Management’s call centres in the usual way. Call Centre advisors are able to identify the cases from a special marking.

To illustrate the success of the initial notification:

The Letter Before Action (LBA) was issued to 12,481 pilot cases. Of these 1953 were new debtors who had never had a debt with DWP before. Of these 20.5% did not reach the start of the DEA process as they had either fully repaid or disputed the overpayment within the initial 28 days dispute period.

Evidence during the pilot showed a strong correlation between the payment method agreed during the initial negotiation with the customer (where they want to make a voluntary arrangement) and the number of plans which subsequently default, particularly before the first due payment is received. The most successful were those set by Direct Debit. Bank Giro Credit payments have a high failure rate and Bankers Standing Order payments are unreliable. We are considering making Direct Debits the default option where DEA is not used.

An employer is guilty of an offence if they do not comply with the regulations (part 6 (Para. 30) refers) and DWP will need to develop a strategy to deal with non-compliant employers. During the pilot, there were a small number of cases where this was the case however, we have acknowledged that there may have been some instances where the employer was not at fault

Feedback during the Pilot

Staff Feedback

This has been very positive. DWP staff have felt that the DEA powers gave them more “teeth” and they could have effective negotiations with the debtor.

Customer Feedback

There has been only 1 complaint received throughout the six months pilot period.

Employer Feedback

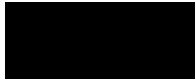
The Employer Interface Team noted all feedback from employers and as a result a change was made during the pilot. This was to include the debt balance in the letter so employers could keep a check of the balance remaining until it had been fully recovered.

Only two complaints were received from employers during the pilot period and both were in relation to the payroll software not being able to calculate the DEA automatically.

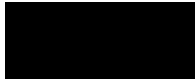
DRAFT TEMPLATE LETTERS FOR USE WITH DEA

Please ensure that all references to telephone numbers and addresses in the letters are your own names, telephone numbers and other contact details and that no DWP contact information is inserted.

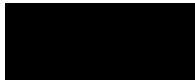
1. LBA1 Letter Before Action – Initial letter to the debtor advising them if they do not make arrangements to pay the debt, a DEA will be sent to their employer.



2. DEA1 Letter to the employer as first contact regarding that debtor.



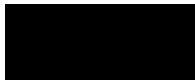
3. DEA1 form reply. For use by employers to confirm the debtor works for them.



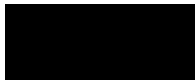
4. DEA2 – notice of the DEA to the employer indicating that a DEA is to be set up.



5. DEA3 – Letter to debtor to advise them deductions will commence.



6. Letter to send to customer when a Bankers Standing Order is the agreed repayment method



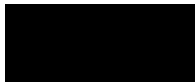
7. DEA4 – Letter to employer when no payment has been received.



8. DEA5 – Letter to employer to cancel deductions from earnings because the DEA has been discharged.



9. DEA6 – Letter to debtor to say debt fully repaid.



10. DEA7 – Letter to debtor stating that deductions will cease (change of circumstances). Asks debtor to make contact.



11. DEA H1 – Letter to debtor following their request to change the rate of deduction due to hardship – **decision is no change.**



12. DEA H2 – Letter to debtor following their request to change the rate of deduction due to hardship – **new fixed amount agreed.**



13. DEA H3 – Letter to employer with new fixed amount of deduction due to hardship.



14. DEA Payment Schedule – Schedule which employer sends to the authority when a cheque is sent or payment made direct and covers more than one employee.



HINTS AND TIPS

- ◆ Currently DWP provide help to employers in receipt of a DEA letter and LAs will need to establish their own employer helpline or interface. We can recommend to you that a dedicated person is the best way forward but this may not be practical or achievable for LAs. Debt Policy will continue to operate the HB In Box and if you receive any questions from an Employer which you are unable to answer, you can use the Inbox in the usual manner. Similarly you can continue to use the HB In Box for all policy queries on Housing Benefit and DEAs from Local Authority staff. Please email

HBANDCTB.OVERPAYMENTx@xxx.xxx.xxx.xx

- ◆ DWP are set to undertake a lessons learned activity with the Employer Interface Team as part of the project closure work and the outputs from this may prove helpful in providing more information for LAs.
- ◆ Getting information on the Debtor's employer will be more difficult for LAs as HMRC do not share data with LAs.
- ◆ The DWP Pilot Team has worked with Payroll Software developers and new software will be available. The work done here will reap dividends for every employer involved in a DEA whether it is through DWP or the LAs.
- ◆ The pilot established that where debtors choose to repay instead of having a DEA the success, or not, of repayment depends on the payment method e.g. Direct Debit has the highest success rate and Bank Giro Credit has highest failure rate.
- ◆ The pilot established that a good starting point for negotiations outside of a DEA when the customer wants to repay the debt is to use the DEA rates. A calculator tool has been added to the Training Products section of this document and that will automatically calculate the amount that would be payable with a DEA.
- ◆ The pilot has established that there is sustainability in using DEAs as a repayment method.
- ◆ A DEA is not an available option when:
 - The Debtor is in the Armed Forces
 - The Debtor is Self Employed
 - The Debtor earns less than £100 per week

TRAINING PRODUCTS

You may find the attached products useful.

- Calculator Tool – to advise customers of likely repayment if a DEA is used. It can also be used as a starting point in negotiations if they make a voluntary repayment offer. Please note that the calculator tool is only for indicative purposes. There may be other orders that mean the actual amount you can deduct will be different.



- Introduction to implementing a DEA.



Pilot process for DEAs

HARDSHIP

Can fall into hardship negotiations from any point in the process. Case routed to relevant point following negotiation e.g. monitor payments, Exceptions strategy etc

