

# **Qualitative research to explore tax credits customers' renewal behaviour**

## **HMRC Revenue and Customs Research Report 186**

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## Glossary

CAB	Citizens Advice Bureau
CCE	Childcare Element of Working Tax Credit
CTC	Child Tax Credit
EMA	Education Maintenance Allowance
ESOL	English as a Second or Other Language
HMRC	Her Majesty's Revenue and Customs
IVR	Interactive Voice Recording
TCO	Tax Credits Office
WTC	Working Tax Credit

## Summary of findings

### SUMMARY

- (i) At the end of each tax year, tax credits customers are required to contact HMRC in order to renew their claim. If they do not do this by the specified deadline then their award is terminated and the customer needs to make a new claim in order to re-start payments. This means that the customer may miss out on money which they are entitled to and that HMRC has to process more new claims.
- (ii) Ipsos MORI conducted 60 in-depth interviews with tax credits customers in order to understand two key issues. The first was to uncover the different factors which drive renewals behaviour and how customers might be encouraged to renew earlier. The second was to find out how customers might behave in an automatic renewals system and how a move to this system should be communicated.
- (iii) Those who renewed on time tended to understand both the purpose of the renewals process, and the consequences of not renewing. They described their claim as a vital source of household income and were anxious to ensure their claim continued. Those who renewed close to the deadline relied on HMRC's media campaign as a prompt to renew. In contrast, those who renewed late either had a poorer understanding of the system or had tried to renew on time but were unable to, normally because they did not have the information they needed.
- (iv) Customers felt that simply asking them to renew earlier, or convincing them that by doing so their renewal would be quicker, would encourage many to behave in this way. Others suggested shortening the renewals period to ensure customers are less likely to forget to return their forms, while the self-employed called for clearer messaging around submitting estimates and final figures.
- (v) Customers were generally positive about the idea of having their claims automatically renewed as they felt that this would save both themselves and HMRC time and money. However, some were worried that this system could lead to increased levels of error or fraud due to changes of circumstances going unreported. These risks could be overcome through simple messaging making the customer's new responsibilities clear, and through the deployment of behaviour change techniques to encourage compliance.

### **Background**

- (i) Tax credits, comprising of Child Tax Credit (CTC) and Working Tax Credit (WTC) are designed to be a flexible and responsive system of financial support for families, aiming to reduce child poverty and make work pay.
- (ii) Tax credits awards are provisional and need to be finalised and renewed at the beginning of each financial year. Most tax credits customers are on the reply-required system which involves contacting HMRC to continue their award. A small number of tax credits customers have their claim automatically renewed which

means that they only need to contact HMRC if their details on their Annual Review form are incorrect.

- (iii) The research explores tax credits customers' renewal behaviour. There were two main aims:
  - a. The first was to find out how to encourage reply-required customers to renew as early as possible in the renewal period, or, at least, before the deadline in order to prevent their award being terminated.
  - b. The second aim was to explore how automatic renewals should be communicated to those new to the process and, in particular, to those who may previously have been on the reply-required system, as well as to identify the possible risks and benefits of such a change by understanding how customers might be likely to behave on an automatic renewal system.
- (iv) A total of 60 face-to-face interviews were conducted with tax credits customers between September and November 2011 in London, Preston, Manchester, Birmingham and Nottingham.
- (v) Interviews were divided between six research groups, each comprising customers who had demonstrated a defined type of renewal behaviour in the last renewals period they experienced. This included five groups of reply-required customers and one group of customers whose claim is currently automatically renewed.

#### ***What are the drivers of renewals behaviour?***

- (vi) A number of factors were identified as having an impact upon renewals behaviour in the reply-required system, either as a motivation or a barrier to renewing and some types of participants were identified as being at higher risk of renewing late or failing to renew.
- (vii) There were some key renewals **motivations** reported by participants. Participants who renewed early in the period often described anxiety about payments stopping or receiving overpayments. They described their tax credits claim as essential to their household budget. The media campaign was also a key motivator for renewing, especially among those who renewed just before the deadline, and many relied on the campaign as a prompt to renew.
- (viii) A number of **barriers** to renewing before the deadline were identified.
  - a. Self-employed participants were unaware that they could report income estimates before the deadline and then supply their actual income at a later date; they sometimes struggled to get their accounts prepared before the deadline.
  - b. The length of the renewal period was also identified as a barrier in some cases where participants felt they had lots of time to renew and so put their form aside and then simply forgot about it. These participants often missed the media campaign which might otherwise have reminded them.

- c. Finally, many participants who renewed late or failed to renew demonstrated a poor grasp of their responsibilities as a claimant or of how the tax credits system worked, which meant that they did not always understand the importance of renewing or terminating their claim.
- (ix) A number of customer types were identified as being more at risk of renewing late or failing to renew.
- Customers who had recently started claiming tax credits, those who claimed WTC only and those who spoke English as a second language tended to have a lower understanding of the tax credits system and their responsibilities as claimants.
  - Self-employed participants could experience delays in preparing their accounts which caused them to renew late and many of these participants were not aware that they could, and should, provide HMRC with an estimate if actual income figures were unavailable.

### ***How does understanding of the system affect renewals behaviour?***

- (x) There was a clear connection between general understanding of the tax credits system and renewals behaviour. Participants who understood their tax credits award as provisional and responsive tended to report significant changes of circumstance promptly during the year and to renew before the deadline.
- (xi) Participants who had a lower understanding of how the system worked tended to renew after the deadline or fail to renew. Many of these participants did not understand the importance of reporting changes of circumstances because they viewed their claim as an annual, fixed term contract between themselves and HMRC.
- (xii) Overall, participants displayed low awareness of some aspects of reporting changes of circumstance, including the time limit for reporting changes and the income disregard. There was also relatively low awareness that the new award begins on 6<sup>th</sup> April, and that failure to renew will result in overpayment.

### ***What might encourage earlier renewals?***

- (xiii) A number of methods for encouraging earlier renewals were identified:
- a. Informing customers that they can renew at any point during the renewals period and that they should do so as soon as possible;
  - b. Informing customers that if they call earlier in the renewals period, they could experience shorter waiting times on the tax credits helpline;
  - c. Clear messaging for self-employed customers so that they are aware that they should provide HMRC with an estimate before the deadline if their actual income figures are not ready, and;
  - d. Shortening the renewals period so customers will be less likely to delay renewing because they feel they have lots of time.

### ***What are the possible benefits and risks of automatic renewals?***

- (xiv) The idea of automatic renewals was appealing to most participants and was liked by many participants currently on this system. It was felt it minimised the burden on both the customer and HMRC by reducing the level of contact needed to maintain a claim. Most participants believed that this change would save time and money for both themselves and HMRC and make it easier to contact HMRC via the helpline for those that need to.
- (xv) However, participants identified a number of potential risks in moving existing customers to the automatic renewals system. Renewals behaviour was deeply ingrained in many participants. This may result in many continuing to call each year to renew, as demonstrated by a number of participants currently on the automatic renewals system who do this.
- (xvi) Participants' lack of understanding about what changes of circumstance they need to report and by when could result in some customers receiving the incorrect amount as they may no longer be prompted to report changes during the renewals period. There was also a strong feeling that some customers may fail to report changes deliberately to defraud the system and that automatic renewals might make this more likely.

### ***How should a change to automatic renewals be communicated?***

- (xvii) Some of the potential risks of a move to an automatic renewals system could be mitigated through the use of clear messaging on the Annual Review form. These messages need to inform customers that tax credits are being renewed differently; that customers do not need to contact HMRC unless the information on the form is incorrect and that the consequences of not reporting changes are overpayments, fines or the termination of awards.
- (xviii) The tone, language and messages of the media campaign were very popular, particularly amongst those with a weaker knowledge of the tax credits system or poorer claim management. This style could be used to create some simple key messages to be included on the Annual Review form in order to make the actions required, and the consequences of not doing so, clear.
- (xix) Participants reported that they would like advance warning of a change in system, as a sudden change at the time of renewal may either worry or confuse them. Finally, many participants felt that if there were a move to automatic renewals, it would be beneficial if HMRC communicated with customers 3-4 times a year to remind them of the need to report changes of circumstances.

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# 1 INTRODUCTION AND BACKGROUND

## CHAPTER SUMMARY

- (i) Tax credits are awarded provisionally until the end of the tax year. Customers whose award is not automatically renewed for the following year have to confirm the details held by HMRC are correct. The renewals process has two purposes, the first is to ensure that the customer has received the correct amount in the previous tax year and the second is to create a new provisional award for the current tax year. If customers do not renew their claim during the renewal period then their award is stopped. This might lead to the customer having to repay an overpayment and make a new claim if they wish to re-enter the system.
- (ii) Customers whose claims are automatically renewed do not have to contact HMRC at the end of the tax year unless their circumstances have changed. If no changes are reported, their award will be automatically renewed on the basis of their previous year's entitlement.
- (iii) The two principle aims of the research were:
  - to find out how to encourage customers to renew as early as possible in the renewals period or, at least, before the deadline therefore preventing the termination of awards.
  - to explore how a change to automatic renewals should be communicated to customers who are currently required to renew as well as to understand how different customers are likely to behave in an automatic renewals system.
- (iv) Ipsos MORI conducted 60 face-to-face in-depth interviews with tax credits customers including those who have their claim automatically renewed and those who have to renew their claim by contacting HMRC. The interviews were divided between six research groups based on renewals behaviour demonstrated by the customer.

## 1.1 INTRODUCTION

This report contains findings from qualitative research among the tax credits customer population. The research was undertaken by Ipsos MORI Social Research Institute on behalf of HM Revenue & Customs (HMRC). In this introductory section we set out:

- The context of the research;
- The research objectives;
- The methodology;
- The sampling and recruitment;
- The interviews and research materials; and,
- How the findings are presented.

## 1.2 RESEARCH CONTEXT AND BACKGROUND

### 1.2.1 TAX CREDITS

Tax credits, comprising of Child Tax Credit (CTC) and Working Tax Credit (WTC), provide a system of support to help families, tackle child poverty and make work pay. CTC brings together income-related support for children and for 16-19 year olds in education or approved training into a single tax credit, payable to the main carer, most often the mother. Families can claim CTC whether or not the adults are in work.

WTC provides in-work support for low income people, with or without children. It contains a childcare element in recognition of extra costs faced by working parents with childcare needs. The childcare element is paid directly to the main carer of the children and entitlement to the childcare element includes use of an approved (or formal) childcare provider. Other elements include the disabled worker element<sup>1</sup>, a severe disability element for those with more severe forms of disability and the 50 plus element<sup>2</sup>.

### 1.2.2 THE TAX CREDITS SYSTEM

Tax credits are designed to be flexible and responsive; a claimant's award can be adjusted continually to reflect their changing circumstances. A tax credits award is provisional until finalised at the end of the financial year. The award is based on a household's situation from the previous tax year, or on their most recently reported circumstances in-year.

#### **Reply-required renewals**

At the end of the tax year customers are sent an Annual Review form detailing their income and circumstances for the year just finished. All households, except a small number whose claims are automatically renewed, also receive an Annual Declaration form which asks customers to provide details of household income in the previous year and to inform HMRC of any changes in personal circumstances from those detailed. Customers are required to make an Annual Declaration by 31st July to finalise their previous award and renew their claim for the next year. An Annual Declaration can be made in writing by completing and returning the Annual Declaration form or by calling the tax credits helpline.

If customers do not contact HMRC by the renewals deadline the Tax Credits Office (TCO) will finalise the previous year's award on the information they hold and will stop current payments. The payments made from 6 April of the current year to the date payments were stopped will become overpaid and repayment will be required. Customers are allowed a further 30 days from the date on the notice telling them that

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<sup>1</sup> The disabled worker element provides additional support for people who work at least 16 hours a week and have a disability which puts them at a disadvantage of getting a job.

<sup>2</sup> The 50 plus element applies, subject to certain conditions, to those who are aged 50 or over on the date they return to work. The 50 plus element is payable for 12 months.

their payments have stopped to provide the information asked for. If this information is provided within the 30 days, their current year claim will be reinstated. If this information is not provided by this date then the customers will usually have to make a new tax credits claim<sup>3</sup>.

### **Automatic renewals**

Customers who have their claim renewed automatically are sent an Annual Review form but not an Annual Declaration form. Auto-renewal customers are asked to check that the details on the Annual Review form are correct and inform HMRC of any changes of circumstances that will have an impact on their award, for example, change of income. If the circumstances have not changed or are not anticipated to change in the forthcoming year, then no further action is required. The award will be automatically renewed on the basis of the previous year's entitlement. Customers who have their tax credits award renewed automatically include those in the following circumstances:

- Those whose tax credits award is tapered to zero;
- Those claiming out-of-work benefits<sup>4</sup>;
- Those claiming CTC-only and who receive less than the family element<sup>5</sup>;
- Some of those who claim CTC and WTC, if the award ceased in the previous year; and,
- Some of those who claim WTC-only if the award ceased in the previous year.

## **1.3 RESEARCH OBJECTIVES**

The aim of the research was to find out how to change customers' behaviour to **encourage them to renew as early as possible** in the renewal period or, at least, before the deadline, therefore **preventing the termination of awards**. It was also to explore **how a change to automatic renewals should be communicated** to customers who are currently required to renew. The research questions for the study are listed below.

Key research questions explored:

- What attitudinal, motivational, knowledge, circumstantial and behavioural drivers influence customers' renewal behaviour?

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<sup>3</sup> If a claimant does not renew within 30 days after the deadline and needs to make a new tax credits claim, payments will only be backdated for up to three months.

<sup>4</sup> Only where they have been on benefits for the whole tax year and at the point of selection.

<sup>5</sup> The family element is an element paid to each family entitled to CTC, regardless of the number of children or young people in the family. To be entitled to the family element of CTC, the family must include at least one eligible child or young person.

- How might customers' renewal behaviour change following a move to automatic renewals?

Specific research questions were to explore:

- What is customers' understanding of the automatic renewal process?
- How does automatically renewing awards affect customers' behaviour with regards to reporting changes of circumstances and contact with the HMRC tax credits helpline?
- What is customers' understanding of renewal interventions, such as letters issued by HMRC relating to the renewal process?
- How is customers' renewal behaviour influenced by the mode of contact?

## 1.4 RESEARCH METHODOLOGY

Ipsos MORI conducted **60 face-to-face depth interviews with tax credits customers**. These interviews were divided between six research groups, each comprising customers who had **demonstrated a defined type of renewal behaviour**.

A qualitative approach was adopted for the study to **generate rich detail**, and enable interviewers to obtain a full picture of the participants' circumstances, experiences, and attitudes. **A face-to-face approach was chosen** as it allowed the interviewers to establish a rapport with the participants. This helped to **create an atmosphere of trust** so that sensitive issues, such as personal finance, could be addressed. In addition, face-to-face depth interviews **enabled the interviewer to use stimulus materials**, such as examples of letters which helped participants recall certain experiences more clearly as well as to test ideas for future communications.

Interviews took place between **September and November 2011** and were conducted in participants' homes which allowed interviews to generate additional observational data about participants. **Paired interviews** were conducted with couples where possible and in cases where the customer received support with managing their claim from a friend or relative.

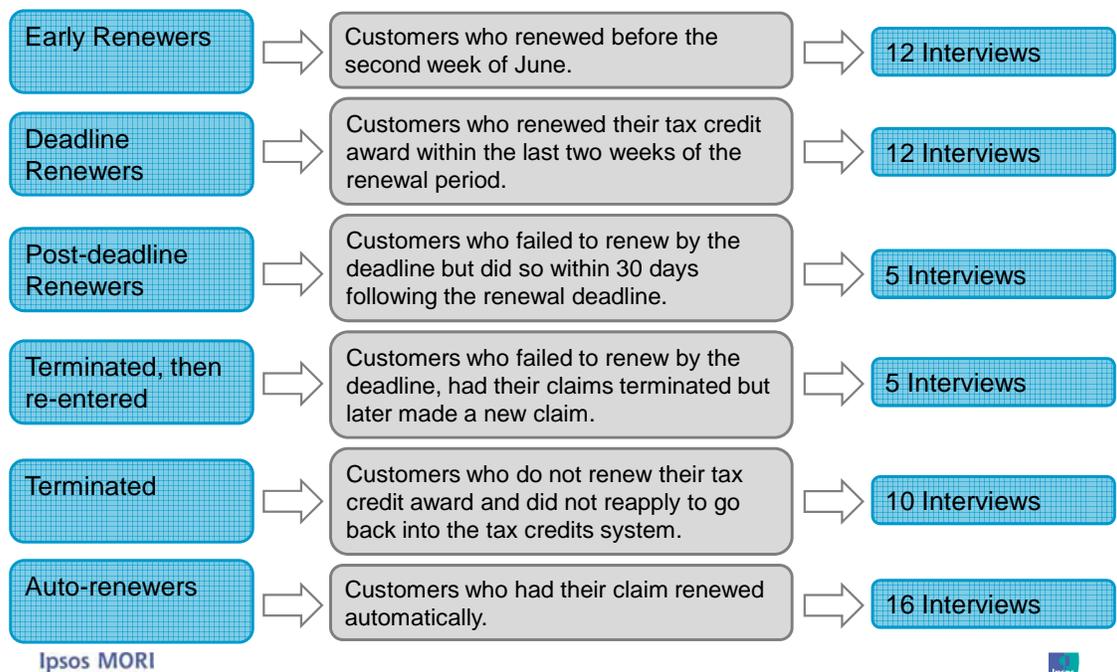
Analysis of the findings from the interviews was conducted throughout the fieldwork period through the **collation of open field notes, coded analysis in Excel spreadsheets and in regular analysis sessions** with the interview team. In these sessions initial hypotheses were developed and discussed. Ongoing analysis of findings meant that research materials were adjusted throughout the field period to reflect emerging findings.

## 1.5 SAMPLING AND RECRUITMENT

The sample for all groups was provided by HMRC from tax credits records. Participants were then **recruited by telephone** from this sample after being mailed and allowed a period in which they could opt out of the research. Participants were recruited to one of six research groups based on renewals behaviour they had demonstrated in the 2011 renewals period (or 2010 period for some Terminated cases).

The research was conducted in five locations: Greater London, Birmingham, Nottingham, Manchester and Preston.

The following diagram outlines the overall structure of the sample frame:



Within the Auto-renewers group, three subgroups were included:

- Customers who made contact with HMRC during the renewal period to report a change of circumstances;
- Customers who made contact with HMRC during the renewal period but did not report a change of circumstances; and,
- Customers who did not contact HMRC during the renewal period.

Customers who spoke English as a second language (ESOL) were included in this research in order to assess whether they had different experiences of the system or specific communication needs. In cases where the participant was unable to take part in an interview in English, a friend or relative of the participant also took part in the interview to interpret the questions on the customer's behalf. In most cases, this was also the person who helped the participant to manage their tax credits claim.

## 1.6 INTERVIEWS AND RESEARCH MATERIALS

When conducting the interviews, moderators used **semi-structured discussion** guides to ensure all relevant topics were covered consistently and that all key issues were explored. **Interviews lasted between one hour and ninety minutes.** As is common practice in qualitative research, all participants received a cash incentive from Ipsos MORI as a thank you for their time and contribution. Participants received £30, or £50 for a paired interview.

Different versions of the semi-structured discussion guides were used for the reply-required and automatic renewals customers in order to reflect the issues faced by that group. All discussion guides are included in Appendix A of this report.

## 1.7 REPORT OUTLINE

This report is structured in seven chapters, reflecting distinct aspects of the findings:

**Chapter one: Introduction and Background** – outlines the context and objectives of the research as well as providing information about the methodology chosen and the fieldwork.

**Chapter two: Experiences and Motivations** – identifies the key characteristics of each research group and the experiences, attitudes and circumstances which drive their renewals behaviour.

**Chapter three: Claim Management** – outlines how the different customer groups manage their tax credits claims, focusing on their understanding of, attitudes towards and behaviour concerning their responsibilities as tax credits customers.

**Chapter four: The Renewals Journey** – moves through the renewals period of April-July, describing the renewals behaviour of the different customer groups and the motivations and factors contributing to their behaviour, including triggers to renew.

**Chapter five: Attitudes towards, and Experiences of Automatic Renewals** – reports the experiences of current automatic renewals customers and their opinions about the system, before discussing the merits and weaknesses of the system for the different groups of reply-required renewals customers.

**Chapter six: Making Automatic Renewals Work** – draws on the findings from communications testing in order to discuss how best to communicate both a move to an automatic renewals system as well as customers' new responsibilities.

**Chapter seven: Conclusions** – summarises the research findings.

## 1.8 INTERPRETATION OF DATA

It is important to note that findings of this report are not statistically representative of the views of tax credits customers in general. Qualitative research is designed to be illustrative, detailed and exploratory and provides insight into the perceptions, feelings and behaviours of people rather than conclusions from a robust, quantifiably valid sample. Where the word 'participant' has been used this is in reference to a tax credit customer who took part in the research and the strength of feeling attributed to a group of participants is only true of the customers involved in the research and not the tax credits population as a whole. The perceptions of participants make up a considerable proportion of the evidence in this study, and it is important to remember that although such perceptions may not always be factually accurate, they represent the truth to those who relate them.

## 2 Experiences and motivations

### CHAPTER SUMMARY

- (i) Some groups were identified as being at higher risk of renewing late or experiencing problems with managing their claim more generally. These were:
  - Customers who spoke English as a second language;
  - Customers who were self-employed;
  - Customers who had recently started claiming tax credits; and,
  - Those who were claiming WTC only.
- (ii) Early Renewers tended to refer to their claim as being vital to their household budget so they were anxious about anything which might affect it. This often meant that they sought reassurance from HMRC that their claim was correct and payments would continue. They tended to have fairly stable circumstances and so found their claim relatively easy to manage. They prioritised letters from HMRC and acted on them quickly.
- (iii) Deadline Renewers were also concerned about their payments being stopped or receiving overpayments but tended to have more complicated employment circumstances. This meant that they were sometimes very busy and less able to act on letters from HMRC immediately, or they were self-employed and delayed renewing because they did not have the information they believed was needed.
- (iv) Post-deadline Renewers tended to have complicated employment situations. Those who were self-employed found gathering the information they needed to renew often took time. Others in this group had fairly low knowledge of the tax credits system largely because most of this group either spoke English as a second language or had issues such as dyslexia or low literacy which meant that they found letters from HMRC challenging.
- (v) Terminated & re-entered participants tended to have a low level of understanding about the tax credits system and were fairly disengaged from their claim. They tended to have fairly relaxed attitudes towards debt which made them relatively unconcerned about receiving overpayments. Some participants with learning difficulties relied on support workers to manage their claim which meant that they knew little about it themselves.
- (vi) Terminated participants could generally be split into two types. The first was participants who had only been claiming tax credits for one or two years, normally claiming just WTC and sometimes having issues such as dyslexia or low literacy which meant they found reading letters challenging. The second was self-employed participants, who tended to be longer-term claimants and had a better understanding of the system but found getting their accounts ready in time a problem.

## 2.1 INTRODUCTION

This chapter identifies the key characteristics of each of the five reply-required renewals research groups as well as the experiences, attitudes and circumstances which drive their renewals behaviour. It also identifies the types of tax credit customers who are most at risk of renewing their claim late.

## 2.2 PARTICIPANT PROFILES

There were some clear differences between the attitudes, experiences and circumstances of the participants in the five reply-required renewals research groups. Some of these factors were identified as having a strong influence over the participant's renewals behaviour either as something which motivated them to renew or as something which prevented them from renewing.

### 2.2.1 EARLY RENEWERS

Participants who renewed their claim in the early stage of the renewals period, before the second week of June, tended to be receiving a **fairly high level of award**, claiming both Working Tax Credit (WTC) and Child Tax Credit (CTC) with a few claiming the Childcare Element (CCE). This meant that, in most cases, the participant's tax credits award was felt to be a **vital source of income for the household** which they would not be able to cope without, even for a short period. For CCE claimants, this was felt to be **crucial in enabling the participant to remain in employment** and so they worried about anything which might mean that their claim was stopped or incorrect.

*“If Working Tax Credit wasn't there perhaps I would be saying that I can't work the shift I'm working and perhaps I will be on Income Support, not doing anything.”*

*Female, ESOL, CTC, WTC + CCE, Early Renewer, London*

Most Early Renewers had not previously received an overpayment but they had all heard about them from friends or family and were anxious not to receive one. They believed that they would be **less likely to receive an overpayment if they acted on letters from HMRC promptly**. However, although these participants prioritised letters from HMRC, they seemed to be poor financial managers in other areas and many reported being in debt and paying bills late. The key here seemed to be their **skills in paperwork management** – they always opened their letters even though they would sometimes decide not to pay a bill once they had read it.

*“If I see it's HMRC I always open it first because there's something they may need. I want to make sure it's all ok and that I haven't been overpaid.”*

*Female, ESOL, CTC, WTC + CCE, Early Renewer, Birmingham*

Although some participants in this group had fairly large and complex tax credits claims because they claimed the CCE, they all tended to have **fairly stable circumstances** and reported that their childcare costs did not often change, and when they did they reported this immediately. Participants in this group were working, only had one job,

were not self-employed and they tended to have fairly stable family circumstances. This meant that they rarely needed to report changes of circumstances in-year or at the renewals period.

Some Early Renewers were two-parent families in which the female partner did not work. In these cases, the female tended to view the **tax credits claim as their income** and viewed managing the claim correctly as their job. This meant they devoted time to ensuring their responsibilities were met and they therefore acted on correspondence from HMRC promptly. The key renewals motivation of this group was to get their claim right. They were **anxious about anything which might cause their claim to stop or be incorrect** and cause an overpayment. They prioritised letters from HMRC and wanted to get renewals dealt with quickly to ensure that their claim would continue and they often **needed reassurance** from HMRC that this would happen.

### 2.2.2 DEADLINE RENEWERS

Research participants who renewed their claim during the last two weeks of July, just before the deadline, tended to have **fairly large claims** with many claiming both CTC and WTC and a few claiming CCE. Like the Early Renewers, their **claim was very important to the household budget**. Indeed, in most ways, the Deadline Renewers and the Early Renewers were the same, in terms of the importance and understanding of their claim, their attitudes towards financial management and debt, and anxiety about receiving overpayments.

However, there were two areas in which participants in these two groups differed. The first was that many participants in this group had complicated work circumstances. Many were **self-employed, in multiple employment** or working and studying at the same time. This meant that they tended to report being very busy and **struggled to keep on top of paperwork** and were less likely than the Early Renewers to open their letters from HMRC immediately, or, if they did, to act on them straight away. Instead, they were **more likely to put letters aside** until they had time to deal with them yet then often forgot about them and so relied on prompting from the media campaign to act.

*“Things are busy. During term time, I’m up at 6am, get the kids ready and to school, then I go to uni, then to work, get home, feed them, make sure they do their homework then I do my work. Everything sits here [on the table] until I have time.”*

*Female, CTC + WTC, Deadline Renewer, London*

The self-employed participants in this group tended to **use accountants** to complete both their Self Assessment and their tax credits renewals form on their behalf. This **third party involvement had repercussions** on the length of time it took these participants to complete the renewals forms as they had to wait for their accountant to either complete them or provide them with the information they needed.

*“Well if I was PAYE it would be a lot easier, but that income box on the form isn’t so simple when you’re self-employed. It takes a long time to find out what that figure is.”*

*Female, CTC + WTC, Deadline Renewer, Manchester*

The **key barrier** to renewing for this group was that it took **time to gather the information** they needed to renew because they often had **complicated employment** statuses or were **simply too busy** to prioritise management of their tax credits claim.

### 2.2.3 POST-DEADLINE RENEWERS

The participants who renewed their tax credits late, but within 30 days after the 31<sup>st</sup> July deadline tended to be claiming both CTC and WTC although a small number claimed WTC only and there were no CCE claimants recruited. Although participants in this group were less likely to describe their tax credits claim as vital, as they tended to have lower awards, they did tend to report it being the only **stable source of income in the household**. This was because these participants often had complicated employment circumstances including **self-employment, multiple employment or working shifts**. This often meant that they had unstable working hours and income and faced similar challenges as the Deadline Renewers and some also relied on accountants for the information they needed to renew.

Although tax credits were important to these participants, their **knowledge of the tax credits system**, how it worked and their responsibilities as a claimant was **lower than that of the Early and Deadline Renewers**. Many were fairly poor financial and paperwork managers who did not always open or act on their post quickly. It seemed that the main reason for this was that many of these participants either spoke English as a second language or had issues such as dyslexia or low literacy and **needed help from a relative or friend** to manage their paperwork, including their tax credits claim. This meant that they were often unsure of the details of their claim, what they were expected to do or the possible consequences of not doing so, such as overpayments.

“I don’t know nothing about all that paperwork, she [support worker] does it all for me.”

*Male, WTC, Post-deadline Renewer, Birmingham*

### 2.2.4 TERMINATED & RE-ENTERED

Participants who did not renew within 30 days after the deadline, had their claim terminated but re-entered the system in a new claim, were very similar to the Post-deadline Renewers. They tended to be claiming both WTC and CTC, although a small number were WTC only. They typically had **unstable employment situations** which meant that tax credits were their only constant source of income, although they did not describe their award as vital to the household.

Again, as with the Post-deadline group, a small number of these participants also **needed support with managing their claim** from support workers as they had learning difficulties. These participants seemed to rely solely on their support worker to manage their claim and **knew little or nothing about it themselves**. The issue here was that the participant would not always notify the person supporting them that they had received a letter meaning their care worker had to find their forms, as well as complete them.

Participants in this group were more **aware of overpayments** than those in the Post-deadline group as some knew that they had previously received them, but they seemed **fairly unconcerned** about this and were not worried that they might receive more in the

future. Generally, they seemed to have a **fairly relaxed attitude towards debt**, and tended to attribute being in debt to poor paperwork management. Some said that they did not open their post at all, or would only **open it if it had red writing on the front** to indicate that it was a final demand. Letters from HMRC were not treated differently, and tended to be put into drawers and left there.

**“Most of the time they get left unopened until I see like one come through with red writing and then I think oh I’ve received a few of these I think and then I go back to my letters and I’m like oops.”**

*Female, WTC, Terminated & re-entered, London*

This relaxed attitude was true of their claim management more generally. They tended to be **disengaged from their claim** and often knew that they had failed to act in accordance with their responsibilities to HMRC.

### **2.2.5 TERMINATED**

Research participants who hadn’t renewed their tax credits award typically claimed WTC only and although some reported that tax credits were important, for most, the money had not been a vital source of income and was not something that they had given much thought to. These participants could generally be split into two types.

The first type was those who had **only claimed for one or two years** and so were not very knowledgeable about how the tax credits system worked or their responsibilities. While they were all aware of overpayments this was largely because they had recently been notified of receiving one as a result of not renewing their claim, although most did not understand that this was the reason and believed that they had been overpaid in the previous award period.

Generally, the participants in this group were **poor financial and paperwork managers** who paid bills late, were in debt and did not open or act on their post. As with the Terminated & re-entered group, some reported that they only opened letters with red writing on the envelope. Additionally, a small number of participants in this group also had **issues such as dyslexia or low literacy** which made dealing with paperwork difficult – particularly for those who lacked support.

**“I struggle with them [letters] really. If I can’t just get something set up and then leave it then I tend to have problems because I can’t understand the letters and I don’t have a landline so I don’t want to call anyone either.”**

*Male, WTC, Terminated, Nottingham*

The second type was a small number of longer-term claimants who did understand their responsibilities as a claimant to some extent but experienced barriers to fulfilling them. These were **longer term customers** who were self-employed and reported that the

**time and cost to complete annual accounts caused them to renew late** because they did not have the information they felt was needed in good time<sup>6</sup>.

The key for this group was their lack of understanding of two key issues. Firstly that a new award had started at the beginning of the tax year and they had continued to receive money. Secondly, that they needed to terminate their tax credits claim to leave the system; simply not renewing is not enough.

## 2.3 RISKY RENEWALS GROUPS

There were some groups of customers who seemed more at risk of renewing their tax credits claim late. These customer types were often present across a number of the five reply-required research groups and as such did not always behave in the same way, but as a group they faced barriers which might cause late renewal.

### 2.3.1 CUSTOMERS WHO SPOKE ENGLISH AS A SECOND LANGUAGE

Participants who spoke English as a second language were present in all five of the main research groups and so there was no clear connection between this and renewals behaviour. However there were some key issues identified in relation to how they communicated with HMRC which might make this group more at risk of renewing late.

The main issue identified was that participants who spoke English as a Second Language **did not tend to watch or listen to English speaking television channels or radio stations** choosing instead to do so in their own language or not at all. This meant that this group had **very low awareness of the tax credits renewals media campaign** run each year, which was felt by many other participants, especially amongst the Deadline Renewers, to be a key prompt to renew.

*“No, I don’t watch really English television. We have Polish radio, Polish TV, everything Polish.”*

*Male, ESOL, WTC, Post-deadline Renewer, London*

There were some issues for these participants with using the tax credits helpline, cited by others as a key source of information about managing their claim. A few were **simply not aware that they were able to renew their claim by calling** the tax credits helpline while others were reluctant to call either because they were **concerned they would not be understood** by the helpline staff or because they may **need to wait on hold which could be costly** if calling from a mobile.

*“When I called to tax working credit they give me all always an interpreter. I waited 15 minutes, 20 minutes, 30 minutes and I get an interpreter. It’s good but the cost, the cost is very high.”*

*Paired, ESOL, CTC+ WTC, Post-deadline Renewer, Birmingham*

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<sup>6</sup> At renewals, the Annual Declaration form asks the customer to provide their actual income for the previous year. If they cannot do this then they are asked to provide an estimate before the renewal deadline and then to provide their actual income figure by a specified date later in the year. If an estimate of the self-employed income has been provided, the customer will be issued with a reminder approximately six weeks before 31st January to ask them for their actual income.

As a result, some participants who spoke English as a second language **relied on written correspondence with HMRC** to manage their claim and to find out information. While some were content to manage their claim in this way, and felt that financial matters should be dealt with on paper to ensure a record is kept, others reported that they **found the language in the forms challenging** for their level of English and were not always confident about what they needed to do. Some also **struggled in interviews to identify key messages** and actions in example Annual Review forms shown to them and relied on either continued help from a friend or relative or assumed that the process of managing a claim would remain the same and they would therefore know what to do.

### 2.3.2 CUSTOMERS WHO WERE SELF-EMPLOYED

Participants who were self-employed were present in all groups apart from the Early Renewers and the reason for this was that it had taken even the most motivated of participants a fairly **substantial length of time to gather the information they needed** to renew.

A key problem identified was that very few participants who were self-employed were aware that they should still contact HMRC before the renewal deadline to provide an estimate of their income and then to provide their actual income figure by a specified date later in the year. Indeed, most self-employed participants in all groups **believed that there was no point in contacting HMRC until they had their final figures** ready. This was the key cause for late renewal amongst participants who were self-employed and so this group of claimants **may benefit from clear messaging around the need to provide a further estimate** before the deadline if they have not completed their accounts.

Most participants who were self-employed used accountants to complete their Self Assessment form and many also had their accountant complete the income section of their Annual Declaration form. Getting this form completed and returned to HMRC before the deadline depended on three factors. The first was that the **participant needed to get their records and their renewals forms to their accountant** well before the deadline so that they could be completed and returned in time for the participant to renew. Some participants found it difficult to spare time for this and a few reported that they had not managed to do so until July or later, which made meeting the deadline either unlikely or impossible.

The second factor was the **length of time it took the accountant to complete their accounts** once they had the records and forms, and this seemed to vary hugely with some participants reporting that it took a matter of weeks and some saying it could take months. Indeed, **waiting for an accountant to return information was the key reason for delay** in renewing given by participants in both the Deadline and Post-deadline groups, and was something, which, to some extent was out of the participants' control.

*“It’s just waiting for the accountant. He’s very busy and he does know I need to get my form by the 31<sup>st</sup> July but so are many other people, sometimes he gives it to me just before so it’s tight.”*

*Male, CTC+ WTC, Post-deadline Renewer, Manchester*

The final factor was that participants were only able to get their accounts prepared if they had the money available to pay the accountant. In a small number of cases, participants

had needed to delay this until later in the year when they expected cash flow to be better as they **could not afford to pay the accountant between April and July**. This meant that they not only failed to renew by the deadline, but in some cases would not have the information they believed they needed to renew until closer to the Self Assessment deadline in January.

**“That’s what makes it tricky for us. So we get notices, you need to give us your details. And normally April is a quiet period for us, so it’s difficult for us to be able to afford to pay for a year’s books. We tend to get it done in December when we’ve got more cash flow.”**

*Female, CTC & WTC, Terminated, London*

These issues meant that although some participants who were not self-employed felt that the renewal period was a considerable length of time, for those who were self-employed it was **often difficult to meet the deadline**. Indeed, it often felt very tight in comparison to the Self Assessment deadline around six months later. This meant that for many, especially those in the Deadline and Post-deadline groups, it would be difficult to renew earlier as they had attempted to act as soon as possible.

### **2.3.3 NEW CLAIMANTS AND THOSE WHO CLAIMED WORKING TAX CREDIT ONLY**

Both newer claimants, who had only been claiming tax credits for one or two years, and those who only claimed Working Tax Credit seemed to be more likely to renew late or not at all. The key reason for this in both cases is that these participants often had **low levels of understanding** of how the tax credits system worked and what their responsibilities were.

Participants in these groups were less likely than longer term claimants or those who claimed CTC and CCE to be aware of a number of points relating to their claim. The main issue was that they were **less likely to be aware of the deadline for renewals** than other participants. In the case of newer claimants this is probably because they **had not established the habit of renewal** which seemed common to longer term claimants.

For those who claimed WTC only, the reason was less clear, although these participants tended to be young, single males who tended to report being poor financial or paperwork managers who did not open their post unless it was a final demand or did not pay bills until their service had been disconnected. They had the same attitude towards letters from HMRC and stated that they did not properly read them and in some cases did not open them at all.

**“I bet a lot of people do what I do and shove it in that drawer and when you decide, oh I can’t shut the drawer I take some things out and throw them away.”**

*Male, WTC, Terminated, Nottingham*

Additionally, these participants reported watching less television and listening to the radio less than other participants. This meant that they were **less aware of the renewals media campaign**. As a consequence the deadline message was not reinforced and, if they had not opened their renewal pack did not realise that they were meant to be doing anything at all.

“I don’t really watch much TV to be honest and don’t think I’ve ever really listened to the radio. Billboards are about the only thing I notice.”

*Male, WTC, Terminated, Nottingham*

Newer claimants and those claiming WTC only, tended to be **less aware of the need to report changes** of circumstances or be clear on what constituted a change which would affect their claim. These participants were more likely than others to **view their claim as an annual agreement** which ran for twelve months and then expired which meant that they tended not to think about their claim during the award period. This is discussed in more detail in section 3.2.1. However, the consequence of this was that these participants had **low awareness of the need to terminate a claim** if they wished to leave the system and instead believed that simply not renewing was the correct way to do this. One possible reason for this lack of awareness and understanding might be that these participants **tended to be less experienced than others in claiming benefits** and so were not aware of what might be expected of them or the potential consequences of not engaging with their claim.

“What would overpayments be though? Maybe I’m just a bit naive, but if you haven’t claimed before...”

*Male, WTC, Post-deadline Renewer, Birmingham*

## 3 CLAIM MANAGEMENT

### CHAPTER SUMMARY

- (i) Participants' renewals behaviour was closely related to their understanding of the tax credits system and their approach to claim management more generally.
- (ii) Those who understood the system to be responsive were more likely to understand their responsibilities and the purpose of renewals as a means of finalising the previous tax credits claim and beginning a new one. This meant that they were more likely to report changes and renew on time.
- (iii) Others, who viewed their award more as an annual, fixed term contract with HMRC, were less likely to understand the need to report changes or the significance of the renewal process. This meant that they were more likely to wait until their renewal to report changes, renew late or attempt to leave the system by not renewing.
- (iv) There were some key gaps in understanding in reporting changes of circumstances identified:
  - a. When a young person stops being a dependent;
  - b. When someone starts or stops being a partner;
  - c. By how much income needs to change to affect an award, and;
  - d. The deadline for reporting a change after it has occurred.
- (v) The key gaps in understanding, surrounding renewals were that:
  - a. A new award begins on 6<sup>th</sup> April;
  - b. Unreported changes between 6<sup>th</sup> April and the renewal can cause overpayments;
  - c. The previous year's award needs to be finalised;
  - d. Self-employed customers should provide an estimate by the deadline if they do not have their final income figures.
- (vi) Most customers chose to contact HMRC by using the tax credits helpline as it was felt to be the quickest and easiest way to manage their claim. Most were positive about the staff, feeling that they were friendly and knowledgeable, although the cost of the helpline and waiting times was a common complaint.

### 3.1 INTRODUCTION

This chapter presents how different customer groups manage their tax credits claims, focusing on their understanding of, attitudes towards, and behaviour concerning their responsibilities as tax credits customers. It focuses in particular on reporting changes in personal circumstances between renewals, the renewals period, and other aspects of the system, such as penalties and questions of eligibility. The structure for this section is as follows:

- Customers' understanding and gaps in knowledge of the tax credits system and how this affects their claim management; and,
- Customers' experience of and attitudes towards contacting HMRC, including the renewal of claims, with a focus on the tax credits helpline.

### 3.2 GENERAL UNDERSTANDING OF AND BEHAVIOUR IN THE TAX CREDITS SYSTEM

Participants displayed **varying levels of understanding** of the tax credits system, from a strong practical understanding to considerable gaps in knowledge, or misunderstandings about responsibilities and the way the system works.

Many participants displayed a good working knowledge of the tax credits system. These customers understood that **tax credits are responsive**, with the level of award dependent upon their circumstances, such that they should **report relevant changes promptly**. They also knew that they had to renew their award each year and were aware that not doing so by the deadline **could lead to over- or underpayment**. Those who tended to possess this level of knowledge included long-term customers; those who claimed both CTC and WTC, especially those who claimed the CCE; and **Early and Deadline Renewers**. Participants who understood that the system is flexible and that they needed to report changes were more likely to understand the need to actively terminate a claim, rather than simply not renew it.

Although many participants managed their claim fairly well, most nevertheless revealed or **acknowledged gaps in their understanding**, including those who generally understood the system well. Some gaps in customers' knowledge of the tax credits system were extremely common, while others were reserved to only a few participants. The most common gaps included an **inability to identify all key changes of circumstances**, and a lack of comprehension of some more complicated aspects of the system, such as the **income disregard**.

Others reported **lower levels of knowledge** of the tax credits system, especially participants who renewed after the deadline or who failed to renew. Many of these participants were unaware of the flexible nature of the system, and, instead, viewed their **award as a fixed amount** which would not change during the year. This misunderstanding meant that many of these participants **did not understand the importance of reporting changes of circumstances** during an award period because they did not know that their award might change as a result.

#### 3.2.1 REPORTING CHANGES BETWEEN RENEWALS

Participants exhibited different levels of knowledge and reported wide-ranging behaviours with regard to reporting changes of circumstance. Most understood that the level of their tax credits award was related to their personal circumstances and that one of their key responsibilities was to inform HMRC of any relevant changes.

*“Yeah later hours at work and all kinds and you get the overtime. It's easy to think, oh I'll do the extra hours and spend it because I need the money for Christmas, but at the same time you're now getting more money in which affects everything and you've got to declare it.”*

*Female, CTC, Auto-renewer, Contact - CoC Birmingham*

### When changes in circumstances were reported

Some participants were **very comfortable with regularly reporting changes**. These customers felt their claim was always up-to-date, and some wondered whether there was any need for the renewals process.

“You have to let them know all the information...it should be ongoingly updated if you know what I mean. I don’t really understand the point of a renewal.”

*Paired, CTC & WTC + CCE, Deadline Renewer, Manchester*

Early and Deadline Renewers tended to **immediately report any changes they thought significant**. This was because they had either previously received an overpayment or were concerned that they may receive one if they did not update their changes promptly. These participants tended to be aware of how their award level could change along with their circumstances and so were keen to ensure that their award was correct.

**CCE customers tended to regularly report changes** to their childcare arrangements especially those whose childcare requirements periodically varied between term-time and school holidays. However, only a few participants were aware that they had 30 days in which to report their changes.

“I usually tell them straight away. But I think it’s within six weeks.”

*Female, WTC + CTC + CCE, Deadline Renewer, Manchester*

Some participants reported being unable to notify HMRC of certain changes of circumstances **in advance of the change actually occurring**.<sup>7</sup> This was based on past experience of attempting to do so via the helpline. On some occasions this had caused a problem as the customer subsequently forgot to report the change or reported becoming too busy to do so. A few, on the other hand, did report successfully notifying of a change in advance.

“The fact that you can’t give them your circumstances in advance. I told them last year that Joe was starting school just to say stop the Childcare Element and they said, ‘no, we can’t do this, you need to call us in two weeks’ time’ and I think I completely forgot and then the money came in so there was an overpayment there.”

*Female, WTC + CTC + CCE, Terminated, London*

Post-deadline Renewers and participants in the Terminated group tended to **wait for the prompt of renewal to report changes**. In the case of the self-employed, renewals is a chance to reconcile their final figures against their earlier estimate. A few said they had **never reported a change at all**. These less diligent customers were often unable to make the link between late reporting and receiving overpayments.

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<sup>7</sup> Notification of certain changes can be given in advance of the change actually occurring. For example, if a customer has accepted an offer of work, and is expected to start that work within seven days of the advance notification.

## What changes in circumstances were reported

Many participants thought **some changes in circumstance were important** to report straight away, whereas others could be reported at a later date, normally during renewal. This view was held by customers in all groups, but especially by self-employed or customers in multiple employment, whose circumstances changed regularly. The “**big changes**” that these participants believed were important to report straight away included new children, a partner moving in, a relationship breaking up, starting or leaving employment, and large changes in income. These customers reported being **much more inconsistent about reporting** other details such as smaller changes in income or working hours. Such participants relied on renewal as an opportunity to pick up anything that had been missed during the year.

“Well, a significant change of salary, if I got married, had another baby, that kind of thing...I can’t ring every time I do some overtime.”

*Female, CTC & WTC, Deadline Renewer, Manchester*

Generally speaking, **participants whose income was generally stable would tend to report any change to it**, whereas participants whose incomes fluctuated regularly would tend only to report changes above a certain threshold. When probed, participants tended to cite a figure of around £1,000 as a “large” change in income. The most common gap in participants’ knowledge was a **lack of awareness of the income disregard**.<sup>8</sup>

“You should phone them, isn’t it? But I don’t know what the change of circumstances would be. If I got the Lottery I probably phone them of course but apart from that I’m not sure.”

*Male, WTC + CTC, Terminated & re-entered, London*

## Other barriers to reporting changes of circumstances

The level of award sometimes had an effect on how likely participants were to report changes. On the one hand, a few **customers receiving a low award felt this made it less important** for them to quickly report changes, since the amount of money involved was relatively unimportant.

“I know it sounds really dreadful, I wish we were richer than we was, because it’s not a huge amount that we’re getting anymore, I guess the pressure is off a little bit and when we was getting a large sum, then I guess that was more sweat, cause that made a bigger difference to our income.”

*Female, WTC + CTC, Auto-renewer, Contact - CoC, London*

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<sup>8</sup> From 6<sup>th</sup> April 2011, if a customer’s annual income increases by less than £10,000 between renewals, then this change is disregarded and the final award is calculated based on the income reported at the beginning of the award. If annual income increases by more than £10,000 between renewals, then the final award is based on the end-of-year income less £10,000. From 6 April 2012 an income disregard of £2,500 for falls in income was introduced.

On the other hand, some customers **receiving a high award**, especially where the award was vital to the household income, **feared that a change might lead to the award being reduced** and so were sometimes more hesitant to report it.

Another barrier to reporting changes in circumstances was that many participants **believed that HMRC already had some of the information** about claimants needed in order to calculate an award. In particular, some assumed HMRC would already know the level of their household income from PAYE records, while others thought they would know the composition of the household, such as whether a partner had left or moved in.

**“Well I just assumed, like basically someone’s got someone living with them, I just assumed because of all this benefit fraud and stuff, that they all spoke to each other I suppose, I know it sounds silly I just assumed that they’d automatically be on the system.”**

*Female, CTC, Terminated & re-entered, London*

Apart from during renewal, for which many participants used the Annual Declaration form, most participants **reported changes of circumstance via the tax credits helpline**. A few customers reported that the cost of calling the helpline, especially from certain networks, sometimes put them off contacting HMRC, such that changes perceived to be less important would not always be reported.

**“Some people will be put off by phoning this 0845 number and getting high bills.”**

*Paired, WTC tapered to zero, Auto-renewer, No Contact, London*

### **3.2.2 THE RENEWALS PERIOD**

While many details about the significance of the renewals period were not understood by some, there was high awareness across all reply-required renewals participants of the **need to annually renew their tax credits claim**. Even those with the poorest comprehension of the system understood that their payments would cease if they did not return their form or call HMRC to renew.

**“Stop the payments, everyone it comes to, if you’ve not got your things in by that certain time they should stop the payments, which is what they did.”**

*Male, WTC, Terminated, Nottingham*

More generally, however, many customers **exhibited an incomplete understanding of the significance of the renewals period**, particularly about the question of when the new award begins and about the dual purpose of renewal as finalising the previous award and setting the initial level of the new award.

#### **Awareness of the deadline**

Most participants were **aware of the renewals deadline** with many able to specify the date exactly, even if they were unsure of the consequences of renewing late. Many cited HMRC’s television and radio advertisements as the reason for their ability to do this. To illustrate, one terminated claimant, who exhibited a low understanding of the tax credits

system including several major misunderstandings, was nevertheless able to quote the renewals deadline date exactly.

“Yeah, yeah, yeah I heard about this. If you try to apply you need to before this 31 July, 31<sup>st</sup> July, yes?”

*Male, WTC, Terminated, Birmingham*

### **The new award period**

There was a more common lack of understanding that the new **award period begins on 6<sup>th</sup> April, rather than after the renewals deadline on 31<sup>st</sup> July**. This was not only observed in most who renewed after the deadline and those whose claims were terminated, but also among many who renewed close to the deadline. It was striking that many who renewed close to deadline believed they were renewing at the right time, and did not see any reason to renew when the pack originally arrived in early April. In many cases this was because they did not understand that their new claim had already started based on the previous year’s information.

“I do generally, just last minute just phone up and go, right here it is. It’s not too bad. I dread doing it. And I put off doing it. I don’t know, I think it’s just, I’m worried that I’m going to get it wrong. And then they’re going to overpay me and all that, you read all these stories about overpayments and paying back.”

*Female, WTC + CTC, Deadline Renewer, London*

There was also a common lack of comprehension that **payments made after 6<sup>th</sup> April would have to be paid back** if the claim was later terminated due to failure to renew. While this affected only those participants whose claims had been terminated, it was not understood by many across the groups as a whole. Furthermore, among those customers whose awards had been terminated, none fully understood why they had incurred an overpayment.

“I’ve let it run its course and I’ve not reapplied and I’m wondering whether it’s worth the hassle to be honest. I’m seriously considering repaying some money that they say that I’ve overpaid just to get it finished because it does my head in.”

*Female, WTC + CTC, Terminated, Nottingham*

### **Significance of the renewals process**

A factor strongly affecting claim management was how far the participant understood the significance of the renewals process. Some customers understood renewal as the establishment of a new fixed award for the length of one year, a bit like **an agreed contract** between themselves and HMRC that would not change over the course of the award, irrespective of what happened in their lives. As such, these customers displayed a **weak understanding of the need to report changes of circumstance** during the year, believing that updates only had to be made at renewal time, when the next contract would be drawn up based on their new details. This meant that many did not understand the purpose of the renewals period in finalising the previous year’s claim.

These participants believed that not renewing was or would be a suitable method for leaving the system: they were unaware of the need to terminate the award, since they assumed that the claim would simply expire at the award year's end.

Participants holding this viewpoint tended to be males who were fairly new to tax credits, claiming WTC only, and were often Post-deadline Renewers or had had their claim terminated.

**“I don't know really, they asked for all the details they needed and I told them and they say 'right, this is what you'll get' so I was like fine, great. I didn't think about it much after that to be honest.”**

*Male, WTC only, Terminated, Nottingham*

Similarly, a few participants thought CTC was a fixed benefit given to anyone who had children. These customers believed that changes would not affect the level of award.

**“No I didn't think they could overpay you with child tax, I thought it was just a set amount for a child?”**

*Female, CTC & WTC, Deadline Renewer, London*

A few were **also unaware that underpayments could not be indefinitely backdated**, which again led them to not renew as soon as they might have, since they thought they would ultimately receive all the money they would have been due had they renewed on time.

**“I sent a form doing a joint claim and tried to get it backdated to January, I didn't hear anything for like 15 weeks and then they sent me a letter saying I was entitled to it, on a joint claim, backdated it to 1<sup>st</sup> August but refused to backdate it any further.”**

*Female, CTC, Terminated & re-entered, London*

### **Self-employment and estimation of income**

Most self-employed participants were unaware that they had the option of providing HMRC with a **provisional estimate of income** until their books had been completed. As such, many self-employed customers renewed to the deadline, or just missed it, after having **waited for their accountant to complete their accounts**. A few self-employed participants regularly renewed long after the deadline, in line with the timetable for their accounts.

**“And also with working out where you are we have to wait till our year end, pay our accountant to do our books and then we can submit our books.”**

*Female, WTC + CTC + CCE, Terminated, London*

Of those customers who showed awareness of the possibility of making an estimate, however, most preferred to wait as long as possible to renew, either in order to provide the most accurate figure possible given the information they held, or to allow their accountant to return their completed books. This way they could provide final figures

and not have to go through the renewals process a second time after having originally provided an estimate.

**“So basically it takes a while then so you have to estimate your income. So the longer you leave it the better idea you have of what your income’s going to be because it can fluctuate.”**

*Female, WTC + CTC + CCE, Deadline Renewer, Manchester*

In summary, participants can be categorised as exhibiting four broad attitudes to renewals, based on their claim management and/or the nature of their source of income:

- Those who always reported changes quickly

For these participants renewal was a chance to check changes which had been previously reported to HMRC. For many it provided reassurance, while some thought renewal was superfluous.

- Those who did not always report changes

For these participants renewal provided an opportunity to update their claim with any changes that had occurred since the previous renewal that they had not otherwise reported.

- Those who rarely reported changes

For those with very low awareness of the need to report changes, renewal was a vital prompt for them to update HMRC of their circumstances.

- The self-employed

For most self-employed participants the renewals period was an essential opportunity for them to finalise their income for the year, since they generally did not report every fluctuation of income and working hours to HMRC.

### 3.2.3 OTHER ASPECTS OF THE SYSTEM

#### Penalties

While many participants were aware of overpayments as a possible consequence of renewing late, understanding of other potential consequences was low. Across all participants there was **low awareness that monetary penalties could be awarded** for poor claim management, but especially among those participants who renewed after the deadline.

#### Eligibility of young people

A common area of uncertainty for participants claiming CTC, including some with teenage children, was **when a child ceases to be classified as dependent**. Some knew the issue was related to both their age and their education status, but few were confident about what the rules were, including those whose knowledge and claim management were otherwise strong. In particular, very few CTC claimants were aware that their child would cease to be eligible if they left school at 16 or 17. Some claimants

did point out, however, that as further education would soon become compulsory,<sup>9</sup> this may cease to be a problem within a couple of years.

“They just said that we have to phone them when he’s not eligible but I don’t know when he’s not eligible.”

*Male, WTC + CTC, Terminated & re-entered, London*

A further point of uncertainty arising from this was that some participants were unsure as to **whether or not they would need to inform HMRC when their child ceased to be eligible** for CTCs. Some thought that this was something HMRC would know automatically, even if they understood that HMRC was not able to access other kinds of information in this way, such as their level of income.

“I think two years ago when EMA [Education Maintenance Allowance] was on she had EMA as well, when she was in Sixth Form, so they kind of know about it, you don’t need to tell them anything about that.”

*Female, WTC + CTC, Early Renewer, London*

### **Declaration of partners**

Some participants reported **confusion at the difference between single and joint claims**. In particular, the point at which a boyfriend or girlfriend who has moved in stops being financially independent, thus becoming a “partner,” was felt to be unclear.

“Living with my boyfriend is none of their business, what’s that got to do with it? Men come and go..2, 3, 4 years...they come and go...It’s about me and my kids. Marriage is ok, I’ll let them know.”

*Female, CTC & WTC, Post-deadline Renewer, London*

Some participants made **assumptions about the eligibility criteria** for tax credits which led them to attempt to terminate their claim or simply decide not to renew. The most common reason for a claimant believing they were no longer eligible was getting a pay rise or a better-paid job, although some cited news about wide-ranging government cuts as the basis of their belief. Participants making these assumptions tended to be male and to have renewed after the deadline or not at all.

“I don’t think they’re going to be so easy giving us money away as probably they were when I originally claimed.”

*Male, WTC, Terminated, Nottingham*

Some also reported that they decided to leave the system when they felt their household no longer required the money, irrespective of their eligibility, because they preferred not to receive help from the state if possible.

“If I have better money I stop this.”

*Male, WTC, Terminated, Birmingham*

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<sup>9</sup> Great Britain. *Education and Skills Act 2008, Chapter 25*. (2008) London: The Stationary Office.

### 3.3 CONTACT WITH HMRC

Two sets of experiences accounted for the vast majority of participants' contact with HMRC: the process of renewing their claim, and the use of the tax credits helpline for making queries and reporting changes between renewals. Participants across all groups displayed a wide range of attitudes to both, particularly towards the helpline.

#### 3.3.1 ATTITUDES TOWARDS AND EXPERIENCES OF THE TAX CREDITS HELPLINE

The tax credits helpline was used by participants to report changes of circumstance, to ask questions, seek confirmation and, for many, to renew their tax credits claim. Frequency of use of the helpline ranged from very often, especially among CCE claimants with regularly changing childcare requirements, to almost never. In particular, some customers said they rarely reported changes and some never called with questions or to seek confirmation about queries they might have: this was particularly common among those claiming WTC only and those with an unsteady income, including self-employed participants.

The helpline tended to be **particularly valuable for those who struggled to read** and complete forms. As discussed in section 2.3.1 some participants with English as a second language were grateful for being able to use an interpreter, although this often involved them first being placed on hold for a significant length of time, making the call expensive.

The issues of **time and money dominated discussion of the helpline**, with most saying it was difficult to get through and tended to involve a lot of waiting on hold once connected. For some this made cost a big issue, since some service providers charge more than others for calling the number, including some that charge a connection fee each time. The latter was a particular issue since when the helpline was busy the customer's call was automatically ended, meaning they would have to call again. The impact of the cost of calls was such that some stated that they did not use the helpline, while others went to their local Enquiry Centre so they could do so free of charge.

*“In one morning it was called like 10 times or something. So it's like two seconds, 20 seconds, but they charge you a minute each time...it was the tax credit office, just trying to get through to them, because when you can't get through, they don't just let you hold, it would say our office is too busy, and just cuts you off. So every time it does that, you're charged...and it comes to something like £15 or something ridiculous. I'm like, what, that's like nearly half of the money they give me.”*

*Female, CTC + WTC, Auto-renewer, Contact – not CoC, London*

Those who **renewed early tended to report fewer negative experiences**, particularly finding it easier to get through, with less call waiting time, and generally spoke well of the helpline. Some Deadline and Post-deadline callers acknowledged that they tended to call when the helpline was probably at its busiest. Some participants were able to **identify the times of day when the line would be at its busiest**, suggesting that mid-morning or mid-afternoon, when children were being collected from school, would be the best times to ring.

“I mean obviously things like, you know, Monday mornings and probably after work are the busiest times. I think people try and get that out the way and get through quickly but...I’ll tend to phone at something at 11am or sort of three in the afternoon when most people are going out to pick up children.”

*Female, WTC + CTC + CCE, Deadline Renewer, Manchester*

Irrespective of the costs or difficulties they had in getting through, most found the staff helpful, describing them as **knowledgeable and friendly**, as well as thorough and patient.

“They are quite helpful actually, I mean, apart from the odd one or two mistakes it’s, yeah, they’re quite all right.”

*Female, WTC + CTC, Auto-renewer, Contact – CoC, Manchester*

Others, however, stated frustration at the service they received. Some reported being cut off after being placed on hold, several times in some cases. A small number described a negative experience of staff, where they had felt badly judged or where they had been frustrated by an operator’s inability to efficiently answer their questions. A common criticism made by these participants, which some placed more weight on than others, was that they felt the **staff displayed quite limited knowledge** – sometimes as though they were reading a script – such that, they felt that when they asked staff about another topic they were not able to help. Some also reported a lack of trust in the staff, in particular not feeling confident that they would take their details down correctly; this was because they had past experience of problems of this nature.

“I think sometimes I would literally come off there, half in tears, you feel like you have been pigeon-holed as a particular type of person.”

*Female, WTC + CTC, Auto-renewer, Contact – CoC, London*

One experience which seemed to relate to a participant’s overall opinion towards the helpline was whether or not they had received an overpayment. Those who had used the helpline to query an overpayment tended overall to have a poor impression of the service, while those who had not, tended to have a more positive impression.

“My past experience when I’d been overpaid was a negative experience with them.”

*Female, CTC, Auto-renewer, Contact – not CoC, Manchester*

Finally, it is worth noting that during these discussions many participants spontaneously suggested that their **preferred solution for claim management would be to do it online**, in a similar manner to online banking and booking tickets over the internet. Auto-renewals customers in particular favoured this method, although there was interest across groups and age-ranges. These customers claimed that this would be quicker, easier and cheaper for them, and that they would be more confident that their changes had been correctly recorded if they were able to log on to their account to check this.

“I mean, it’s ok you get through to the answer phone and they say oh our lines are quite busy at the moment, maybe call us between this time and this time and, or maybe call us later. Because they do get quite busy. Sometimes it could be a 20 minutes wait. So obviously if you had to manage your claim online it would be very useful.”

*Female, CTC, Auto-renewer, Contact - not CoC, London*

### 3.3.2 ATTITUDES TOWARDS AND EXPERIENCES OF IVR MESSAGING

Many participants either did not recall hearing Interactive Voice Recording (IVR) messages on the tax credits helpline or stated that they had not paid attention to them. Those that did recall them, however, were generally negative about them.

This negativity mainly stemmed from the **extra time and cost these messages added to the call**. Some participants explicitly criticised messages advising them of the website: they felt this was patronising as they already knew about this and had made the decision that their query would be best answered by calling the tax credits helpline as opposed to searching online. In general, once a participant had **made the decision to call the helpline they would be determined to speak to someone**, such that the recorded messages were unlikely to deter them from this aim.

Furthermore, there were concerns over the **generic nature of the IVR messages**, especially given that they addressed something as individual as a tax credits claim. As such, many participants said they ignored the messages as they did not think they would provide them with a **sufficiently tailored response to their query**. Instead, they stayed on the phone until they were able to speak to someone, with some describing how they continually pressed the buttons they assumed would take them to the next stage. Many expressed a similar attitude towards having to navigate through options on the helpline, although most customers tended to be more tolerant of these, especially where they thought the options would ultimately take them to a team member with greater expertise in the area of their query.

“You have to go through the options. But I mean, you know, if there’s an option to divide you up into different categories to speak to the relevant person that’s fine. But when it’s, you know, just an automated message or most of the time they’re pretty futile and you know who you want to speak to and why.”

*Female, WTC + CTC + CCE, Deadline Renewer, Manchester*

### 3.3.3 RENEWING A CLAIM VIA THE HELPLINE OR POST

Reply-required renewals participants were roughly divided by those who renewed using the helpline and those who returned their Annual Declaration form by post.

Those who renewed using the helpline thought it quick and easy compared with filling out and returning the renewals form. Many appreciated that they could ask any questions they had at the same time. Also, some explained that they appreciated the **assurance of going through the process with someone**, since it gave them confidence that their changes were being recorded, along with the knowledge that, by the end of the call, their renewal had been processed.

“Not so much speaking to someone but knowing that they’re logging something into a computer...If there’s an element that something’s been checked off and you sense that it’s been logged on a computer then you know that that’s okay.”

*Female, CTC + WTC + CCE, Deadline Renewer, Manchester*

Many preferred to renew by paper, often citing negative aspects of the helpline outlined in section 3.3.1. A few participants explained that they renewed by post because they **wanted to keep copies of the forms** they had submitted to HMRC. This tended to be because of a negative experience in the past where participants believed details given over the helpline had not been correctly input, with the customer having no way of proving this. These participants lacked confidence in helpline staff and tended to be anxious about receiving another overpayment.

“That’s what I’m saying these telephone calls don’t work, whoever’s on the other end of the phone isn’t logging down what’s being said, you can phone them two or three times in the same week and you say, I spoke to such and such a person wasn’t it not logged on the system? And they’ll go, well we’ve got nothing on the system here. So it makes you seem like you’re a liar, like you haven’t called in.”

*Female, CTC, Auto-renewer, Contact – CoC, Birmingham*

Finally, a few customers were unaware they could renew via the helpline. While some stated that they would continue to renew by post, either because they preferred to write out their details or because they preferred not to use the helpline, others thought they would find it easier to renew on the phone, especially those who struggled with forms.

### 3.3.4 ATTITUDES TOWARDS AND EXPERIENCES OF CONTACT FROM HMRC

Although participants whose claims had been terminated tended not to open their mail, most other participants said they **opened post from HMRC as a priority**, even if many tended not to deal with their Annual Renewal pack straight away. This was because apart from receipt of the Annual Renewal pack and subsequent confirmation of Award Notice, participants were of the opinion that **further contact from HMRC would most likely concern issues such as overpayments which they wanted to be aware of and act upon if necessary**. This additional contact was, therefore, viewed negatively. These negative feelings may often have been due to the distress caused by overpayments, but sometimes due to the customer’s lack of understanding of the reason for the overpayment. Indeed, many stories told by participants about past and recent overpayments were inconsistent, vague or confused.

### 3.3.5 OTHER SOURCES OF INFORMATION FOR CUSTOMERS

Most participants suggested that if they required further information they would use the tax credits helpline, but some **reported using the internet as their first source** of information about tax credits. These participants decided to search for information online because it was convenient and free and because they could find basic information quickly, with most naming the **HMRC and Directgov websites as the sources of their information**. Those participants who used the website found it helpful, but some suggested that they would like it to have more features, such as a simple way of finding

out what effect a change in their circumstances, such as an increase in working hours or income, would have on their award.

**“They usually send you a pack, or you go on the Internet. Because I think the Internet is the most up to date. Because at times they will have sent you a booklet maybe 6 years ago. So I think the Internet is the most obvious place to look.”**

*Female, CTC, Auto-renewer, No Contact, London*

However, many more participants reported regularly being online but never having used the tax credits website. Many participants were **simply used to making queries over the telephone**, or did so because they preferred to talk about their claim with a member of staff. This was either because they **thought of their claim as highly individual**, such that they doubted generic information would satisfy their query, or because they liked the flexibility of being able to ask follow-up questions in a single call. Some, however, showed no awareness of the website.

Some, particularly those with English as a second language, said that they sought **advice about tax credits from family and friends**, since this was most convenient, coming from a trusted source who they felt comfortable questioning, and who would explain things to them in way they would understand. For some, however, discussing finance with family or friends is a cultural taboo that they will not break.

A few participants used third party social organisations or charities for advice, such as **Citizens Advice Bureau (CAB) or Connexions**. These were viewed as authoritative sources of information and advice with the customer’s best interests at heart. In particular, such organisations could provide a personal service for help with particular areas of difficulty, such as filling in forms or calculating entitlement.

**“They told me exactly how much I would be entitled to if I did 16 hours, how much I’d be entitled to if I did more hours and all the rest of it.”**

*Female, CTC, Auto-renewer, Contact – CoC, Birmingham*

However, some reported that accessibility to these services was a problem, especially in certain areas of Birmingham, with some stating that they were unable to make appointments due to the CAB office being constantly busy or that their local Connexions office had been closed. These participants reported being unsure of where they would go in the future to find information.

## 4 THE RENEWALS JOURNEY

### CHAPTER SUMMARY

- (i) Moving through the renewals period of April to July, the point at which a participant renewed their claim seemed to depend upon a number of factors that acted as triggers to renew, including the role of the media campaign.
- (ii) Early Renewers tended to renew as soon as they could in order to make sure that their claim would continue, most often by calling the tax credits helpline with the arrival of the renewals pack as a prompt to call.
- (iii) Deadline and Post-deadline Renewers either believed that July was the time to renew or, because they were self-employed, needed to prepare their accounts. The difference between the Deadline and Post-deadline participants was that for the latter group, either the income information came too late, they could not get through on the helpline, or were not prompted by the adverts which caused them to miss the deadline.
- (iv) Terminated & re-entered participants tended to have either highly specific, individual reasons for not renewing or had put their pack in a drawer and then forgotten about it completely. These instances tended to be described as one-offs.
- (v) Terminated participants could generally be split into two types. The first were self-employed participants who were waiting to finalise their income figures and would then re-enter the system. The second were those who had only claimed for one or two years and no longer wanted to claim and believed that not renewing was the correct way to leave the system.
- (vi) The media campaign was very popular amongst almost all who were familiar with it. Participants felt that they were effective in delivering key messages, particularly to remind them of the deadline, which had become deeply ingrained in many participants' minds as a result, most noticeably amongst Deadline Renewers. However, they did have a negative impact on some of those who had renewed very early or those on Auto-renewals, sometimes leading to unnecessary calls to the helpline
- (vii) Several methods for encouraging earlier renewal were identified:
  - Clear messaging that customers can renew as soon as they receive their renewals pack and that they should do so;
  - Informing customers that the earlier they call the helpline the shorter the wait;
  - Clear messaging for self-employed customers that they should still call before the deadline even if they do not have their final income figures, and;
  - Shorten the renewal period so customers are less likely to put it off and forget.

## 4.1 INTRODUCTION

This chapter moves through the renewals period of April to July, describing the renewals behaviour of the different customer groups and the motivations and factors contributing to their behaviour, including triggers of the act of renewing and ideas for affecting earlier renewals behaviour. As such, it discusses:

- The behaviour of each of the five reply-required renewals groups;
- The role of the media campaign; and,
- Encouraging earlier renewals.

## 4.2 EARLY RENEWERS

Early Renewers tended to **open their renewals pack as soon as it arrived**. They said that they would be expecting to receive their pack once April started and would normally be concerned if it had not arrived after a few weeks, especially if friends, relatives or colleagues had already received theirs. This would sometimes lead them to **calling the tax credits helpline to renew before they had received their pack**.

“[I call them] Straightaway after I receive the form or I think we’re going to receive the form because I can see that other people are getting them. I know that these people might get them first and I’m next but I don’t wait for that, so I just call them.”

*Female, ESOL, CTC, WTC + CCE, Early Renewer, Birmingham*

These participants normally **wanted to complete their renewal as soon as they could** because they wanted to ensure that their previous year’s claim was correct, that they had not received an overpayment and that the upcoming year’s claim would continue without issues. To a large extent, this attitude could be attributed to the level of importance the claim had to the household budget (please see section 2.2.1). **Renewing their claim was normally fairly straightforward** as Early Renewers tended to have fairly stable employment and family circumstances – once they, and/ or their partner had received their P60, they were able to renew their claim.

“I never have a major problem. This telephone system, press it, press it, and then finally getting through, or what the person on the other side wanted to know, have I changed jobs, have I changed my hours, and everything was no, no, no. So with my P60 they ask me for the figures on, and I gave it to them and that was it.”

*Female, CTC + WTC, Early Renewer, London*

There was evidence that **previous experiences of renewing late** which had caused anxiety that the claim might be stopped had led some participants in this group to make conscious efforts to renew earlier. These participants reported that they had normally renewed very close to the deadline but had then experienced a year in which they had been unable to get through on the helpline in time and this had caused these participants to **worry that they may receive an overpayment or have their claim stopped** as a result. To ensure that this did not happen again they had since renewed in good time to minimise the likelihood and associated worry of them missing the deadline.

“It was always last minute then last year it was terrible, I called and called and wasn’t even put in a queue, just told to call back. I didn’t get someone until a couple of days after the deadline and I was really worried you know. I thought they might stop my money for that week.”

*Female, CTC + WTC, Early Renewer, London*

Early Renewers called the tax credits helpline to renew their claim. Indeed, for many in this group, who tended to be longer-term claimants it seemed that receiving their **renewals pack was simply a prompt to call the helpline and renew**. While most said that they would open the pack, glance at the sections which listed their family circumstances, income and their payments and then gather the information they needed to call, some, particularly those with stable circumstances, did not even do this and simply called the helpline straight away. The reason for this, in most cases, was that as nothing had changed they did not feel the need to check that information on the form was correct, but also because they knew that tax credits helpline staff would confirm all details anyway.

They thought the main advantage of calling the helpline rather than completing the form was that they **would be able to renew quickly** and would therefore receive confirmation that their claim was correct and would continue shortly afterwards. They said that if they completed the form, it would take a few days to reach HMRC, and then there may be processing delays all of which would affect when they received their Award Notice. During this time these participants said that they would **worry that perhaps their form would be lost in the post or misplaced at HMRC** which might mean their claim would not be renewed. Additionally, using the **helpline enabled the participant to seek reassurance** about their claim: that it was correct, that they were providing the information needed, that they had not received an overpayment and that their payments would continue as normal.

“You get the envelope for things that you have to return but by and large I tend to do it over the phone with a person because I much prefer speaking to somebody and knowing it’s been done rather than being postal reliant.”

*Female, CTC + WTC, Early Renewer, Manchester*

This practice of using the pack as a prompt to call the helpline to renew without really engaging with the content of the letters had **become a habit** for some participants. This habit was a result of these participants both believing that they already knew what the form contained because they had read it in previous years and that they preferred to renew by phone. This practice **could result in problems** for this type of customer if the renewals process were to change in any way as they **may be unlikely to pick up messages in the pack** about changes of process which might lead them to calling the helpline needlessly.

### 4.3 DEADLINE RENEWERS

Deadline Renewers tended to look out for their renewals pack in the post. Like the Early Renewers, they were aware of when their pack was due and would sometimes be concerned if they believed it had not arrived when it should. Also, like the Early

Renewers, they tended to open their pack when it arrived to check the details but did not always read it fully and some did not open it at all.

Self-employed participants in this group generally **tended to act fairly quickly** after receiving their pack by arranging for the income section of the form to be completed by their accountant. These participants felt that the renewals period was **not much time to get their accounts in order** and so they were keen to start the process of getting their records together as soon as they were able to do so. Once they had given everything to the accountant, most of the time they **simply needed to wait to receive the information they needed**. In some cases, the participant had paid their accountant to complete the form for them so they would only need to sign it and post it to HMRC when it was returned to them.

**“He does it all for us when he does our accounts, £50 for the renewal form. I just check it and post it.”**

*Female, CTC + WTC, Deadline Renewer, London*

For those **who were not self-employed**, there was not the same imperative on them to act immediately and so they tended to put their forms aside for a while because they **believed that they had plenty of time to deal with them**. Many of these participants described having very busy lives, with some juggling work, studying and childcare during term times which left them little time to engage with paperwork. These participants therefore waited to renew because they knew that they could and they invariably had other priorities that needed their immediate attention.

However, others said that they were simply **deadline motivated**, that even if they had time to deal with something, they would wait until they had to. Coupled with this was the belief held by many participants in this group that **July was the correct time to renew**, something which stemmed from the deadline itself and the renewals media campaign. This led some participants to believe that **renewals packs were sent out early**, ahead of time, especially if they received it before they received their P60.

**“Well obviously the renewals pack comes through several months before ...I’m always usually right at the deadline with most things. When it arrives it seems so early that you seem to have this big expanse of time so...”**

*Female, CTC, WTC, Deadline Renewer, Manchester*

Most Deadline Renewers **called the tax credits helpline to renew their claim**. Some said that they were happy to complete the form but had simply left it too late or had only received the information they needed from their accountant just before the deadline which meant that they had to call. However, most said that they preferred renewing by phone because it was felt to be **easier, quicker and reassuring**.

**“I go through it on the phone because it’s just easier than, you know, faffing with forms and things and also if there’s any questions about anything then there’s someone there to say oh, you know, what about that or that means that. It’s that reassurance that someone’s gone through it with you and just checked everything.”**

*Paired, CTC, WTC + CCE, Deadline Renewer, Manchester*

A common issue among this group, however was that they reported that the **helpline was very busy which made getting through difficult** with participants needing to call several times a day which incurred both high charges and added considerable stress to the renewals process. They generally accepted this as a part of the system though, and did not believe there was anything they could do to mitigate this – something that was reinforced by the fact that they believed July was the right time to renew.

#### 4.4 POST-DEADLINE RENEWERS

Post-deadline Renewers, who missed the deadline but renewed within 30 days after the deadline, could be split into **two types**.

The first were those who were typically Deadline Renewers **who had attempted to renew in time but had just missed the deadline**. These tended to be self-employed customers who reported that they had opened their renewals pack when it arrived but had been waiting for their accountant to provide the information they needed to renew and in some cases, this information had been provided late. For some of those who had renewed by phone, this was because they had been **unable to get through to the helpline before the deadline**, and these participants tended to blame HMRC for this as they felt that they should not have experienced this problem. Those who had renewed by post sometimes **believed that they had met the deadline** as they reported posting their forms in time for them to reach HMRC before the deadline and were therefore unaware that they had renewed late.

“It was before the end of July, somewhere in the mid, in the beginning, the mid, something like this, I don’t remember now. But I am sure that I did it before the 31<sup>st</sup>.”

*Paired, ESOL, CTC + WTC, Post-deadline Renewer, London*

The second type included **those who had been unaware of the deadline and that they had renewed late**. These participants tended to have fairly low levels of understanding of the tax credits system or were often **new claimants** who found managing their claim challenging due to issues such as dyslexia. They tended to **rely on a relative or support worker to help** them with their tax credits claim who would tell them what they needed to do and when, and were fairly vague about the details of their claim as they had not really engaged with it. This lack of awareness and engagement meant that most of these participants were unable to say when they had received their renewals pack or how much time had passed until they opened it.

“Yeah, I did get something, was it in August? I don’t know to be honest, I have someone that helps me with all that... I show her the forms and they just say, ‘right so you need to do this’ or whatever.”

*Male, WTC, Post-deadline Renewer, Birmingham*

#### 4.5 TERMINATIONS RESULTING IN NEW CLAIMS

Those who failed to renew, had their claim ended and then had to start a new claim sometimes had **highly individual reasons** for this happening. These reasons were often things which had caused the participant to deliberately delay renewing, such as a

relationship breakdown, or barriers to managing the claim such as learning difficulties which often meant that the participant relied on support from a carer.

For others in this group, the reason for not renewing was generally associated with **poor paperwork management** which had led the participants to putting the renewals pack out of sight and then forgetting about it. These participants reported that they had **missed the usual prompts of the adverts** which would normally have reminded them to renew their claim and instead only realised long after the deadline, normally when they **happened to find the renewals pack in a drawer**. These participants said that this had not happened to them in the past and felt that it was a one-off occurrence which they would avoid repeating, although they generally seemed **unconcerned** about the incident.

“Yes, it wasn’t purposely, what it was I got it and put it in my drawer, I’m here running around after the kids or something so I put it in my drawer and forgot about it, it just wasn’t deliberate I just didn’t look at that drawer again and I didn’t see the letter again until it was too late.”

*Female, CTC + WTC, Terminated & re-entered, London*

Although most of these participants were aware that their payments had been stopped, during the interview they **did not report any financial issues as a result of this**. Additionally, apart from a participant who was waiting to make a single claim, none of the other participants were aware that they would need to start a new claim in order to receive payments again and instead believed that their claim would simply re-start.

#### 4.6 FAILURE TO RENEW

As discussed in section 2.2.5 there were two types of participants in the Terminated group. Those referred to as the first type, who had only claimed for one to two years, **did not renew because they no longer wanted to claim tax credits**. This was typically driven by two main reasons. The first was that some participants had **experienced a change of circumstances** such as an increase in income or reduction in working hours around the time of renewal which they believed would mean that they would no longer be eligible to claim. In some cases, this was based on knowledge of eligibility and the participant knew that they **no longer qualified** for tax credits but in other cases, this was merely assumed – particularly given the climate of cuts in benefits.

“I don’t think they’re going to be so easy giving money away as probably they were when I originally claimed. My pay didn’t increase by much but probably enough for me not to qualify.”

*Male, WTC, Terminated, Nottingham*

Secondly, some of these participants said that they felt that, considering the financial pressures facing the country, if someone could live without the money, then they should. To some extent, this view seemed to be a result of the media stories participants had read which portrayed those who claimed benefits in a negative light and had made them **fear the stigma** associated with this.

“Because now the world’s getting quite hard and there seems to be, I just think if everybody takes from the pot there’s not going to be a great deal left you see. And I don’t really think I particularly need it.”

*Male, WTC, Terminated, Nottingham*

The key problem for these participants was that once they decided that they no longer wanted to claim, they ignored any correspondence related to tax credits because they believed that **the way to leave the system was to simply not renew**. They were not aware that tax credits award periods run from April to April and that they had begun receiving money for a new award period because they had not informed HMRC that they wanted to leave the system. They believed that new awards started after the renewals deadline (although most were unsure of when this was) and so were **surprised when they were notified of receiving an overpayment**. Although these participants tended to be fairly relaxed about debt, they reported being annoyed at having to repay money to HMRC because they could not understand how an overpayment had occurred.

“It was £150 or something like that and it, when you think, God and you haven’t got that much money anyway and have decided to stop claiming to save them money and now you have to give them money back.”

*Male, WTC, Terminated, Nottingham*

Those in the second type referred to in section 2.2.5, were longer-term claimants who **intended to renew but had not been able to**<sup>10</sup>. These were participants who were self-employed who had not been able to get their accounts ready and believed that they **could not renew until they had their final income figures** for the previous year. In most of these cases, the participants said that they simply had not had time to get their accounts done and often referred to the **Self Assessment deadline in January**, which was what they tended to work towards. In one case, the participant reported that they **could not afford to pay for an accountant until December**, when they expected cash-flow to be better as a result of higher turnover in the lead up to Christmas.

“My books, getting the books done. I need to tell the tax credit people what I’ve earned for the last year, but my tax return hasn’t got to be in till January. We tend to get it done in December.”

*Female, CTC & WTC, Terminated, London*

In this case, **this is what the participant tended to do every year** and they, like the other participants who behaved similarly, seemed unconcerned about this. Although they were aware that they received overpayments each year, they were not entirely clear that the overpayments were a result of not renewing in time and instead seemed to accept them as an unavoidable part of the tax credits system. Indeed, there was very little sense that they might miss out on money which they were entitled to because of their

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<sup>10</sup> Customers included in the Terminated group had not renewed at the time they were interviewed in October or November 2011.

behaviour and believed that once they renewed, any money they were entitled to would be backdated to when the payments had been stopped.

“In the past it’s worked for me because I actually got it in a lump sum, which was brilliant, which kind of went, right, that got paid, that got paid, that got paid.”

*Female, CTC & WTC, Terminated, London*

## 4.7 THE ROLE OF THE MEDIA CAMPAIGN

The television and radio advertisements about renewals were **popular with almost all participants who were familiar with them**, particularly those in the Early, Deadline and Auto-renewals groups with some able to repeat the adverts word-for-word.

“They’re constant around renewals, even now I hear them in my head and I haven’t heard one in ages. I can hear that woman’s voice...you can relate it to Tax Credits.”

*Female, CTC & WTC, Deadline Renewer, London*

Many participants **spoke very highly of the tone and content of the adverts** which was described as being **friendly without being patronising** and **informative without being complicated** or intimidating. Indeed, many stated that the tone and language used in the adverts was much more appealing and easier to understand than that of written correspondence from HMRC. While they understood that, to some extent, HMRC were likely to be obliged to present certain information in forms for legal reasons, they also felt that the **type of clear messaging delivered in the adverts would be useful in other types of communications** from HMRC.

The media campaign had the **greatest influence on the Deadline Renewers**, acting as a prompt to renew. Many Deadline Renewers who had decided to put their pack to one side and deal with their renewal closer to the deadline seemed to do this, to some extent, because of the media campaign as they knew it would prompt them to renew in time. Additionally, it appeared that the adverts were, in part, the cause of some of these participants believing that July was the time to renew because this is when the adverts were played most intensively. Because of this some believed that they should not renew their claim until the adverts started.

“But I tell you what always reminds me is when you see adverts on television. Those little reminders in the weeks before are useful because, you know, like everything else especially with kind of busy family life and a million things to do it’s one of those things that if it comes very early I tend to file and then sort of forget about until nearer the time.”

*Paired, CTC, WTC + CCE, Deadline Renewer, Manchester*

**Early Renewers** had fairly high awareness of the media campaign. Most of these participants reported they had already renewed their claim before the adverts started, and so in most cases they said they simply **ignored them**. However, a few of the participants in this group said that hearing the messages on television or the radio had made them wonder whether or not they had actually renewed that year. This had **led a**

**small number to call the tax credits helpline for reassurance that they had renewed** and that they did not need to do anything further.

“It makes you think, hang on a minute; I have done this haven’t I?”

*Female, CTC, WTC + CCE, Early Renewer, London*

Awareness of the media campaign was very high amongst **Auto-renewals** participants, especially those who had been claiming tax credits for a number of years and had previous experience of the reply-required renewal system. The impact of the adverts on these participants **depended entirely on the extent to which they understood that they were Auto-renewals customers**. Those who were aware that they did not need to renew tended to ignore the adverts, but for those who did not understand this, the adverts **served to re-enforce their habit** of renewing their claim each year which they had developed when they had been on the reply-required system.

“Well I start panicking because it starts coming on the telly doesn’t it? Telling you please renew your tax credits, please renew your tax credits, so you’re kind of like oh gosh, yeah, yeah, yeah.”

*Female, CTC, Auto-renewer, Contact – Not CoC, Birmingham*

Amongst some other groups, the awareness of the media campaign tended to be lower. This was particularly true of many of **those who spoke English as a second language** who tended not to watch or listen to English language television or radio and instead would watch or listen to programmes in their native tongue. Similarly, many **younger claimants** who did not have children reported low awareness of the adverts and said that they tried to **fast forward through adverts** as much as possible and watched many programmes through catch-up services.

“I tend to watch a lot On Demand, you know on the catch up things really...Yeah because they annoy me, to be honest...for me I try and cut out as many adverts as I can.”

*Male, WTC, Terminated, Nottingham*

## 4.8 ENCOURAGING EARLIER RENEWALS

There were a number of possible measures identified which might encourage customers to renew earlier.

**Clear messages asking customers to renew as soon as possible** may have prevented some, particularly Deadline and Post-deadline Renewers from believing that they should wait until July. Earlier renewal may be encouraged by adding messages about the **‘renewals window’** to the Annual Review form in order to inform customers that they can renew any time during the renewals period and should do so as soon as possible.

Connected to this, some clear messaging for customers to inform them that their **new award begins in April** and that prompt renewal means that their award is based on the most up-to-date information, **reducing the chance of overpayments** may motivate some to renew as soon as they can. This may also help reduce the **number of**

**terminated claims** resulting from customers who are not aware that they need to inform HMRC should they wish to leave the system.

Customers could be further incentivised to renew earlier in the renewals period if they were informed that **by calling the helpline earlier, they should experience shorter waiting times** on the phone lines which would save them time and money. Given that the difficulty of getting through on the helpline around the deadline was a common issue that many participants had experienced, this could be a good way to motivate those who can renew earlier to do so.

**Self-employed** participants were often not aware that they should still contact HMRC before the deadline to **provide an estimate if their final income figures were not ready**. This lack of understanding was the direct cause for late renewal amongst many participants who were self-employed and so clear messaging about this may be beneficial.

Finally, another option would be to **shorten the renewal period** which may make some customers **less likely to put their pack aside** and forget about it. Indeed, the length of the renewals period was referred to by a number of participants as a key reason for delaying contact with HMRC. By shortening the renewals window, customers may feel more worried about renewing on time which may act as impetus for them not to leave this until the deadline. However **two potential problems** were identified here. The first was that **self-employed people** may not be able to renew earlier because they need time to prepare their accounts. The second was that the **current deadline was so deeply ingrained** for many participants that it would be difficult to replace with a new one without a high level of communications.

## 5 ATTITUDES TOWARDS AND EXPERIENCE OF AUTOMATIC RENEWALS

### CHAPTER SUMMARY

- (i) Currently, many participants who have previous experience of the reply-required system are not aware that they are now on the automatic renewals system which leads some to continuing to call HMRC each year to renew their claim.
- (ii) Most of those who have been in the system for a number of years and have previously needed to renew said that they did not fully read their Annual Review form because they believed they already knew what it said and what they needed to do. This suggests that if reply-required customers were transferred to the automatic renewals system, the change in process and claimant responsibilities would need to be highlighted on the Annual Review form so that customers would be likely to read it fully.
- (iii) Those who did read the form fully and were aware that they were on the automatic renewals system were those who were either new to the system and had not experienced reply-required renewals, or those who had experienced a significant change in their claim such as stopping claiming WTC which meant that they expected the renewals process to change and so read their form more carefully.
- (iv) Current reply-required participants were generally positive about the concept of automatic renewals and most felt that it would make things easier for themselves and HMRC, saving them both time and money by reducing the level of contact. They felt that this might make it easier for those who did need to contact HMRC to get through on the helpline as fewer people would be calling.
- (v) However, many current reply-required participants indicated that they may continue to call HMRC to renew even if their circumstances had not changed because they wanted reassurance that their claim was correct. Additionally, there were fears that automatic renewals might make overpayments more likely. They were worried that customers, including themselves, might either not be aware of the need to report a change or may forget. There were also concerns that other customers may do this deliberately.

### 5.1 INTRODUCTION

This chapter reports the experiences of current automatic renewals customers and their opinions about the system. It also discusses attitudes of participants in the reply-required groups towards the concept of automatic renewals including the possible risks and benefits associated with them being moved to an automatic renewals system. It covers:

- Understanding of the automatic renewals system;
- Attitudes towards automatic renewals; and,
- Effectiveness of the current Annual Review form.

## 5.2 THE AUTOMATIC RENEWALS SYSTEM

Customers who have their claim renewed automatically are sent an Annual Review form and asked to check that the details are correct. Customers only need to contact HMRC if they have experienced a change in their personal circumstances that will have an impact on their award. If the circumstances have not changed, no further action is required. The award will be automatically renewed on the basis of the previous year's entitlement.

In order to prevent increased levels of error in awards and unnecessary contact with the tax credits helpline, it is important that customers are aware that their claim is automatically renewed and that they understand their responsibilities within the system.

## 5.3 UNDERSTANDING OF THE SYSTEM

The automatic renewals customers interviewed were split into three groups based on their contact with HMRC:

- Those who contacted HMRC during the renewals period for reasons other than reporting a change;
- Those who contacted HMRC during the renewals period to report a change; and,
- Those who did not contact HMRC during the renewals period.

### **Those who contacted HMRC but did not report a change**

Many current automatic renewals participants who contacted the helpline during the renewal period **did not understand that they only needed to contact HMRC if they had experienced a change** of circumstances. This is because they believed that they were still on the reply-required system and so called the helpline in order to renew.

Whether or not participants were aware that their claim was automatically renewed depended on if they had **fully read their Annual Review form**, understood the messages and actions in it, and felt confident in making a decision about whether or not they needed to contact HMRC.

Awareness of being an automatic renewals customer was **lowest amongst participants who had previous experience of the reply-required renewals system**. These were often participants who had either been claiming for many years, or spoke English as a second language. For these customers, the **habit of contacting HMRC each year to renew had often become deeply ingrained**. Many of these participants described renewals behaviours similar to those of the Early Renewers (see section 4.2); waiting for their pack to arrive, glancing at certain pieces of information and then calling the tax credits helpline to renew. Indeed, all participants who had called HMRC during the renewals period and did not have a change to report said that they had called in order to renew their claim because they believed that they were still a reply-required renewal customer.

**“Yes I tend to deal with it straightaway because I don't really like leaving things to the last minute and the last thing I want to do is be inconvenienced and not get a payment because I haven't called them.”**

*Female, CTC, Auto-renewer, Contact – not CoC, London*

### **Those who contacted HMRC and did report a change**

Those who called HMRC during the renewals period, but had a change to report were also often unaware that they were an automatic renewals customer as they had not fully read their Annual Review form. Many of these participants also believed that they were still a reply-required customer and needed to renew their claim. This meant that they would have been **likely to call the helpline even if they did not have a change to report**, and reported having done this in the past.

However, some of participants who called the helpline were aware that their claim was automatically renewed and said that they were comfortable with making a decision about whether or not they needed to call the helpline. These participants were often those who had previous experience of the reply-required system but had **stopped claiming WTC** and had then moved to the automatic renewals system. This change had meant that these participants had, to some extent, **expected to be treated differently** because their claims had become simpler and lower in value. This expectation meant they had paid more attention to the information in their Annual Review form than customers whose claim had not changed.

“Yeah it was quite clear to me, because I wasn’t, because I’m not on Working Tax Credits, it’s just child tax for the baby I knew I didn’t have to fill out the form...but there was a mistake on there so I told them about that.”

*Female, CTC, Auto-renewer, Contact – CoC, Birmingham*

### **Those who did not contact HMRC**

Those who did not contact HMRC during the renewals period had the best understanding of the automatic renewals system. This was demonstrated by their decision not to contact HMRC because they did not have a change to report. These participants were either fairly new to tax credits and had not previously experienced the reply-required system or, they had experienced a significant change to their circumstances which meant that they expected their claim to be managed differently.

Those who had **not previously experienced the reply-required system** were more open to instruction about what they needed to do than participants who had been in the system for a number of years and so were **more likely to read their Annual Review form fully** and follow the instructions on it.

“Well when you receive it you have to check it just to make sure they’ve got the right information about you and maybe your dates of birth for your kids and their names. So you just double-check it. And like I said I’ve never really had a problem. Every time I’ve checked it has been accurate, so I know you have to check and if there’s anything wrong maybe with a date of birth or the name that’s when you let them know.”

*Male, CTC, Auto-renewer, No contact, Birmingham*

Those who had previously been a reply-required customer and whose award had been **tapered to zero** viewed the Annual Review form simply as an annual check that their

circumstances had not changed so as to make them eligible again. These participants were normally **fairly unconcerned about receiving the Annual Review form**; they did not mind HMRC sending it to them but tended to throw it away after seeing what it was. Some felt reassured by receiving it as they felt it might make it easier for them to start payments again if their circumstances did change as HMRC already held their information.

“I think it’s just to inform us that they, that no changes has been made so they have the same records still on their books. And as for other work we’re not, do not qualify for this tax credit and we are still on their books. So that’s why they’re sending us, just to inform us.”

*Paired, WTC tapered to zero, Auto-renewer, No contact, London*

#### 5.4 ATTITUDES OF AUTO-RENEWALS CUSTOMERS TOWARDS AUTOMATIC RENEWALS

**Customers without experience of the reply-required system tended to be the happiest about automatic renewals.** To these participants, **automatic renewals made sense**, particularly as they were CTC-only claimants with stable circumstances who were unlikely to experience many changes. They felt that compared to the description of the reply-required system that they were given in the interviews, the automatic renewals system **sounded simpler and may make mistakes less likely** as records would remain the same year-on-year unless they needed to be changed.

“I’ve never experienced the system earlier but from what I look at right now it seems like it’s much more simplified. So sometimes you might be for several years just keep going in the same pace or, so maybe there’s no need to go back and all reapply for all of that if there is no changes in your life. So a less hassle with all the forms and possible mistakes because usually what happens you just make some sort of mistakes on the forms, they come back and that postpones any decisions.”

*Male, CTC, Auto-renewer, No contact, Birmingham*

Additionally, some participants who **had previously experienced reply-required renewals** and who had contacted HMRC this year were also positive about automatic renewals once they understood it, normally because it had been explained to them by tax credits helpline staff. They felt that if a customer’s circumstances were stable then it made sense **to reduce the administrative costs to HMRC** incurred when renewing their claim and to make their management of the claim easier by removing the need for unnecessary phone calls to the helpline. These participants felt that as changes should be reported in-year, then renewals were not really necessary as HMRC should always have the customer’s correct details.

“Because if you’re in the same job and nothing’s changed I can’t see the problem. If something dramatic happens like all of a sudden you’re living with somebody, there’s an addition to the household or you’ve got two incomes coming in now instead of one then yeah notify them. But you should have done that anyway.”

*Female, CTC, Auto-renewer, Contact - CoC, Birmingham*

However, many Auto-renewals participants, particularly those who had been on the reply-required system for a number of years and especially those who spoke English as a second language, were **not happy about being an automatic renewals customer**. These participants reported that they would still call or return the form each year even if their circumstances had not changed. The main reason for this was that many participants were concerned that if they did not call HMRC their **award would be stopped or they would receive an overpayment**. Therefore, even though most of these participants did not experience changes year-on-year, they **wanted reassurance from HMRC** that their award was correct. These participants described many similar attitudes to those of Early and Deadline Renewers in the reply-required system (see sections 4.2 and 4.3), which might indicate that if there was a wider move to automatic renewals, these groups may behave in the same way.

*“I would worry that there would be an overpayment so I feel much more comfier getting something, checking it and sending it back.”*

*Female, CTC, Auto-renewer, Contact – not CoC, Manchester*

## **5.5 ATTITUDES OF REPLY-REQUIRED CUSTOMERS TOWARDS AUTOMATIC RENEWALS**

Most participants in the **reply-required groups (who had no experience of auto-renewals) were positive** about the principle of automatic renewals. Once the system was explained to them in the interview, they reported being happy to not call HMRC unless they needed to. This view was held by participants in all five reply-required groups but was particularly prevalent amongst the Deadline and Post-deadline Renewers who tended to find **the renewals process onerous, especially if they often experienced long waiting times** on the helpline. Additionally, many felt that the automatic renewals system would mean that they would have one continuous claim compared to a series of annual claims in the reply required system. They were reassured by this because they believed that the automatic renewals system would both prevent their payments being stopped and make errors less likely because their details would not be re-entered each year.

*“I’d feel a lot better about that I think. Because I think with an annual renewal you feel like you’re almost stopping a claim and starting another claim. But if things carry on you feel like there’s a certain security that you know nothing’s changed that it’s the same thing going on.”*

*Paired, CTC + WTC, Deadline Renewer, Manchester*

Many participants in all groups felt that a move to automatic renewals might **save HMRC money in administration and were positive about this**. Participants were highly aware of the cuts to government spending generally, and cuts to benefits specifically, and were supportive of any changes which would mean that operational costs are reduced. They felt that if HMRC were able to save money in the administration of tax credits then there would be less of a need to cut customers’ entitlement.

*“I think less letters and less having to do things like take calls would certainly help save money, and they need to do that.”*

*Female, CTC + WTC, Terminated, London*

Some self-employed participants who had needed to start a **new claim** because they had missed the deadline or who had a terminated claim but intended to start a new one were also positive about automatic renewals. These participants believed that they could not renew their claim until they had their final income figures, and not having these had meant that they had failed to renew and their payments had stopped. For these participants, automatic renewals would mean that their **payments would continue** and they would have time to get their accounts in order and update HMRC when this was done.

**“Of course I prefer this system, I don’t want the payment to stop. It would mean I could get the accounts done and sort it out when I have them.”**

*Female, CTC + WTC, Terminated, London*

However, there were some participants who were **less positive about a move to automatic renewals**. There were normally two reasons for this. The first was that many participants believed automatic renewals would make it more likely that customers would be paid money they were not entitled to. Indeed, most participants reported that while they felt automatic renewals would be beneficial to them, they were **concerned that others may not report changes** if they believed it would be financially advantageous for them not to. They felt that automatic renewals would make fraud against the system easier because customers would be able to commit fraud by doing nothing if their information was incorrect rather than having to actively lie to HMRC about their circumstances. They believed that some customers **may be tempted to ignore incorrect circumstances** listed on the form and then, if they were caught, plead ignorance of this to avoid having to repay any money overpaid to them.

**“I’m not putting the full ownership on the Tax Office, but if they did do automatic renewals for everybody, I do think some people would play dumb and kinda go, ‘oh I didn’t get the letter’, when they did.”**

*Female, WTC + CTC, Deadline Renewer, London*

This was a concern amongst some participants in the Terminated group who had not renewed because they had experienced a change in circumstances, believed they were no longer eligible and ignored their renewals pack. These participants said that if they had been an automatic renewals customer when this occurred, they **may not have realised and not informed HMRC and consequently would have incurred an overpayment**. These participants therefore believed that claims should be ended every year to force customers to engage with the system.

**“I think if they did it the other way, where they stopped it and you had to almost reclaim. That way you would make sure you sorted it out if you wanted the money.”**

*Male, WTC, Terminated, Nottingham*

Indeed, the concern that overpayments may be more likely in an automatic renewals system was common, and for those participants who were particularly debt averse, this made them very anxious. As a result, many Early Renewers and some Deadline Renewers reported that they would **still prefer to contact HMRC** each year so as to

ensure their claim was correct and to **seek reassurance** that they had not received an overpayment. It seemed that these participants would not be reassured by anything other than contact with the helpline each year and they reported that they would be concerned if HMRC tried to discourage them from doing this.

“I wouldn’t mind if they put me on this system. I’ll check everything, if no change then I’ll just ring to reassure, something like that. I would be happy but I mean at the same time, if they give me the option to contact them if there is any problem, fine. Unless, if they don’t give me the option that’s where I will be a bit worried.”

*Female, ESOL, CTC, WTC + CCE, Early Renewer, London*

## 5.6 EFFECTIVENESS OF THE CURRENT ANNUAL REVIEW PACK

The Annual Renew form sent to Auto-renewals customers provides details of the customers’ claim and instructs them to check the form and inform HMRC if there are any mistakes. However, **most participants were not picking up these messages** which meant that they were not aware that their claim was automatically renewed.

The key issue here was that most participants both reported and demonstrated in interviews that they **did not fully read the Annual Review form**. When they were asked to read the Annual Review form fully during the interview most **only looked at some parts of the form**, in particular the award period, the section listing their circumstances, their income and their payments.

“I think I did read through something just to make sure that everything is filled in properly. I don’t really try to read the small print and all the text stuff, but just quickly run through it.”

*Female, ESOL, CTC, Auto-renewer, Contact – COC, Birmingham*

This was because most participants reported that they only fully read notices about their award and guidance notes **the first year they received them**. They did this to ensure that, from the outset, they understood what they needed to do. However, once they were happy that that this was the case, they then only looked at the parts which they needed to act on. This was a problem because many Auto-renewals customers, on first receiving the Annual Review form **assumed that it was the same as the reply-required Annual Review form**. As a result they therefore believed they knew what it was for and what they needed to do and so only looked at certain parts.

“Yeah, I quickly called and she said, oh no you’re on the automatic renewal, just have a look at it and if there’s any changes, just let us, just call us back. So I said Okay. So then I dug it out and then just checked it. It’s my fault for not fully reading it through the first time, I thought it was the same one I normally got.”

*Paired, CTC, Auto-renewer, Contact – not CoC, London*

Conversely, newer customers who had only ever experienced automatic renewals, or those who had experienced big changes in their award, **expected a slightly different**

**system.** They tended to be more aware of automatic renewals because they had read the Annual Review form the first time they received it. This indicates that if customers are not expecting a change in the renewals process then they will be unlikely to look for any changes in the instructions on the notices which they are sent, especially if they look similar to ones they are used to receiving.

## 6 MAKING AUTOMATIC RENEWALS WORK

### CHAPTER SUMMARY

- (i) Based on reply-required customers' current understanding of and behaviour in the reply-required system, they present a risk if they were to be moved to the automatic renewals system, particularly with regard to claims not being terminated and changes going unreported.
- (ii) Customers' understanding and behaviour could possibly be improved by more effectively communicating four key messages: that the renewals process is changing, that changes in personal circumstances should be reported, that customers do not need to contact HMRC if their details are correct, and that non-compliance may result in overpayment, a fine or termination of the award.
- (iii) Participants displaying weaker knowledge of the tax credits system and poorer claim management responded best to messages presented in a friendly and helpful tone, like that of the tax credits television and radio adverts.
- (iv) Understanding of the automatic renewals system can be promoted through the incorporation of bold boxes presenting key messages on the Annual Review form. However, participants rarely consult the guidance notes.
- (v) Some behaviour change approaches could be used to help improve customer diligence and understanding. These include, "ego" messages which tell customers that prompt reporting of circumstances could save time and money and "priming" design features which make customers aware that a change has occurred. Others would be more difficult to make succeed, such as "norms" messaging or "commitment" design features.
- (vi) Participants wanted advance warning of the move to automatic renewals and periodical communications, 3-4 times per year, reminding them of the need to promptly report changes of circumstance.

### 6.1 INTRODUCTION

It is important that customers new to the automatic renewals process quickly understand the key changes to their claim and responsibilities to minimise unnecessary contact with the tax credits helpline and prevent overpayments. HMRC's communications can play a significant role in effectively promoting this. This chapter draws on findings from communications testing and discusses how HMRC might best communicate a move to the automatic renewals system and the customer's new responsibilities in this system. This includes:

- Risks to the success of automatic renewals, including the claimant failing to terminate a claim, the claimant failing to report changes, errors being unreported by claimants, and claimants making unnecessary contact with HMRC;

- Key messages to communicate: that the renewals process has changed, that changes in personal circumstances should be reported, that customers do not always need to contact HMRC, and the consequences of failing to comply;
- Use of behaviour change insights, looking at norms, commitments, ego and priming;
- Suggested presentation of Annual Review form and guidance notes;
- Other communications, including an advance notice letter; and,
- Maintaining compliance in the automatic renewals system, especially through periodic media campaigns.

## 6.2 RISKS TO THE SUCCESS OF AUTOMATIC RENEWALS

Each of the reply-required renewals research groups can be expected to show slightly different, albeit related behaviours if placed within the automatic renewals system. In particular, based on the behaviours of some Auto-renewals participants, without clear messages about the change to the renewals process **it is likely that many will not fully understand the changes and will continue with their existing behaviour**. As such, a number of risks to the success of the automatic renewals system can be identified.

Some risks are related to customers continuing with existing habits and behaviours, such as not reporting changes of circumstance without prompting or not contacting HMRC to terminate a claim. Others derive from behaviours specific to the automatic renewals system, such as customers failing to check their details because they do not need to renew or continuing to claim despite no longer being eligible. It should be noted that risks are not confined to those who currently renew late or fail to renew; those who currently renew early or on time in the reply-required system also demonstrated behaviours which could cause problems in the auto-renewals system. The main risk these customers posed was that they would continue to contact HMRC to renew their claim each year.

However, while many of the risks derive from existing poor behaviours or from these behaviours proving more damaging in the automatic renewals system, some participants suggested that the simplicity of the new system would help them to improve their claim management. In particular, the fact that they would have just one main responsibility – to update HMRC with changes of circumstance – appealed to many, especially those participants who were intimidated by forms, or those who found the reply-required system onerous.

### 6.2.1 FAILURE TO TERMINATE A CLAIM

The most striking difference between the reply-required renewals and automatic renewals systems is the fact that in the former a claim will be terminated if the customer fails to renew by 31<sup>st</sup> July, with an overpayment due to this failure to renew accruing between 6<sup>th</sup> April and 31<sup>st</sup> July. This will not happen in the automatic renewals system and, instead, claims will continue based on the most recent information the customer has provided unless they contact HMRC to terminate their claim. For some customers, including some vulnerable groups, this will constitute an improvement to the system, since it will mean that customers who are particularly disorganised or who struggle with the renewal forms will continue to receive payments that they are eligible for. The risk to the new system comes from two groups: those who believe that not renewing is a suitable way to terminate their claim, and those who fail to notify HMRC when their

circumstances change and are not prompted to do so during their renewal. The latter group is discussed in section 6.2.2.

Some participants reported that they had decided to leave the tax credits system either at or prior to the renewals period, and did so by simply failing to renew their claim. This type of customer therefore poses the risk of remaining in receipt of tax credits without meaning to do so and, indeed, some of those whose claims had been terminated confirmed that it would be likely that this would be the case had they been on the automatic renewals system.

**“I wouldn’t have checked [the Annual Review form]...It would still be in that drawer and I’d still be getting the money.”**

*Male, WTC, Terminated, Nottingham*

Higher-risk customers here include those claiming WTC only, and those for whom tax credits do not form an important part of their income. This is because these groups tended to be less aware of their responsibilities as claimants and lacked knowledge about how the tax credits system worked. This risk could be reduced by clear communications that the way their claim is renewed has changed. This is discussed in section 6.3.1.

## **6.2.2 FAILURE TO REPORT CHANGES OF CIRCUMSTANCE**

Tax credits customers are expected to inform HMRC of changes to their circumstances within 30 days of the change. The impact of failure to do so may be greater in the automatic renewals system because of the increased chance of incorrect details persisting from year to year (see section 6.2.3). As such, it is important that HMRC understands which customers are most at risk of not actively informing the Tax Credits Office of changes. These participants fell into two groups: those who tended only to report the biggest changes in-year and reported the others at renewal time, and those who tended not to report any changes between renewals.

A further consideration is the increased possibility of fraud in the new system in the form of a conscious decision not to inform HMRC of changes affecting the level of award. This is discussed in section 6.2.3.2.

### **6.2.2.1 Those who only report the big changes**

As discussed in section 3.2.1, some participants considered certain changes of circumstance more important than others. As such, they might contact HMRC about a birth, a partner leaving the home, or a new job, but not about smaller changes in income or about other matters not deemed relevant or suitably important. Since participants had different perceptions of what constitutes a significant change (i.e. one that HMRC should know about immediately), the behaviour of these customers is difficult to closely predict.

For some, the reason for this behaviour was that they had a poor understanding of the tax credits system and were not aware of the importance of reporting changes. However, this was not the case for all those who did this. For instance, participants who experienced frequent changes in circumstances (for example to their working hours or income) tended not to report all of these changes to HMRC. This was because they felt that if they were to contact HMRC every time something changed, then they would be calling every week or month. Instead, these participants tended to make the best estimate they could at the beginning of the award period and then believed that unless

something significant changed then minor changes would likely balance out over the award period. All of these participants relied very much on the renewals process as an opportunity to update their award; such customers may be at increased risk of not reporting changes during renewal by simply failing to contact HMRC.

**“I think the changes of circumstance came around the time of renewal anyway. So they're not done as a separate. Think it's always been when I've done renewal.”**

*Female, WTC + CTC, Deadline Renewer, London*

### **6.2.2.2 Those who do not report changes**

A small number of participants said they never reported changes and only updated their details at renewal (with some failing to renew altogether). Such customers, who often renewed late, if at all, pose a risk of failing to report changes of circumstance in the automatic renewals system, and are also more likely to fail to terminate their claim (see section 6.2.1) or allow their erroneous details to propagate from year to year (see section 6.2.3).

One way in which the risk of unreported changes could be reduced is through the incorporation of a key message about reporting changes of circumstances into the Annual Review form. This is discussed in section 6.3.2, below.

## **6.2.3 PROPAGATION OF ERRORS IN CLAIMS**

Auto-renewal customers do not need to contact HMRC during the renewals period; hence there is a higher risk that errors in claimants' details could propagate between awards. This could happen in two ways: from failure to check the Annual Review form or through deliberate non-reporting.

### **6.2.3.1 Failure to check award properly**

Since customers will no longer have to fill in their details or call the tax credits helpline each year in order to renew their tax credits claim, it is possible that some may fail to check their details properly and not realise that HMRC's information is incorrect. In particular, poor paperwork managers would prove at risk of either failing to check their Annual Review form thoroughly or of failing to open it altogether.

Some participants, particularly those who renewed late or failed to renew, reported that they had not checked their Annual Review form, with a few not knowing what this was. Indeed, when asked to read an example of an Annual Review form during the interview, many participants were observed to pay scant attention, just glancing at certain parts of the form even after several prompts to read it fully. A general risk for the automatic renewals system is therefore that these customers may become increasingly disengaged due to not having to renew, even though the system demands pro-activity.

Additionally, participants in the Post-deadline and Terminated & re-entered groups who described how they had put their renewal pack in a drawer and forgotten about it, may be at increased risk of not ultimately opening their pack. These customers may no longer be prompted to check their form, either because they are not as worried as before about contacting HMRC since they won't lose their award, or because a prompt is no longer relevant: in the case of the advert, the message of the deadline would not apply to them.

### 6.2.3.2 Deliberate Non-reporting of Changes

Some participants stated that they expected the automatic renewals system to permit fraud, since customers could continue to receive an award by simply not informing HMRC when their eligibility ceases or changes. This was viewed as an easier way of committing fraud than actively providing HMRC with false details. This is also discussed in section 5.5.

**“There’s always going to be people that try and fiddle the system, and I guess if you’re not questioned about it, you could fiddle that system for a lot longer.”**

*Female, WTC + CTC, Auto-renewer, Contact – Not CoC, London*

One way of reducing the number of errors in tax credits claims, either through failure to check the award or from fraud, is to emphasise the potential ramifications of doing so. A key message designed to communicate these consequences is discussed in section 6.3.4. Additionally, envelope design could encourage customers to open and carefully read communications from HMRC, and this is discussed in section 6.5.

### 6.2.4 CONTACTING HMRC TO CONFIRM RENEWAL

Another existing behaviour in the reply-required system that could continue is that of customers continuing to call HMRC to renew their claim even though their details are correct. A number of current automatic renewals customers reported doing this already, sometimes because they did not realise they had been placed on another system, but in other cases because they were still anxious about their claim and sought reassurance. Likewise, some current reply-required renewals customers reported that they felt uncomfortable about not contacting HMRC during the renewals period. Indeed, some participants who had renewed early phoned the tax credits helpline again towards the deadline because the TV or radio adverts had caused them to worry whether or not they had indeed renewed successfully. These participants tended to be claiming both WTC and CTC and reported that the claim was vital to their household budget.

**“I will still ring them to check to see if everything is OK.”**

*Female, WTC + CTC, Early Renewer, London*

Customers without experience of the reply-required renewals system, on the other hand, should be less likely to do this as they will not have experience of the possibility of an award being terminated from failure to renew. Some customers, who may be anxious about their claim, could be encouraged not to make unnecessary calls to the helpline by clearly informing them of the nature of the automatic renewals system. The temptation to call HMRC unnecessarily may be combated by a strategically-placed and carefully worded message on the Annual Review form, as discussed in section 6.3.3.

## 6.3 KEY MESSAGES TO COMMUNICATE

As discussed in chapter 5, many participants in the Auto-renewals group did not adequately understand the system, with some unaware that they no longer had to renew their claim. Furthermore, many participants in all groups did not carefully read the Annual Review form and guidance notes when given an opportunity to do so during the

interview. Indeed, when asked why they did not fully read the notice, these participants said that they had read the parts which they normally looked at, which were the personal circumstances, income and payments sections and disregarded other parts of the form, particularly the text on the front page.

As many participants reported that they glanced at certain pieces of information on the forms rather than reading them in full, some suggested that the design and layout of the forms should be changed so as to provide a visual signal to them that they need to pay attention to the content. They felt that the forms should be made more eye-catching, such that it would be possible to glean the most important pieces of information just by scanning the forms. In this way it was hoped that essential pieces of information would not be missed.

“I think a lot of people skim though as I did when I first looked at it. I think if it was, you know, had a few pictures in, you know, just graphically make it more interesting to read and also, you know, from an information point of view that what’s important stands out because it doesn’t at the moment.”

*Female, WTC + CTC + CCE, Deadline Renewer, Manchester*

**Revised forms which presented key messages about automatic renewals in boxes were tested with participants in order to gauge how successfully these messages were being communicated.** Over the course of fieldwork some of these messages were altered in response to feedback from participants, such that in some cases different wordings of messages were tested. Some additional messages and prompts were also tried. Messages were tested in a number of different layouts on the form. See Appendices C and D for details of stimulus materials.

### **6.3.1 THE SYSTEM HAS CHANGED**

Some automatic renewals participants who had previously been reply-required renewals customers were unaware that they had been placed in a new system. Headline messages informing participants of this change were tested by adding them to the Annual Review form and guidance notes.

#### **6.3.1.1 Change of Process**

The first versions of the message were placed at the top of both the Annual Review form and the guidance notes (see Appendix C). The initial wording informed participants that there had been a “change of process” (see figure 1).

**Figure 1 – First attempt at communicating that the system has changed**



Many participants were unsure about the meaning of this particular message, with some worried that the tax credits system *as a whole* was changing. This led some, particularly those that attached greatest importance to their award, to fear that their claim would be negatively affected. More generally, many customers responded negatively to the linguistic style of the message, feeling that the wording was bureaucratic, rather than written with the public in mind.

**“I mean that’s not...the kind of English that most people would be talking in.”**

*Female, WTC + CTC + CCE, Deadline Renewer, London*

### **6.3.1.2 We have changed the way we renew**

In response to early feedback a second form of the message was tested, this time specifying that what had changed was the way in which the claim was renewed (see figure 2). The message was also moved from the top towards the centre of the page as this was the area that participants first looked at on the Annual Review form. Additionally, to make the messages stand out further, the font was enlarged and emboldened (see Appendix D).

**Figure 2 – Second attempt at communicating that the system has changed**



Participants found this message much clearer than the previous version, although some still wondered what “the way” meant.

Some remarked that the wording of the message was friendly, the use of “we” and “your” making the message somewhat personal and relevant. In particular, for some it evoked the voice of the tax credits adverts.

**“We are changing the way, yeah...because they’ve done adverts with similar wording before haven’t they? So I could imagine the Tax Credits advert on the telly. And in the voice say that.”**

*Female, WTC + CTC, Deadline Renewer, London*

Overall, participants thought the message very useful, since it made them realise that something had changed. As such, they felt they were more likely to read the form.

### **6.3.2 THE NEED TO REPORT CHANGES OF CIRCUMSTANCE**

As discussed in section 6.2.3, the consequences of HMRC not holding correct details for customers can be greater in the automatic renewals system. This is because in the reply-required system some customers are prompted to report changes when they

renew and this may not happen in the automatic renewals system as their claim would continue even if they do not contact HMRC during the renewals period. Thus, messages aimed at reminding customers to report changes in circumstances were tested. Initially the messages were tested separately and were located on the back of guidance notes, before being moved to the inside of the Annual Review form and tested together (see Appendix C).

### **6.3.2.1 Tax credits are flexible**

The initial message tested aimed at introducing customers into the mindset that the level of their award was related to their circumstances, such that they should keep HMRC up to date with any changes that happen (see figure 3).

**Figure 3 – First attempt at communicating the need to report changes**

**Tax credits are flexible and change when your life changes. Call HMRC if you have a change to report.**

Most customers found the message easy to understand and useful to be reminded about. Many remarked that they liked its friendly, understanding tone. The message was particularly favoured by those who regularly have changes to report.

*“This is also good because then you know, have I changed my hours? Have I reduced it, have I increased it? It’s good to let, to remind people about this, yeah.”*

*Female, WTC + CTC, Early Renewer, London*

Some customers, on the other hand, found the tone of the message somewhat patronising or “trendy,” although they weren’t offended by this. Others thought the tone too soft, such that it would not compel customers to call with changes, while one thought this message should specifically point out how long the customer has to report their change.

### **6.3.2.2 Call HMRC immediately**

In response to concerns by some participants that the tone of the initial message was too soft, we tested a more authoritative forms of the message (see figure 4).

**Figure 4 – Second attempt at communicating the need to report changes**

**Call HMRC immediately if you have a change to report.**

While some participants preferred this stronger form of the message, many were concerned by the use of the word “immediately,” which they thought imposed undue

pressure. The less confident financial managers in particular disliked the message, finding the tone authoritarian and official. Some suggested that it might inhibit them from reporting a change that they had not yet communicated, for fear of reprisal.

“I don’t like that. It would make me not want to [report changes]...You think, ‘Oh God, what are they gonna do?’”

*Female, CTC, Terminated & re-entered, London*

It should also be noted that some customers, while approving of the intention to communicate this message, pointed out that there was no phone number next to it, which they considered a barrier to calling immediately.

### 6.3.3 NO NEED TO CONTACT HMRC IF DETAILS ARE CORRECT

One of the most important changes in the default behaviour expected of an automatic renewals customer is that they no longer need to contact HMRC during the renewals period if the details presented in their Annual Review form are correct. A message informing customers of this was initially tested on the guidance notes, before being moved to the end of the Annual Review form, with a “Remember” added to the beginning (see Appendix D): the aim was to remind the customer of their new default and therefore curb any instincts to pick up the phone where this is not necessary.

**Figure 5 – Communicating no need to call HMRC**

**Remember, if your circumstances have not changed, you do not need to call HMRC**

Participants approved of this message, describing it as useful. It was particularly favoured by customers who rarely had changes to report. Participants also thought that having this message at the end of the form successfully reinforced the point being made.

“There’s going to be some people that automatically think they need to ring so having this is good for those for the people that maybe are used to it being a set way.”

*Female, WTC + CTC, Early Renewer, London*

However, some customers with less need of reassurance that their claim is correct were confused by the message as they did not understand why someone would call the tax credits helpline unless they needed to.

“I think that one’s ridiculous because what do they think, you’re just going to give them a call just? Just thought I’d ring up for a chat. That’s what it’s saying to me.”

*Female, WTC + CTC, Deadline Renewer, London*

### 6.3.4 CONSEQUENCES OF DETAILS BEING INCORRECT

It is important that customers are aware of the possible consequences of not keeping their details correct and up to date, not only as an incentive not to receive an overpayment or have their claim stopped, but also out of fairness to the customer. Initially a message was tested outlining possible consequences (see figure 6) on the guidance notes, before being moved to the centre of the Annual Review form, presenting it in a slightly larger font than the accompanying messages based on early feedback (see Appendices C and D).

**Figure 6 – Communicating consequences of incorrect details**

**If you don't tell HMRC that your details are wrong then you might receive an overpayment, a fine or even have your award stopped altogether.**

Of the messages tested, this was by far the most popular among the participants, and one the customers thought particularly important to stress.

**"I think that really is the one that's going to make you sit up and take notice."**

*Female, WTC + CTC + CCE, Deadline Renewer, Manchester*

Many customers reported that, when it came to managing their finances, they considered fear a good thing, since it made them act in the right way. As such, they thought fear of the consequences of late renewal was motivating and something the form should instil. Some even commented that this message reassured them that they would probably behave in the right way in the new system, since, without it, they worried that they might forget to report changes in time.

Some weaker or less confident financial managers also appreciated the wording of the message, since they again found the tone friendly and understanding. In particular, it was felt to be a *warning* of what could happen, rather than a *threat* of what would happen. This tone could perhaps be made more consistent by the replacement of "tell HMRC" with "tell us."

**"That sounds quite nice: not you will get an overpayment but you may get an overpayment."**

*Female, CTC, Terminated & re-entered, London*

Finally, some customers again stressed that it is important to state how long a person has to report that their details are wrong. It was therefore thought that it might be appropriate to state the 30 days rule here.

## 6.4 USE OF BEHAVIOUR CHANGE INSIGHTS

In addition to the key messages discussed above, concerning the move to automatic renewals, a number of prompts and messages using insights from behaviour change research were tested. Behavioural change research highlights ways of influencing customer behaviour through forms of communication over and above direct instruction or legislation. The application of these ideas for public policy has been explored in MINDSPACE, a report published by the UK Cabinet Office and the Institute for Government.<sup>11</sup>

Four drivers of behaviour highlighted by MINDSPACE were identified as suitable for testing, with a view to improving customers' comprehension of the form, attention to details and claim management. These were norms, commitment, ego and priming.

### 6.4.1 NORMS

According to behaviour change research, customers are strongly influenced by what others do, preferring to be in the majority. In particular, it is believed that, on the whole, people do not like to find themselves in a minority of people whose behaviour is judged as undesirable.

As such, a message was tested that stated that a large number of people in the participant's region had recently contacted HMRC with a change of circumstances, designed to make the customer think again about whether they had a change to report (see figure 7). The message was placed on a version of the Guidance Notes (see Appendix C) and was modified depending on the participant's local area: e.g. London, Birmingham, Nottingham, etc.

**Figure 7 – Norms message**

This year 120,000 customers in Manchester have already reported changes to HMRC – do you need to?

These messages were the least popular we tested, with few people thinking it useful or providing a motivation to contact HMRC. Some also mistrusted the use of statistics in the message, suggesting that they can be manipulated to HMRC's purpose.

The attempt to define a locality with which to identify (e.g. Manchester in figure 7, above) was often unsuccessful, with many pointing out that tax credits are national. Also, participants who lived on the outskirts of the named city and those who were not native to the area identified much less with the people referred to in the message.

Ultimately, this norms message may have proven unsuccessful precisely because it failed to define a norm, rather just suggesting one. Without being able to establish that a

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<sup>11</sup> Dolan, P., Hallsworth, M., Halpern, D., King, D. and Vlaev, I. (2010). 'MINDSPACE: Influencing behaviour through public policy.' Cabinet Office/Institute for Government.

majority of customers behave in the correct way and a minority in incorrect ways, the power of the norm was diminished.

“I don’t think people will care about how many people are on tax credits. All what they really care is how to get through, how to answer my questions. Even if it’s the whole country claiming tax credit... it doesn’t bother me.”

*Female, WTC + CTC, Early Renewer, London*

## 6.4.2 COMMITMENTS

A recent study by Influence at Work and BDO found patients at Bedford Hospital were more likely to fulfil their appointment if they were asked to sign their appointment card.<sup>12</sup> Since people seek to be consistent with their public promises, a signature seeking confirmation that the customer had checked their details were correct was added to the end of Annual Review forms for testing (see Appendix D). In order to attempt to minimise misunderstandings that the signature was required to be sent back to HMRC, the declaration box was followed by the message stating the new default of not needing to contact HMRC (see figure 8).

Figure 8 – Commitment box

**Your declaration**

Please sign this box to verify that your details are correct. Store this form safely as we may need to inspect it at a later date.

I, Peter Pan, declare that the details presented in this form are correct.

<input type="text"/>	<input type="text"/>
SIGNATURE	DATE

I, Wendy Darling, declare that the details presented in this form are correct.

<input type="text"/>	<input type="text"/>
SIGNATURE	DATE

**Remember, if your circumstances have not changed, you do not need to call HMRC**

<sup>12</sup> Influence at Work BDO LLP (2011) <http://www.mindspace-online.org/?p=113>. Accessed 10.01.12.

Overall, the risks associated with the commitment box appeared to outweigh the benefits. Most participants reacted to the signature box with confusion, explaining that it didn't make sense to them to sign the form but not send it back.

Some customers still thought they had to return the form, even though the "do not contact" message was directly below. Only a few customers, who understood the logic behind the boxes, thought it would make people check the form more carefully.

Some participants stated that they would not sign the form as they did not see the need to. It appeared that most saw their signature as something they would give only if necessary. One participant said that they thought it unsafe to keep items containing their signature in the house because of the risk of identity theft.

**"I wouldn't have read that bit above 'cause that to me I would have just signed it and sent it back. And if I had read it I wouldn't have signed it anyway, I would have just stored it."**

*Female, CTC, Auto-Renewer, Manchester*

### 6.4.3 Ego

MINDSPACE suggests that we tend to act in ways that make us feel good about ourselves, supporting "the impression of a positive and consistent self-image".<sup>13</sup> A message was thus designed to point out the wider economic and environmental benefits of quickly reporting changes of circumstance, rather than postponing until close to the traditional renewal deadline (see figure 9). The message was positioned at the bottom of the inside of the Annual Review form (see Appendix D).

**Figure 9 – Ego message**

**Reporting changes quickly saves paper, time and money**

This message divided participants, with some appreciating it, stating that it appealed to their "green side," while others reacted unfavourably, thinking it irrelevant or patronising. Negative reactions were not, however, very strong. However, some did point out that they were more interested in ways to save themselves time and money rather than HMRC.

**"It doesn't save me time, paper or money."**

*Female, CTC, Terminated, London*

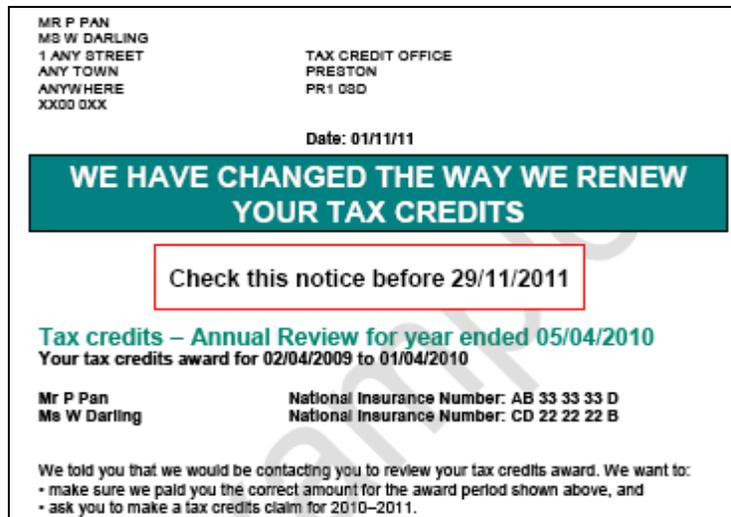
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<sup>13</sup> Dolan et al. (2010). 'MINDSPACE': pp.27-8.

#### 6.4.4 PRIMING

MINDSPACE reports that our acts are “often influenced by sub-conscious cues,” such as words, sights or smells.<sup>14</sup> These cues “prime” the individual so that they are more likely to behave in certain ways than if the cue had been absent. In an attempt to prime customers into the act of quickly checking their details, a red box was placed around the date on the front of the Annual Review form and tested with participants (see figure 10).

Figure 10 – Highlighted priming box



Most participants approved of the red box, stating that it was eye-catching, with one participant noting that they had not noticed the “check by” date on the other examples without the red box. Many associated the red box with having to act, such that it would influence them against putting the form to one side.

**“Action, give me some actions, it’s like it’s red it’s kind of serious stuff, so I’d check this notice before the other one, I would say first, so firstly I would check today’s date.”**

*Male, WTC + CTC, Terminated & re-entered, London*

Some participants, however, remarked that they disliked the red box since they associated it with letters bringing bad news, such as that they owed money. One participant who tended especially to avoid dealing with financial matters claimed that it would cause her to not report a change for fear of the consequences.

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<sup>14</sup> Dolan et al. (2010). ‘MINDSPACE’: pp.24-5.

## 6.5 SUGGESTED PRESENTATION OF ANNUAL REVIEW FORM AND GUIDANCE NOTES

In general, participants liked the boxed messages on the forms since they enabled them to discern the key instructions and pieces of information simply by scanning the form. Most participants said that they were happy for a number of boxed messages to be presented on their forms so long as the messages did not contradict each other. The recommended lay-outs of the Annual Review form and guidance notes, which draw on the findings presented in sections 6.3 and 6.4, above, are presented in the following sections.

Some customers also suggested that it would be a good idea to include a warning notice on the outer envelope, possibly in red, and possibly including a “check by” date. This was because some poor financial managers in particular thought they would need a reason to open the envelope in the first place if they were ever to benefit from the new messaging. It should be noted, however, that this could cause distress to customers who are particularly anxious about their claim or who find it difficult to manage their claim.

## 6.5.1 THE ANNUAL REVIEW NOTICE

Figure 11 – Suggested presentation of Annual Review Notice

The diagram illustrates the suggested presentation of an Annual Review Notice, highlighting key elements with callouts:

- Headline Message:** A bold headline message is placed towards the centre of the page to attract attention.
- Checking Date:** A red box around the checking date (29/11/2011) catches the eye and primes people into checking the form in the near future.
- Friendly Message:** A friendly message about contacting HMRC is placed opposite the more serious message about consequences.
- Consequences Message:** Since the consequences message may prove most effective, a slightly larger font could be used.

The notice itself is divided into several sections:

- Header:** HM Revenue & Customs logo and contact information.
- Section 1:** "WE HAVE CHANGED THE WAY WE RENEW YOUR TAX CREDITS" with a sub-header "Check this notice before 29/11/2011".
- Section 2:** "Tax credits – Annual Review for year ended 05/04/2010".
- Section 3:** "We tell you that we would be contacting you to review your tax credits award. We want to make sure we pay you the correct amount for the award period shown above, and ask you to make a tax credits claim for 2010-2011." This section includes instructions on how to review personal circumstances and how to report changes.
- Section 4:** "Your rights and obligations".
- Section 5:** "Reporting changes quickly saves paper, time and money".
- Section 6:** "Your qualifying children and young people".
- Section 7:** "Your child care costs".
- Section 8:** "Step C: Complete your Annual Review".
- Section 9:** "If you don't tell HMRC that your details are wrong then you might receive an overpayment, a fine or even have your award stopped altogether."

## 6.5.2 THE ANNUAL REVIEW NOTICE

Figure 11 – Suggested presentation of Annual Review Notice

Please keep this for your records

**Payments**

If the information on this form is correct and complete, we have worked out that your award for 2010-2011 will be as shown below.

If you think any of these details are wrong, please contact us.

Child tax Credit	E2408.66
<b>Total</b>	<b>E2408.66</b>

**Minus**

Payments already made by us	E641.26
Potential payment	E1767.40

— this may change because we cannot work out the exact amount until your actual income and circumstances for the whole tax year 2010-2011 are known. We will then make a final decision on the amount of your award and pay any amount we owe you.

Amount due to you **E1767.40**

**Tax credits payments**

We will continue to make payments in the same way as before. Any changes in your personal circumstances may affect the amount of payments shown below:

A payment of E37.51 will be made on DD/mm/YYYY.  
Your payments will then change to E172.07 every week until 02/04/2011.

**Remember, if your circumstances have not changed, you do not need to call HMRC**

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The “you do not need to call” message positioned at the end, reminding the customer and reinforcing the new default

“Well the whole thing looks different, it’s more eye-catching.”

*Female, CTC, Terminated & re-entered, London*

## 6.5.3 THE GUIDANCE NOTES

Participants suggested that it would be worthwhile repeating the headline notice at the top of the guidance notes (see figure 12). This would reinforce the message that the renewals process has changed and that the customer needs to pay close attention to the notice and the notes.

However, it is not recommended that the guidance notes need any further alteration, primarily because participants overwhelmingly tended to ignore them altogether.

Figure 12 – Suggested presentation of Guidance Notes

The image shows two pages of guidance notes from HM Revenue & Customs. The left page is titled "WE HAVE CHANGED THE WAY WE REVIEW YOUR TAX CREDITS – WHAT TO DO" and contains sections for "Step A – check your personal circumstances", "Step B – check your changes", and "Changes in your family". The right page is titled "Changes to where you live" and "Changes to your work or benefits" and contains sections for "Changes to where you live", "Changes to your work or benefits", "Step C – check your income details", "Income details", "Benefits in kind from your employer", "Taxable Social Security benefits", and "Other income".

## 6.6 OTHER COMMUNICATIONS

In addition to the suggested modifications of the Annual Review form and guidance notes, a number of other forms of communication were discussed with regard to preparing customers for the change in the system and answering any queries they have.

### 6.6.1 ADVANCE NOTIFICATION OF THE CHANGE

Many participants reported that they felt an additional communication to the Annual Review form would be helpful for informing them of the change in the renewals process. Most suggested that an advance letter, sent around a month in advance of the Annual Review form being issued, would be most useful. Some also suggested that a letter specifically about the change should accompany the Annual Review form.

“I’m wondering whether they need to send a letter out before this. Just having people aware of it beforehand. Rather than all of a sudden, just otherwise you’re going to have all of these thousands or whatever people just quite confused.”

*Female, WTC + CTC, Deadline Renewer, London*

It was suggested by some that the communication, which might be a letter or postcard, could simply consist of four key messages, so that the customer can quickly and easily comprehend their new duties (this was based on the nature of a stimulus sheet presenting six possible messages – see Appendix C). These messages would be made in a friendly, understanding and helpful tone, in the manner of the tax credits television and radio adverts.

The recommended content of the advance letter would therefore be:

- We have changed the way we renew your tax credits – your claim will now be automatically renewed;
- You need to check your information is correct;
- You only need to contact us if your information is incorrect; and,
- If your circumstances change, tell us within 30 days or you may get an overpayment.

Customers suggested many other media for communicating the change of system, including text messages, emails and telephone calls. The suggestions depended on which media the participant themselves used most often.

## 6.7 MAINTAINING COMPLIANCE IN THE AUTOMATIC RENEWALS SYSTEM

Many participants, especially those who tended to rely on renewal as a chance to report changes, voiced concern at being expected to report changes throughout the year, but only being contacted about this in April. This concern often emerged only after the 30 days deadline for reporting changes had been understood.

These participants thought that 12 months was too long a gap between prompts from HMRC and that compliance with the need to report changes would be helped if HMRC communicated this more frequently over the year.

Ideas for the regularity of “changes of circumstance” media campaigns ranged from every six months to much more frequent, with every three months – four times a year – being the most common suggestion from participants. Those who experienced more frequent changes, such as self-employed participants, often favoured more frequent reminders, but opinions about frequency did not vary consistently by renewals behaviour or claim management. For example, those who thought regular contact unnecessary included some Early Renewers who felt very confident about their claim, as well as some claimants who had renewed after the deadline and who tended not to report changes.

Some participants named specific times of year that would be more fruitful for these targeted communications, either because they coincided with changes in circumstance for many, such as changes in childcare arrangements (at the start and end of school holidays) or the acquisition of temporary jobs (e.g. pre-Christmas), or because they coincided with times when people tend to review their finances (end of the tax year, start of the new year, the Self Assessment deadline).

**“Yes maybe once every school term or something. Or maybe just 3 times a year even, just to say has anything changed and please don’t hesitate to let us know. I think text messages would be very useful. And even email actually...If I’ve had a change of circumstance or something’s changed it would remind me to say oh wait a minute I need to phone them or something, or write to them.”**

*Female, CTC, Auto-renewer, London*

## 7 CONCLUSIONS

Participants' behaviour on both types of renewal systems was shaped by a number of factors. While some of these factors, such as attitudes towards financial and paperwork management, are out of HMRC's sphere of control, behaviour might be influenced by changes to other factors such as the renewals system and HMRC communications.

If the focus is the reply-required system, it may be beneficial to implement measures to encourage earlier renewals, both to decrease the administrative burden on HMRC and to reduce the occurrence of terminated claims where a customer may still be eligible to receive an award.

Alternatively, if the focus is the automatic renewals system then it is clear that the way in which this change in the renewals process is communicated to reply-required customers will be key to ensuring that it is a success.

### ***Encouraging earlier renewals in the reply-required system***

A number of possible measures were identified which might encourage customers to renew earlier in the renewals period, or, at least, before the deadline, thus reducing the likelihood of terminated claims. Participants in both the Deadline and Post-deadline Renewal groups reported that they delayed renewing even though they had the information they needed to renew earlier in the renewals period. In some cases, this was due to confusion about when they should renew, with some believing that July was the time to do so.

These customers may respond to **clear messaging about the renewals period**, explaining that customers have a 'renewals window' and that they should renew as soon as they can within this. Additionally, given that the waiting times on the tax credits helpline were felt to be the greatest problem these groups had when renewing, they may be further incentivised to renew earlier by being informed that they should experience shorter waiting times if they renew earlier in the 'renewals window'.

Connected to some participants' relaxed attitude towards renewing close to the deadline was a result of a **lack of understanding that their new award begins each April**, almost four months before the renewals deadline which means that if changes go unreported in this time, customers are at risk of receiving an overpayment. These customers may benefit from messaging which informs them that their new award has begun on the 6<sup>th</sup> April and so they should respond quickly in order to ensure that their claim is accurate. Additionally, this type of messaging might reduce the number of customers who fail to renew because they wish to leave the system but are not aware of the need to terminate their claim.

Although many self-employed participants reported that they acted quickly during renewals, getting their accounts prepared as soon as they could in order to meet the renewal deadline, not being able to do this was a common reason for renewing late or failing to renew. Most **self-employed participants were not aware that they should provide HMRC with an estimate of their income** before the deadline and then supply their actual income at a later date. Communications around this may be effective in reducing late renewals and terminated claims which result in the customer starting a new claim.

A final measure identified was simply to **reduce the length of the renewals period**. Given that many participants reported that when their renewal pack arrived they put it aside because they felt they had plenty of time, having less time might make them more likely to open their pack immediately and renew on time. However, this change to the system may present problems for self-employed customers who may struggle to provide actual income figures earlier than the current deadline. Additionally, this measure, which would be likely to have the greatest influence on participants in the Deadline and Post-deadline Renewers groups may be difficult to communicate because the current deadline is so deeply ingrained amongst participants in these groups.

### ***Communicating a change to automatic renewals***

Given that many participants in the Auto-renewals group were not aware that they were on the automatic renewals system, a wider move to this system will need to be communicated effectively to **ensure that customers are aware of the change and their new responsibilities**. This will be important both in ensuring that customers contact HMRC when they need to, to report changes or terminate their claim, and do not contact HMRC to renew their claim if their circumstances are unchanged.

Participants responded well to **bold, simple and clear messages** presented on the current Annual Review form which outlined the key messages they needed to know about the automatic renewals system. They wanted these messages to, as far as possible; mimic the tone of the renewals media campaign messages, with a friendly and helpful tone, in contrast to the language of the rest of the form, which many felt was difficult to understand. Generally, participants responded well to messages which informed them of what they needed to do as well as the consequences of not doing so. There was some success in the use of behaviour change approaches, especially those which incorporated 'Ego' messages about saving paper and money or 'Priming' techniques clearly informing customers that the system is changing.

However, it should be noted that relying solely on the Annual Review form to communicate a change of system will present a risk that some may not read it. Participants most at risk of not reading their Annual Review form may also be those who are most at risk of not reporting changes of circumstances or terminating their claim. In cases where participants reported that they did not open letters from HMRC, it was felt that including bold messages on the envelope may go some way in encouraging them to engage with the form. Additionally, many felt that HMRC should send advance letters, informing customers of a change to the renewals system before being sent their Annual Review form, both to make it more likely that they will be aware that a change is happening and also so they have time to prepare for a change.

## 8 APPENDICES

Please see separate appendices document.