

# Fraud and Error in the Benefit System: 2014/15 preliminary biannual National Statistics, Great Britain

The Department for Work and Pensions administers welfare benefits to around 20 million people. "Fraud and Error in the Benefit System" estimates **Overpayments**: the total amount of money lost to the department because claimants are paid too much and **Underpayments**: the total amount of money lost to claimants who are not paid enough. It is a key performance measure for the department. There is a target for overpayments to be at most 1.7% of benefit expenditure by the end of 2014/15 financial year.

**£3.2bn**  
was **overpaid** in 2014/15



Out of the total expenditure this is  
**1.9%**

This is a **reduction since 2013/14**. This reduction is **not** due to our change in methodology for measuring Housing Benefit. More information is on page 5

|              |                       |                       |                       |                       |                       |
|--------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Fraud</b> | <b>0.7% or £1.1bn</b> | <b>Claimant error</b> | <b>0.8% or £1.3bn</b> | <b>Official error</b> | <b>0.4% or £0.7bn</b> |
|--------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|

Not all of this money is lost because the department can **recover overpayments**.

**£2.3bn**  
**Net Government loss** in 2014/15

Out of the total expenditure this is  
**1.4%**

**Underpayments** are stable at **0.9%** of expenditure. This is **£1.4bn** in 2014/15.



Department  
for Work &  
Pensions



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**Feedback is welcome**



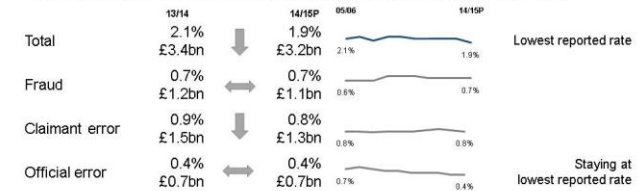
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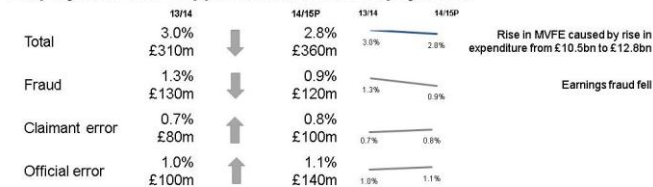
**Total overpayments due to fraud & error across all benefits are:**



**Total underpayments due to fraud & error across all benefits are:**



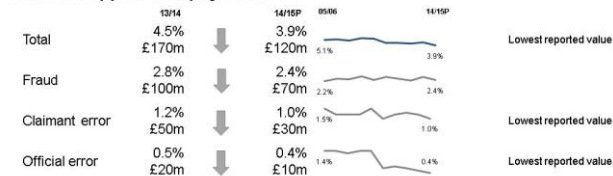
**Employment and Support Allowance overpayments**



**Employment and Support Allowance underpayments**



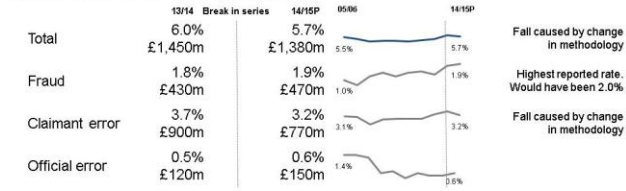
**Income Support overpayments**



**Income Support underpayments**



**Housing Benefit overpayments**



**Housing Benefit underpayments**



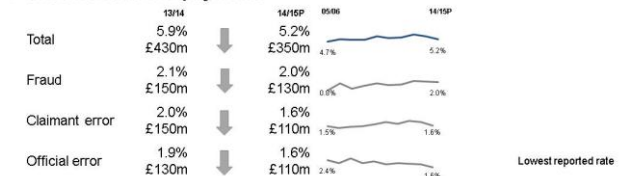
**Jobseeker's Allowance overpayments**



**Jobseeker's Allowance underpayments**



**Pension Credit overpayments**



**Pension Credit underpayments**



This page gives the new results at a glance. The arrow shows whether the rate has gone up, down or stayed the same this year, 2014/15, compared to last year, 2013/14.

There is also a sparkline of the longer term trend, for comparison.

Notes of interesting results are also included.

We continuously measure the benefits on these charts: Housing Benefit, Employment and Support Allowance (we started measuring this in 2013/14), Jobseeker's Allowance, Income Support, and Pension Credit.

For all other benefits we use an old measure or a proxy measure. These are combined with the continuous measurements to give the total for all benefits, shown in the top left hand corner.

# Introduction

This report provides estimates of fraud and error in social security benefits funded by the Department for Work and Pensions (DWP). It includes the preliminary 2014/15 financial year estimates: covering the period October 2013 to September 2014. These statistics have been developed in accordance with the National Statistics Code of Practice and supporting Principles.

## In this document

This summary contains estimates of overpayments – when a claimant is paid more in benefit than they are entitled to – and underpayments – when a claimant is not paid enough. We measure fraud and error for some benefits, randomly sampling people and checking that the information we hold is up-to-date. For benefits we don't measure all the time we use either old estimates or a proxy (based on a similar benefit or an average rate). This allows us to estimate an overall total of overpayments or underpayments for all benefits funded by DWP. More information about which benefits we measure and how can be found in the Background and Methodology document.

## Future Releases

Fraud and error in the benefits system is updated twice a year, usually in May and November. The next release, due in November 2015 will cover the financial year 2014/15.

## What the estimates are used for

Fraud and error estimates are a performance indicator for the Department and help decide how we tackle fraud and error. The results are part of the Resource Accounts and are scrutinised by the National Audit Office. There is a target for overpayments to be at most 1.7% of benefit expenditure by the end of 2014/15.

These estimates are based on a sample of benefit claims in payment. **Statistical significance** is an expression that says whether an estimated value is likely to have arisen only from variations in the sampling. It is most often used for changes, where a *significant change* is one that is not likely to be only due to the sampling, and therefore likely to be a real change. A five per cent standard is used, so that we would see a significant difference between estimates when in fact there was no underlying change only 1 time out of 20. We calculate **95% confidence intervals** around the estimates and these are presented alongside the central estimates in our tables. If we did 100 samples, the result of 95 of them would lie within the confidence intervals.

**None of the changes in this release are statistically significant unless specifically stated.**

## Summary of additional available data

All the information underlying the charts and figures featured in this summary are included in accompanying excel reference tables.

The tables show overpayments for each benefit going back to 2005/06, split by fraud, claimant error and official error. We show the monetary value and the percentage of expenditure this equates to. We also show the same for underpayments.

For the benefits we measure all of the time, we can also show more detail about the cause of the error (for example incomes, savings and who lives in the house) and the demographics of the claimants.

We also estimate the percentage of cases that are incorrect, as well as the amount of money that is incorrectly paid.

A full comparison of new and old Housing Benefit methodology is included in the tables.

The new "Net Government loss" measure is in the tables with a time series and a breakdown by benefit.

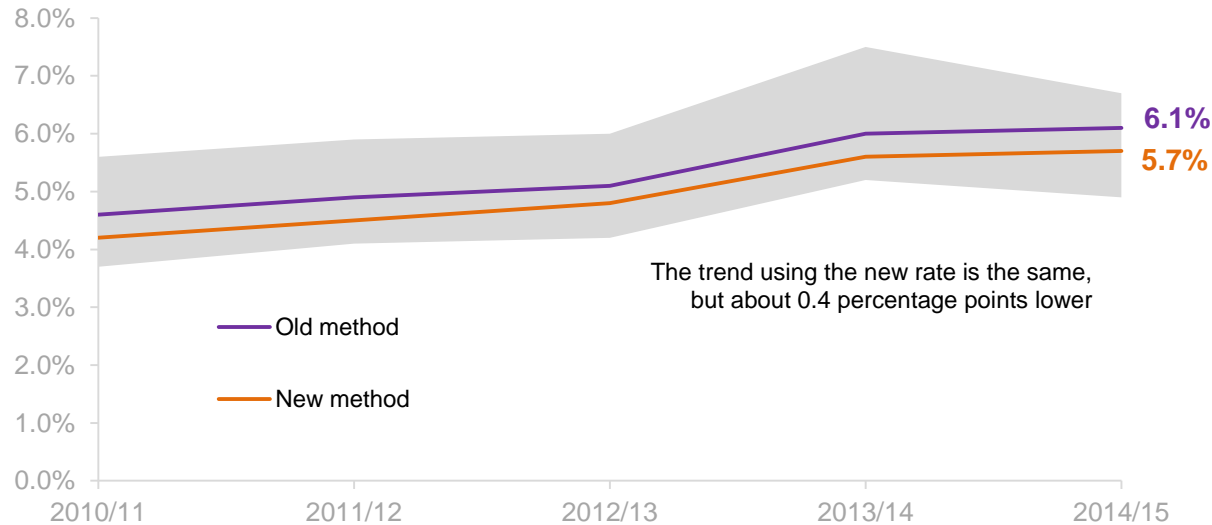
Sources in this document that state a Table number refer to the Reference Tables available on the website:

<https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-financial-year-201415-preliminary-estimates>

# We have changed the way we measure Housing Benefit fraud and error

This has reduced the rates of overpayment and underpayment for Housing Benefit

The netted Housing Benefit overpayment rate sits within the original 95% confidence intervals



Source: Fraud and error in the benefit system 2014/15 Preliminary, Table 13

The new method estimates that fraud and error overpayments are 5.7% of the expenditure on Housing Benefit. Using the old method on the 2014/15 data would have estimated the rate at 6.1%.

The new **underpayment** rate does not sit within the original confidence interval.

**We now use the same method for “netting” underpayments from overpayments as we do for other benefits we continuously measure.**

When a claimant has an underpayment and an overpayment on their claim, we used to count both. Now, we cancel them out and only report the remainder.

| Old method:       | New method:       |
|-------------------|-------------------|
| + £3 overpayment  | - £2 underpayment |
| - £5 underpayment |                   |

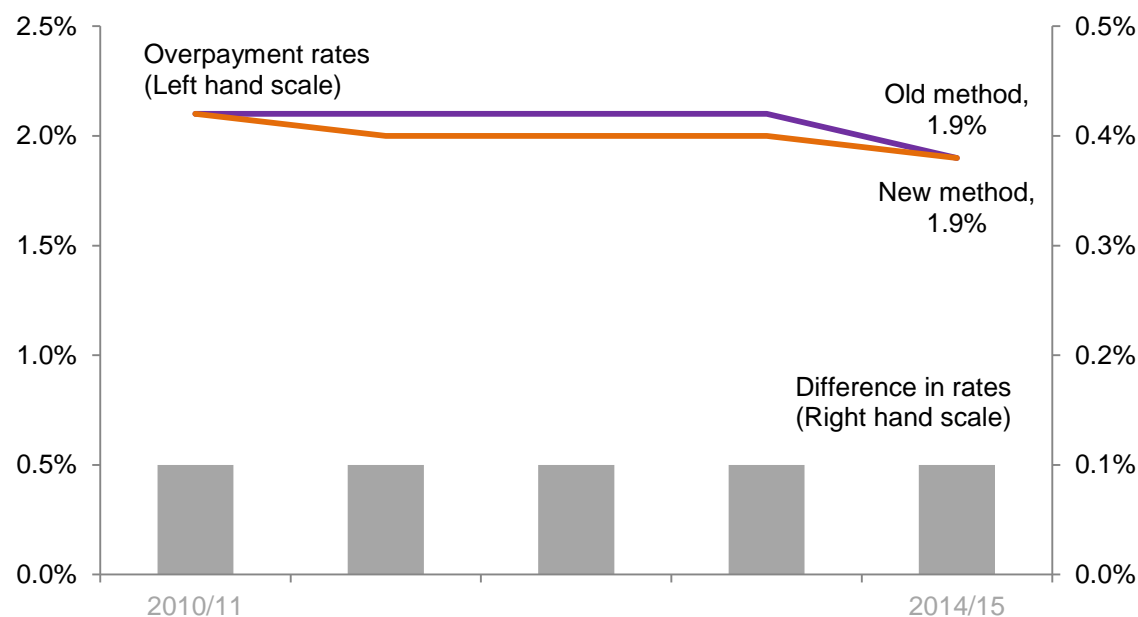
We have also changed the way we count claims we haven't been able to check. More information can be found in our Background and Methodology document.

We have estimated the affect of this change on old data, back to 2010/11. The trend is the same but the level is lower.

The new method reduces the overpaid amount by £110m and the underpaid amount by just over £90m this year.

# The change to Housing Benefit does not make a difference to the overall rates

If we had used the original methodology the rate of overpayment would have been 1.9% in 2014/15.



Source: Fraud and error in the benefit system 2014/15 Preliminary, Table 13

The monetary amount of overpayments fell for Pension Credit (by £80m), Income Support (by £50m), Jobseeker's Allowance (by £20m), Incapacity Benefit (by £20m), State Pension (by £10m) and interdependencies (by £40m) between 2013/14 and 2014/15.

The monetary amount for Employment and Support Allowance rose by £50m. Carer's Allowance and the unreviewed benefits rose by £10m each this year.

**Even without the Housing Benefit change in methodology taking £100m from the overpayments monetary value, we estimate the rate would have been at 1.9% of expenditure.**

## Main Messages

**The difference caused by the methodology change is stable at 0.1 per cent of expenditure.** Because we round to the nearest decimal place, this would only appear as a difference in the published rates for 2011/12 – 2013/14.

Overall the overpayment trend is the same.

This year, the rates of fraud, claimant error and official error are the same even though the monetary amount is very slightly different for claimant error.

### Rate and amount of fraud and error in 2014/15, new and old method

|                | Rate        | Old method<br>£m | New method<br>£m |
|----------------|-------------|------------------|------------------|
| Fraud          | 0.7%        | 1,100            | 1,100            |
| Claimant Error | 0.8%        | 1,400            | 1,300            |
| Official Error | 0.4%        | 700              | 700              |
| <b>Total</b>   | <b>1.9%</b> | <b>3,300</b>     | <b>3,200</b>     |

Source: Fraud and error in the benefit system 2014/15 Preliminary, Table 13

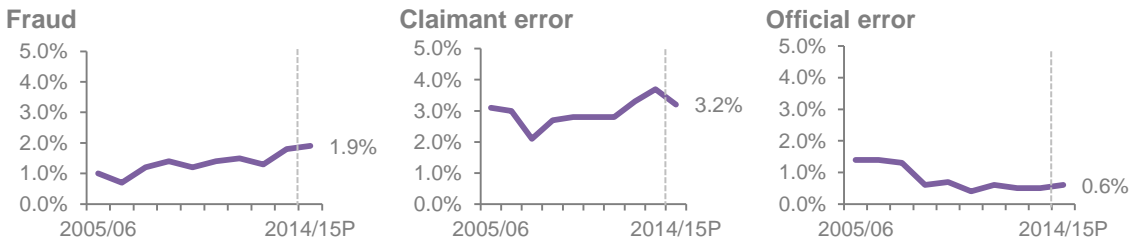
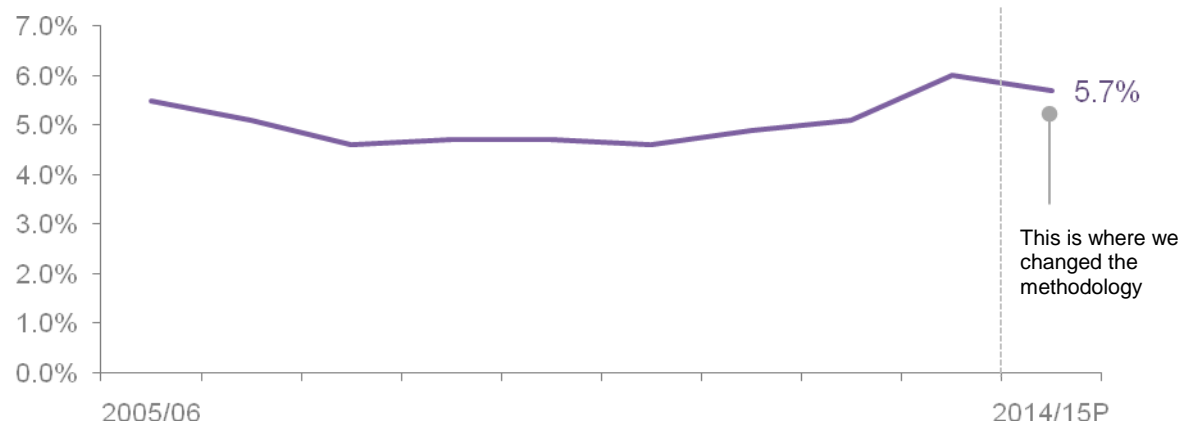
The underpayment rates would have been the same, apart from in 2010/11: the new method estimates underpayments at 0.7% of expenditure compared to 0.8% using the old method.

Overall the underpayment trend is the same.

Full results for overpayments and underpayments for all benefits and Housing Benefit can be found in tables 13 and 14 of the Tables spreadsheet.

**People get Housing Benefit to help pay rent if they're on a low income. How much you get depends on your income and circumstances. You can apply for Housing Benefit whether you're unemployed or working.**

Housing Benefit overpayment rates for fraud, claimant error and official error.



Source: Fraud and error in the benefit system 2014/15 Preliminary, Table 2

**Housing Benefit overpayments by type**

|                | Old method in 2013/14 | Old method in 2014/15 | New method in 2014/15 |
|----------------|-----------------------|-----------------------|-----------------------|
| Total overpaid | 6.0%                  | 6.1%                  | 5.7%                  |
| Fraud          | 1.8%                  | 2.0%                  | 1.9%                  |
| Claimant error | 3.7%                  | 3.5%                  | 3.2%                  |
| Official error | 0.5%                  | 0.6%                  | 0.6%                  |

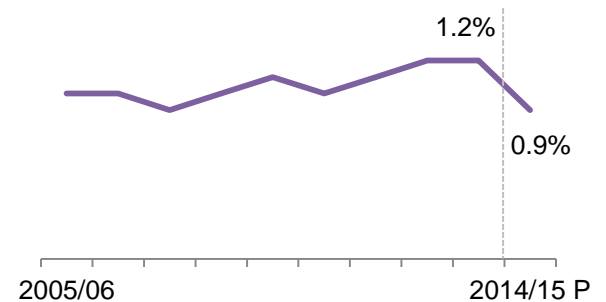
Source: Fraud and error in the benefit system 2014/15 Preliminary, Table 13

Changes in earnings can cause small overpayments and underpayments. Most of the incorrectness associated with earnings is because the claimant does not report the changes at the right time. That is why claimant error is affected most by the new methodology.

If we had not made the change, the rate of claimant error would have been 3.5%, slightly lower than the 3.7% from 2013/14.

Claimant error for **underpayments** would have been 1.3% in 2014/15 without the change in methodology. Netting off overpayments from underpayments means this figure is now 0.9%. So while the latest underpayment figure is lower than that published in 2013/14, this is simply a result of the methodological change and **does not reflect a genuine reduction** in our estimate of Housing Benefit underpayments.

**Housing Benefit Claimant Error Underpayments**



Source: Fraud and error in the benefit system 2014/15 Preliminary, Table 8

Full results for overpayments and underpayments for Housing Benefit can be found in tables 13 and 14 of the Tables spreadsheet.

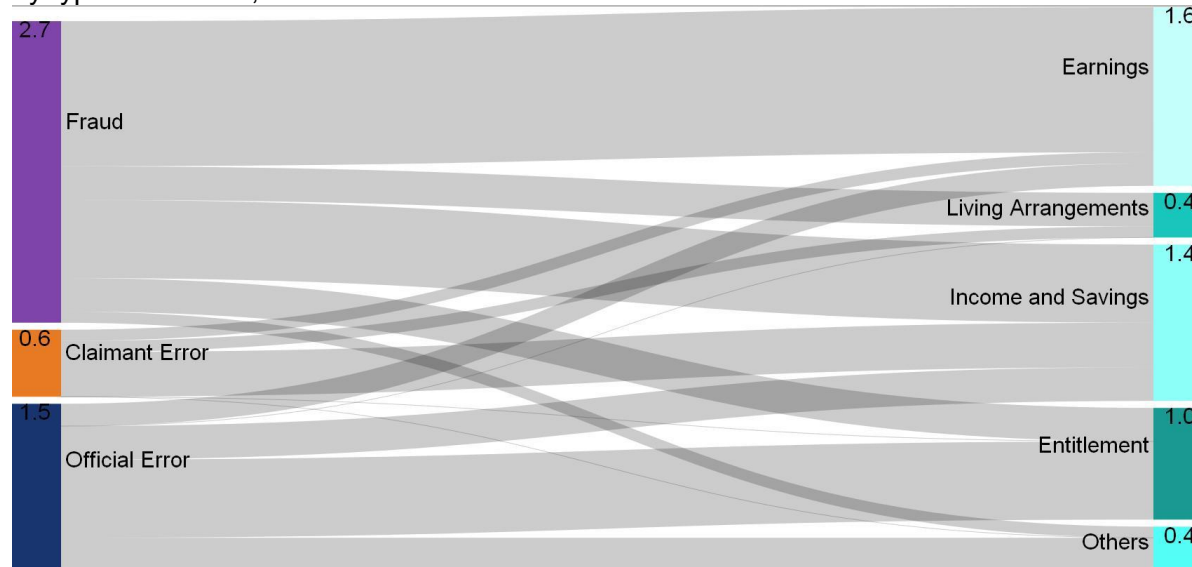


# Jobseeker's Allowance

Jobseeker's Allowance is paid to people under state pension age who are available for and actively seeking work.

## The largest cause of fraud and error on Jobseeker's Allowance is Earnings fraud.

Overpayments as a percentage of expenditure on Jobseeker's Allowance by type and cause, 2014/15.



Source: Fraud and error in the benefit system 2014/15 Preliminary, Table 4  
Information about definitions of causes of fraud and error can be found in the Background and Methodology document.

Earnings fraud accounts for 1.3% of expenditure on Jobseeker's Allowance, just under one third of the total of overpayments (4.8%).

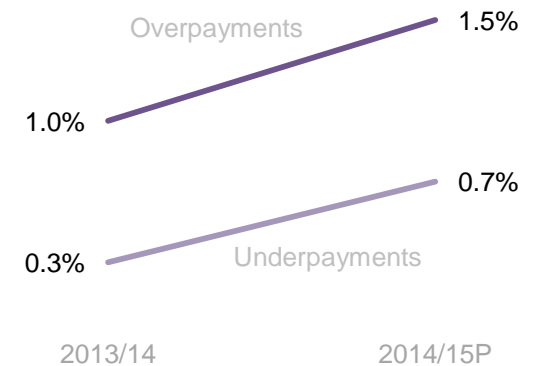
Claimant error is always low on Jobseeker's Allowance, the majority of it is caused by claimants accidentally misreporting their Savings.

The statistically significant rise in official error overpayments was caused by a rise in Conditions of Entitlement errors from 0.3% last year to 0.7% this year. These form part of the "Entitlement" group in the diagram above.

## Main Messages

**Fraud and error overpayments on Jobseeker's Allowance are 4.8% of expenditure this year**, higher than last year (3.9%). The amount we spent on Jobseekers in 2014/15 is less than the previous year, though, so the monetary value of overpayment is actually lower: £150m compared to £170m in 2013/14.

**Official error on Jobseeker's Allowance has risen this year.** For both overpayments and underpayments, we have seen a 0.5 percentage point rise. The estimates are rounded to one decimal place, so the underpayment rise doesn't look like 0.5%.

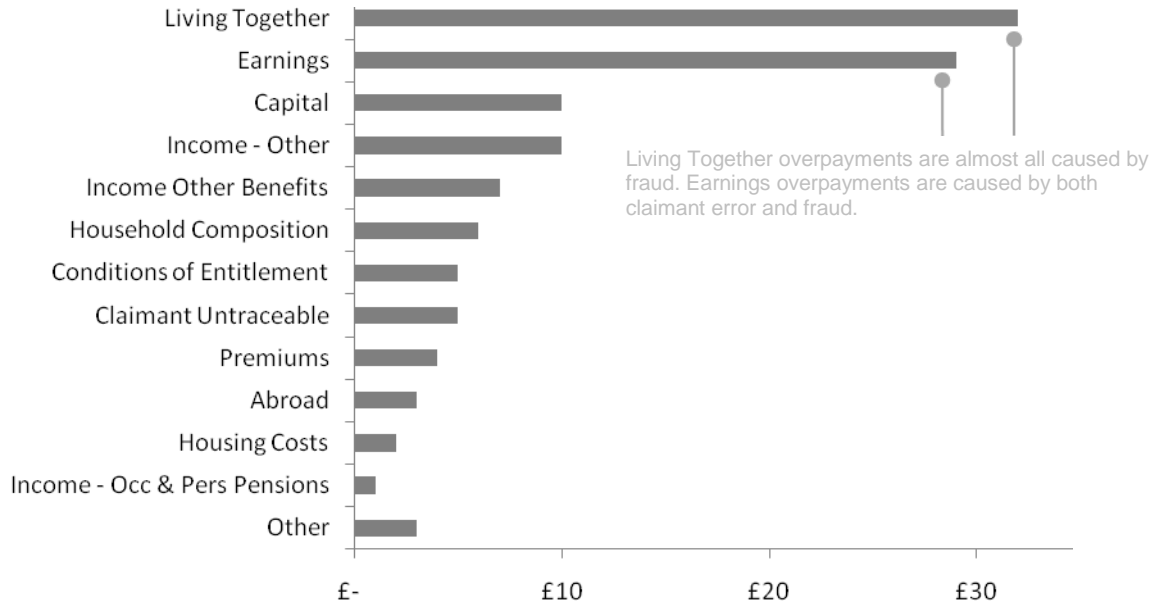


The rise in **official error overpayments is statistically significant**: we do not believe it has been caused by sampling variation. However, using the same tests, the underpayment rise is not statistically significant. The change was actually caused by a single case in the sample having a large grossed underpayment amount.

# Income Support

Income Support is a benefit paid to people who have low or no income, work fewer than 16 hours per week and are not signed on as unemployed.

## Overpayments on Income Support are caused mainly by Living Together and income from Earnings.



Living Together overpayments are almost all caused by fraud. Earnings overpayments are caused by both claimant error and fraud.

Source: Fraud and error in the benefit system 2014/15 Preliminary, Table 3  
Information about definitions of causes of fraud and error can be found in the Background and Methodology document.

Millions

## Main Messages

**Income Support overpayments are lower this year than last year, at 3.9%. This is not a statistically significant fall (from 4.5%).** The amount of money lost to fraud and error is £120m.

Living Together fraud is still the largest single cause of overpayments but the rate is slightly lower than last year.

Overpayments are higher for women than for men and there is more official error on men's claims than women's.

Around 13 in 100 cases are being overpaid Income Support. (Source: Table 5)

Underpayments are 0.8% of expenditure or £30m. This is very similar to last year. Claimants making mistakes about their income from other benefits and official errors about premiums are the main causes of underpayments. (Source: Tables 9 and 10).

The number of people claiming Income Support has been falling since 2008: those who are incapacitated have been moved onto Employment and Support Allowance. Expenditure on Income Support is now just 3 billion pounds.

We stopped sampling Income Support claimants for fraud and error checking in September 2014. This publication is the last time the estimates will be updated. In the future, the reported rate from this publication will be applied to the most recent expenditure to give an estimate of fraud and error. This is the same methodology we use for other benefits that we don't measure all of the time.

## Income Support Overpayments By Gender: 2014/15 P

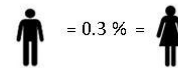
3.4%



4.0%



Key:



**Purple** = Fraud  
**Orange** = Claimant Error  
**Blue** = Official Error

Source: Fraud and error in the benefit system 2014/15 Preliminary, Table 6

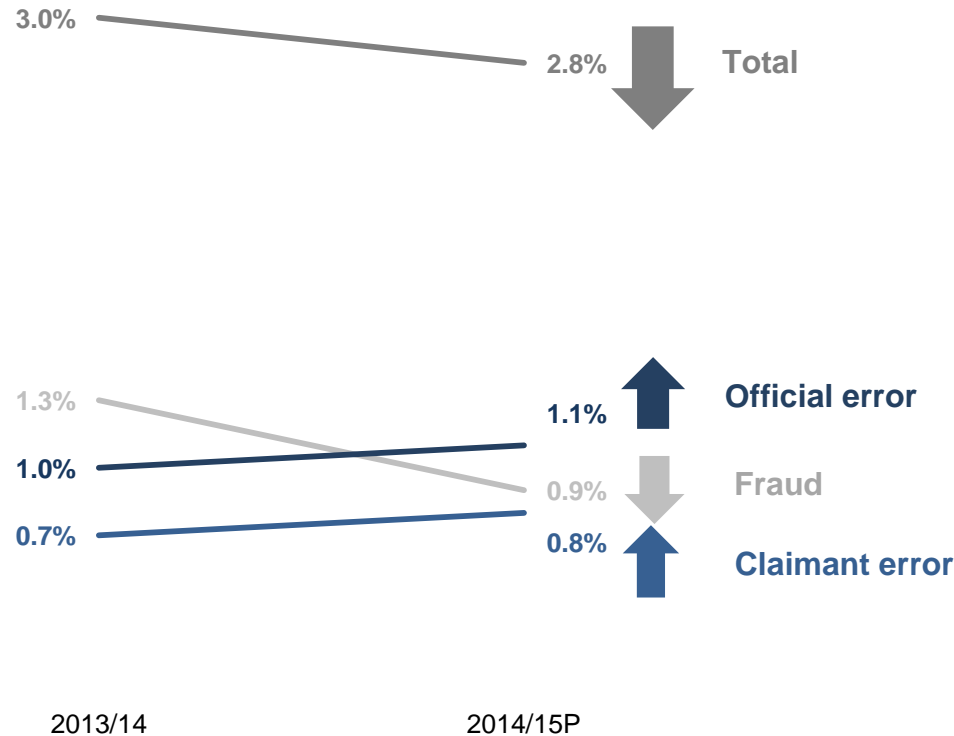


# Employment and Support Allowance

If you're ill or disabled, Employment and Support Allowance offers you financial support if you're unable to work or personalised help so that you can work if you're able to.

## Fraud fell but error rose in 2014/15

Employment and Support Allowance fraud and error overpayment percentage of expenditure



Source: Fraud and error in the benefit system 2014/15 Preliminary, Table 2

## Main Messages

The total overpayment rate on Employment and Support Allowance (ESA) is slightly lower this year. The claimant error and official error are both slightly higher but fraud fell because we found less earnings fraud and “Other Income” fraud.

This is the second year we have measured fraud and error on Employment and Support Allowance so we do not know the long-term trend.

The monetary value of overpayments is £360m. The amount we pay in ESA has risen from £10.5bn to £12.8bn.

Underpayments on ESA have also fallen this year. The fall in **official error underpayments** was a **statistically significant change**. We found **significantly less official error** regarding **premiums**. DWP can pay additional amounts in means-tested benefits when other benefits are also being paid, for example Disability or Carer's allowances. This often introduces additional criteria for staff to consider before deciding the qualification for the extra amounts.

## Percentage of expenditure underpaid

|                         | Percentage |           |
|-------------------------|------------|-----------|
|                         | 2013/14    | 2014/15 P |
| Official error premiums | 0.7        | *0.5      |
| Official error          | 1.3        | *1.0      |
| Total                   | 1.8        | 1.6       |

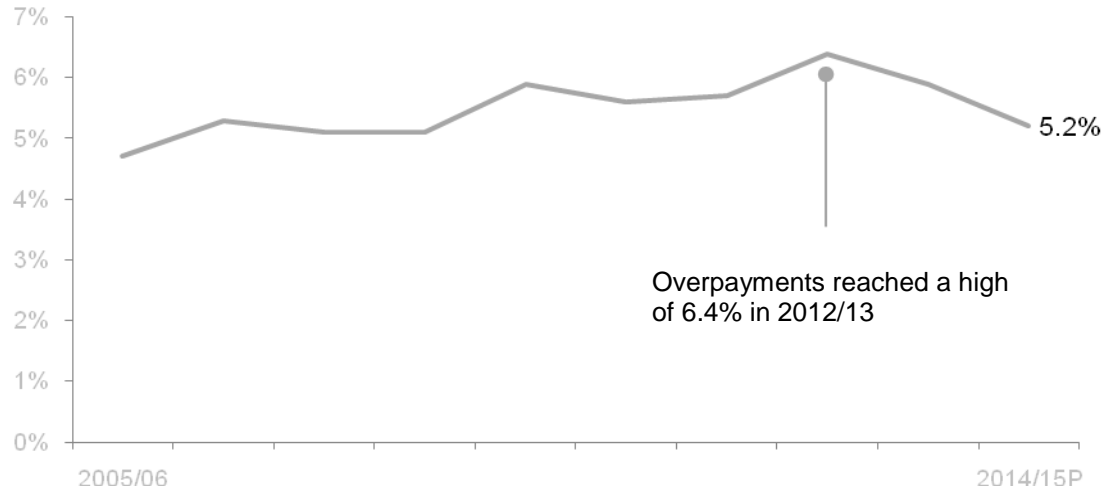
Source: Fraud and error in the benefit system 2014/15 Preliminary, Table 4  
 \* Statistically significant change  
 Information about definitions of causes of fraud and error can be found in the Background and Methodology document.

# Pension Credit

Pension Credit provides support to people older than the female state pension age. The Guarantee Credit element guarantees an income at a set level and people aged 65 or over (and couples where one member is 65 or over) may also be entitled to Savings Credit if they have modest income from savings, investments or a second pension.

## Pension Credit overpayments continue to fall in 2014/15

Overpayment as a percentage of expenditure



## Main Messages

**Overpayments on Pension Credit have continued the recent trend downwards this year.**

The long term trend of official error falling is continuing, the amount is now £110m, the same as the claimant error overpayment amount.

Fraud overpayments, although stabilising over the last couple of years, show a general upward trend.

The amount of Pension Credit you get can be dependent on your pension income so fraudulently reporting, forgetting to report changes or officials making mistakes about the pension amounts causes the most overpayments. The amount of capital a claimant has causes the second largest amount of error and fraud, which is to be expected in a means-tested benefit.

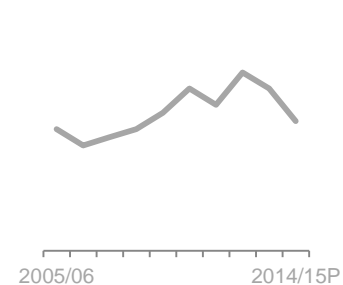
Accidentally misreporting who lives in your house causes the most underpayments: about one quarter of the total.

Around one in five people getting Pension Credit are being paid too much (see Table 5).

### Fraud



### Claimant error



### Official error



Source: Fraud and error in the benefit system 2014/15 Preliminary, Table 2

# Notes

The figures presented in this report estimate fraud, claimant error and official error.

**Fraud:** Cases where the following three conditions apply:

- the basic conditions for receipt of benefit, or the rate of benefit in payment, are not being met;
- the claimant can reasonably be expected to be aware of the effect on entitlement;
- benefit stops or reduces as a result of the review.

**Claimant Error:** The claimant has provided inaccurate or incomplete information, or failed to report a change in their circumstances, but there is no fraudulent intent on the claimant's part.

**Official Error:** Benefit has been paid incorrectly due to inaction, delay or a mistaken assessment by the DWP, a Local Authority or Her Majesty's Revenue and Customs.

The **Monetary Value of Fraud and Error** is calculated for the continuously measured benefits using the percentage of fraud/error found in our sample:

“Percentage of Overpayment” multiplied by “Benefit Expenditure”

Even if the rate of fraud and error is increasing, if the benefit expenditure is decreasing, we could see a lower monetary value.

For example, Income Support fraud rose from 2.3% in 2012/13 to 2.8% in 2013/14 but expenditure fell from £5.5bn to £3.7bn.

2.3% of £5.5bn is £130m. 2.8% of £3.7bn is £100m.

This is why it is better to compare rates of overpayment rather than monetary amounts.

Our Background and Methodology information note provides further information on the how we calculate Fraud and error in the benefit system statistics and gives a glossary of the causes of fraud and error used in this document and the reference tables. Technical appendices give more detail about the data manipulation process.

<https://www.gov.uk/government/statistics/fraud-and-error-in-the-benefit-system-financial-year-201415-preliminary-estimates>

<https://www.gov.uk/government/publications/fraud-and-error-in-the-benefit-system-supporting-documents-for-statistical-reports>

## Other National and Official Statistics

Details of other National and Official Statistics produced by the Department for Work and Pensions can be found on the DWP website at the following links:

- A list of Tabulation Tools: <https://www.gov.uk/government/organisations/department-for-work-pensions/series/dwp-statistics-tabulation-tool>;
- A schedule of statistical releases over the next 12 months and a list of the most recent releases: <https://www.gov.uk/government/organisations/department-for-work-pensions/about/statistics> ;
- In accordance with the Code of Practice for Official Statistics, all DWP National Statistics are also announced via the UK Statistics Authority publication hub at: <https://www.gov.uk/government/statistics/announcements>

In addition, users can find links to DWP additional statistical analyses that have not been included in our standard publications at

<https://www.gov.uk/government/organisations/department-for-work-pensions/series/ad-hoc-statistical-publications-list>

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