



February 2022

Dear Constituent,

Thank you for taking the time to raise your concerns about the COVID support schemes and fraud. I have raised your concerns with ministerial colleagues and understand that HMRC has systems in place to tackle fraud, including dealing with tip-offs from the public. Anyone who believes someone might have abused the support schemes should report it to HMRC by calling their Fraud Hotline on 0800 788 887.

If you suspect a fraud, you can also report it to HMRC via its online fraud reporting tool, available at:

<https://www.gov.uk/government/organisations/hm-revenue-customs/contact/customs-excise-and-vat-fraud-reporting>.

The Financial Reporting Council issued updated guidance for companies and auditors which makes clear that improper claims for financial support under CJRS could result in liabilities for repayment and fines and that auditors will take this into account when assessing any risk of material misstatement.

I welcome that over £100 million has been invested in a Taxpayer Protection Taskforce. At the March Budget 2021 this taskforce of 1,265 HMRC staff was created specifically to combat fraud in coronavirus loan schemes, and it is expected to recover up to £1 billion from fraudulent or incorrect payments. My colleagues at the Treasury assure me that over 75,000 people have been contacted and could face criminal prosecutions and financial penalties, and that HMRC have already recovered over £500 million through other measures including building automated controls into the digital claims process to prevent more than 100,000 mistaken claims, blocking more than 29,000 claims through pre-payment checks based on risk and intelligence, using cut-off dates around scheme eligibility, and requiring customers to be registered for PAYE online and self-assessment. It is my understanding that just 0.3% of all furlough grants were estimated to be lost to organised crime. Where HMRC identify fraudulent actors, they could face repaying up to double the amount they received – plus interest and potentially criminal prosecution in the most serious of cases.

£2.2 billion of potentially fraudulent Bounce Back Loan applications were blocked through upfront checks. It is my understanding that estimates of the extent of fraud in the Bounce Back Loan scheme have already been revised down. PwC had estimated £4.9 billion, but in December 2021 revised this figure down to £3.3 billion. This would be a fraud rate of 7.5pc, when the typical rate on public sector programmes is up to 5pc.

In 2020, a National Audit Office report contained an estimate that as much as 60% of the sums lent might never be recovered, however nearly 80% of the loans are being repaid or have already been repaid. I welcome that the Insolvency Service and Companies House new powers to prevent company directors escaping liability for their Bounce Back Loans. So far, these new powers have been used in respect of 61,758 companies holding loans worth £2.1 billion. New



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powers include the ability to disqualify company directors. £4.9 million has been invested in the National Investigation Service (NATIS) to investigate serious fraud and since September 2020, they have had 39 active investigations into Bounce Back Loan fraud worth nearly £70 million.

I welcome the amendments to the Finance Act which will ensure that HMRC has appropriate and proportionate compliance and enforcement powers in relation to the CJRS and SEISS. The amendment will ensure that taxpayer money is going only to those who are eligible. The new clause gives HMRC powers to recover overpayments and to impose penalties where there is deliberate non-compliance.

Lord Agnew's resignation was regrettable, and he made a significant contribution during his time as Minister of State. My colleagues at the Treasury emphasised his diligence and commitment following his resignation, and the Chancellor thanked him for his dedicated service and tireless work during the pandemic.

I understand that there have been some reports of overpayment to recipients of SEISS. There are robust processes in place to prevent grants being paid incorrectly but a small number of people were paid grants in error, and some received an incorrect amount. The vast majority of grants were paid correctly but in a very small number of cases not all the information held on a tax return was taken into account when calculating eligibility and grants. The Government's top priority has been ensuring self-employed people receive grants quickly while protecting public money from deliberate fraudsters. On this occasion, they are not seeking to reclaim these payments to avoid unnecessary hardship for taxpayers who may have already used the money. I will continue to monitor this issue closely.

Thank you again for taking the time to contact me.

Yours faithfully,

CHRIS HEATON-HARRIS MP
MEMBER OF PARLIAMENT FOR DAVENTRY