



All-Party Parliamentary Loan Charge Group

www.loanchargeappg.co.uk

Sir Jonathan Thompson
Chief Executive and Permanent Secretary
HM Revenue and Customs
100 Parliament Street
London
SW1A 2BQ

5th July 2019

Dear Sir Jonathan,

Concerns about HMRC conduct towards people facing the Loan Charge and HMRC's DR Project

We are writing to express our serious concerns about the reality of how people facing the Loan Charge are being treated by HMRC, and also about the 'DR Project' and its tone.

Firstly, in terms of HMRC conduct towards people facing the Loan Charge and the reality of settlement offers, the APPG has been sent a considerable volume of evidence on this, some of which we have now published.

This evidence shows that the reality is starkly different from the assurances given by Ministers as to the way HMRC will treat people. At our most recent APPG meeting we held a special session on HMRC's conduct over the Loan Charge. We were alarmed to hear tax professionals describe HMRC behaviour as including "threats, delays, aggressive communication, bullying and incompetence".

The evidence shows, for example, that 'settlement' is not voluntary: HMRC uses the threat of the Loan Charge to coerce people into settling. Taxpayers are charged exorbitant interest rates and receive no beneficial terms. The evidence demonstrates the aggressive and unreasonable nature of HMRC's behaviour. We have been given examples of people waiting for months to receive replies to queries from HMRC, and then being given a matter of days to settle disputed tax or be threatened with the Loan Charge.

Other themes from the evidence include: frequent irregularities with calculations, intimidating treatment of people known to be vulnerable and a refusal to engage in discussions over client positions. The tax professionals giving evidence referred to clients who have been asked to voluntarily settle spurious amounts of tax not legally owed. It was reported this had led many clients to be in a constant state of anxiety, depression and severe worry, with no ability to regain certainty over their tax affairs. Tax experts are also experiencing their own mental health problems by having to provide 24/7 counselling to distressed clients.

Far from offering affordable settlements, we have seen numerous examples of utterly unreasonable demands and suggested monthly payments. There are cases where, despite knowing the income of an individual, HMRC are seeking a *greater* monthly payment than the person's *entire* monthly income. In many instances it is clear that agreeing a 'settlement' with HMRC is not leading to a fair outcome or even necessarily a cheaper one than the Loan Charge itself. There is no evidence we have seen that HMRC are being sympathetic, nor that they are prepared to agree to reasonable (and lower) total repayments, as any reputable creditor would offer to people who are struggling to pay. We also have serious concerns at the way HMRC offers what amounts to

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financial advice, when telling people that they should take out loans or re-mortgage properties to pay off the disputed sums HMRC are claiming from them.

We are also deeply concerned at the fact that, despite public assurances from HMRC and Ministers, HMRC are telling people they may have to sell their home. In cases we have seen, HMRC are threatening people with bankruptcy. The phrase used regularly - that HMRC "don't want to make any bankrupt" - is disingenuous and misleading. The reality, as we have seen from the evidence, is that HMRC pass people's disputed tax debts to third party debt collection services, who then aggressively pursue the individuals. These third-party services may well push people into bankruptcy.

In many cases, people have stated they feel victimised, hounded and bullied by HMRC. The evidence we have seen is different from the message from HMRC and the Treasury. This is deeply troubling and unacceptable.

Secondly, on the DR Project, you will be aware that there is concern about HMRC's use of behavioural psychology, behavioural insights and so-called 'nudge' techniques. These have been used to push people into settling tax demands rather than exercise their rights to dispute them. With HMRC having reported itself to the Office of Police Conduct with regards to one suicide of someone facing the Loan Charge, and the APPG having seen evidence of 3 Loan Charge-related suicides in total, there is concern about this and the aggressive way HMRC pursues people. There is also concern about the phrase 'Make it Real', the image of a threatening tiger roaring, and the phrase 'Tiger's Roar', which have been used in internal HMRC material. This includes a photograph of a banner circulated on the internet and social media, relating to the DR Project.

This issue was the subject of a recent Freedom of Information request, FOI2019/00984. The partial HMRC response to the FOI request failed to give adequate answers as to why HMRC is using these phrases and this image. We therefore wish to follow this up by asking you directly the following questions.

HMRC was asked, "Why was a tiger chosen to be the symbol of this project?" The response from HMRC avoided answering this by claiming the 'Tiger Logo' was not specific to the DR project and was used in some internal staff communications by the Counter-Avoidance Directorate. The response failed to say why HMRC use a tiger logo at all. Please can you now answer this question:

1. Why was the Tiger chosen and what is the message given by its use and to whom?

HMRC was asked, "What do HMRC mean by the phrase 'Make it Real'? Please explain why this phrase was adopted?" The response from HMRC said that the phrase "does not require further explanation", thus refusing to answer altogether.

In the context of the DR project therefore, can you please answer:

2. What is meant by this phraseology? what do HMRC mean by 'Make it Real', how and for whom?

HMRC was asked, "Can you explain the role of behavioural psychology/behavioural insights in this project?" No adequate answer was given to this question. It was merely stated that the use of psychology/behavioural insights was commonplace in Government, ignoring the actual question which was about the role of behavioural psychology/behavioural insights in the DR project.

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3. Can you explain, in writing, *the role of behavioural psychology/behavioural insights in the DR project*.

We also note that HMRC refused to provide internal emails about the DR Project, claiming that it would take too long to compile, even though a search of 'DR project' on the HMRC email server could have retrieved this information very easily.

Our final question is as follows:

4. In the light of the anxiety and stress faced by many thousands affected by the Loan Charge and the fact that there have been linked suicides of people facing this legislation, do you think it is appropriate to have used a slogan 'Make it Real' and an image of a snarling tiger and the phrase 'Tiger's Roar'?

We hope and expect you will now fully and properly answer these questions and deal with our concerns about the use of aggressive slogans and imagery with regard to the pursuit of people, including vulnerable people. This is especially relevant given the known suicides of people facing the Loan Charge, in particular where, in the evidence we have seen, the pursuit by HMRC was a direct factor in at least one case.

Finally we are surprised you have not replied to our important letter about HMRC misinformation of April 2nd, over three months ago. This is an unusually long time to formulate a response. We trust you will respond properly to that letter soon, as well as (separately) replying to this one.

Yours sincerely,



Sir Ed Davey
Chair



Ruth Cadbury
Vice Chair



Ross Thomson
Vice Chair

On behalf of the Loan Charge APPG

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