



All-Party Parliamentary Loan Charge Group

www.loanchargeappg.co.uk

Jim Harra
Chief Executive and Permanent Secretary
HM Revenue and Customs
100 Parliament Street
London
SW1A 2BQ

14th September 2020

Dear Mr Harra,

HMRC requesting that individuals release equity to pay Loan Charge related settlements

We have seen evidence that shows HMRC are requesting that individuals impacted by the Loan Charge take equity release on their primary home or remortgage their primary home in order to pay loan-based settlement demands. We do not believe this is acceptable. In some cases, the only way people can release equity is by selling their main home, which runs contrary to the misleading impression HMRC have sought to give that people are *not* at risk of losing their homes, when they clearly are (and in some cases have already lost their homes, due to HMRC demands related to loan schemes).

On 19th March 2020, Jesse Norman (current Financial Secretary to the Treasury) stated, "HMRC have also announced previously that no taxpayer will be forced to sell their main home to fund a disguised remuneration or Loan Charge tax bill."

In January 2019, Mary Aiston (Director, Counter Avoidance) told the Treasury Select Committee, "we will not make people sell their homes to pay their disguised remuneration tax bills.". The chair immediately asked, "Is that a confirmed policy?". To which the answer was simply "Yes."

Is this common practice for HMRC? If so, could you please inform us and also confirm:

1. In how many payroll loan related cases have you suggested this to an individual?
2. How many people have so far done this, in order to settle with HMRC?

We are also concerned at the legality of HMRC providing such advice to taxpayers, when regulated lenders have made clear that remortgaging **cannot** be granted for the purpose of paying tax liabilities of this nature.

Co-Chairs: Sir Edward Davey MP, Ruth Cadbury MP, Sir Mike Penning MP
Vice-Chairs: Baroness Kramer, Sammy Wilson MP

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Any attempts by HMRC to make requests for individuals to raise cash via equity release signifies a potential for HMRC to be perceived as financial advisers, when that is clearly not within their remit. HMRC's sole responsibility is the collection of taxes and most definitely not to act as unsolicited and inappropriate financial advisers. Financial advisers must be registered with the FCA (Financial Conduct Authority) and have a Certificate of Financial Planning. Entities including HMRC **cannot** be financial advisers – this is restricted to professional individuals. We are not aware that any HMRC staff involved in settlements and making such requests for equity release are registered as tax advisers.

You are already well aware that there are many people who are deemed vulnerable (including the reporting of suicidal thoughts) facing the Loan Charge and involved in settlement discussions with HMRC. Putting undue pressure on such people to release equity to pay off disputed tax bills (that have **never** been legally proven) is also unethical. People are reporting that they feel pressurised and coerced into releasing equity by HMRC.

Equity release is intended to help the home owner release cash (equity) using the value of their home without the need to sell their home; one of the (many) downsides to equity release is it will not pay the full market value for the home i.e. the individual will receive less cash than if they were to actually sell their home. Additional interest is added to the value of the primary home and has the potential to quickly exceed the value of the home in a short timeframe. Where the individual has no additional income (i.e. unemployed, retired) this has the potential and distinct possibility of placing the individual in a position of negative equity.

It cannot be right that HMRC are forcing individuals to lose additional value and/or to become homeless by requesting individuals make use of equity release against their primary home, particularly where the individual has no other means of obtaining the cash required. We believe this is an entirely unethical practice by HMRC, especially in light of the desperate situation those people being targeted now find themselves.

Despite HMRC's attempts to give a different impression and stating clearly to MPs that no individual will be in danger of losing their main home, the reality is that people have *already* lost their homes due to bankruptcy as a result of HMRC's demands from people facing the Loan Charge. So, contrary to the misleading impression HMRC have sought to give MPs, people's homes are **indeed** at risk.

We are requesting HMRC **immediately** refrain from advising/forcing the individual to sell their main home or to release equity from their main home, as this will have a wholly negative impact on the individual's ability to continue to provide for their family.

It is obvious to all that the current economic climate is severely depressed, hugely impacted by the knock-on effects of COVID-19 and has resulted in unemployment levels sitting at an all-time high. There is a clear and serious risk that unemployed individuals, impacted by the Loan Charge, will not be able to find gainful employment for months to come which will undoubtedly impact on their ability to find the means to settle.

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This is a time of extreme uncertainty for us all, so appropriate protections need to be put in place to ensure when agreeing settlement terms, those impacted by the Loan Charge are not forced to release equity or to jeopardise their family home. This is one of the many ways in which individuals facing the Loan Charge are being treated disgracefully (and differently) from other taxpayers, none of whom have had the right to challenge HMRC in court unfairly removed themselves. This, as you know, is precisely what the Loan Charge was specifically designed to do, as revealed by the previous Permanent Secretary of HMRC Sir Jonathan Thompson, who stated to MPs "The Loan Charge has also supported our efforts to settle DR cases without the need to litigate".

We look forward to hearing from you.

Yours sincerely,



Sir Ed Davey
Co-Chair



Ruth Cadbury
Co-Chair



Sir Mike Penning
Co-Chair

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