



National Audit Office



REPORT

Carer's Allowance

Department for Work & Pensions

SESSION 2024-25
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HC 377



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National Audit Office

Carer's Allowance

Department for Work & Pensions

Report by the Comptroller and Auditor General

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National Audit Act 1983 for presentation to the House of
Commons in accordance with Section 9 of the Act

Gareth Davies
Comptroller and Auditor General
National Audit Office

3 December 2024

In May 2024, the then Chair of the Work and Pensions Committee wrote to the Comptroller and Auditor General to ask if we could set out the latest information on Carer's Allowance, including on overpayment levels.

This report sets out data about Carer's Allowance on a consistent basis over the period 2018-19 to 2023-24. The purpose of our work was to improve transparency and inform public debate about Carer's Allowance.

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Summary

1 The Department for Work & Pensions (DWP) currently pays £81.90 a week in Carer's Allowance to claimants who earn no more than £151 a week after deductions and provide at least 35 hours of care a week to someone who receives a qualifying disability benefit. In 2023-24, it paid £3.7 billion in Carer's Allowance to over 900,000 carers. DWP sometimes overpays Carer's Allowance, so the claimant receives more than they are entitled to. This can be due to claimant fraud or error, or error by DWP.

2 In 2019, we published the results of an *Investigation into overpayments of Carer's Allowance*.¹ We undertook the investigation because Members of Parliament had expressed concerns about the level of overpayments and the impact on claimants of DWP's attempts to recover them. A whistleblower had also contacted the DWP Permanent Secretary alleging that ongoing issues in Carer's Allowance had not been resolved. The Work and Pensions Committee used our report to inform its own inquiry into *Overpayments of Carer's Allowance*.²

3 The Work and Pensions Committee held two oral evidence sessions in spring 2024 to follow up its earlier inquiry. In May 2024, the then Chair of the Committee wrote to the Comptroller and Auditor General (C&AG) to ask if we could set out the latest information on Carer's Allowance, including on overpayment levels. In his reply, the C&AG agreed that, given the continuing concerns about the administration of this benefit, there would be value in us undertaking some further work on this area.

4 Details of our approach are set out in Appendix One. We compiled data about Carer's Allowance on a consistent basis over the period 2018-19 to 2023-24. All data are for Great Britain unless otherwise stated. The purpose of our work was to improve transparency and inform public debate about Carer's Allowance. Our work was not designed to assess the value for money of DWP's administration of Carer's Allowance.

¹ Comptroller and Auditor General, *Investigation into overpayments of Carer's Allowance*, Session 2017-2019, HC 2103, National Audit Office, April 2019.

² Work and Pensions Committee, *Overpayments of Carer's Allowance*, Thirtieth Report of Session 2017-19, HC 1772, August 2019.

5 This report sets out:

- an overview of Carer's Allowance, including data on the number of claimants and expenditure (Part One);
- information about Carer's Allowance overpayments, including data on the amounts involved and on how DWP seeks to prevent and identify overpayments (Part Two); and
- information about DWP's handling of Carer's Allowance overpayments, including data on debt, prosecutions and penalties (Part Three).

6 During the course of our work, in October 2024, DWP announced a review into Carer's Allowance overpayments to cover how and why overpayments were accrued, operational changes to minimise future overpayment risk, and how DWP can best support those with overpayments.

Key facts and findings

Overview of Carer's Allowance

902,000

number of people being paid Carer's Allowance in 2023-24



- The Department for Work & Pensions (DWP) paid £3.7 billion in Carer's Allowance in 2023-24.
- Both the carer and the person being cared for must meet eligibility criteria for a Carer's Allowance claim to be accepted.
- To be eligible, carers must provide at least 35 hours care per week and cannot earn more than £151 per week from their business or employment after deductions (£196 from April 2025).
- DWP estimates its retirement services directorate (which processes Carer's Allowance claims) spent £27.2 million on administering Carer's Allowance in 2023-24, with an average of 553 full-time equivalent staff.

Overpayments of Carer's Allowance

£988

average value of new Carer's Allowance overpayments identified in 2023-24, compared with £1,471 in 2019-20



- The eligibility rules mean that Carer's Allowance claimants can quickly build up significant overpayments as they are entitled to either the whole weekly allowance (£81.90 in 2024-25) or none of it.
- From 2018-19 to 2023-24, DWP identified between 32,500 and 60,800 new Carer's Allowance overpayments each year.
- In 2023-24, 5.7% of overpayments identified (3,386 cases) were worth more than £3,000, compared with 13.3% (8,068 cases) in 2019-20.
- The main cause of overpayments is claimants having earnings which exceed the permitted limit – this accounted for 57.6% of overpayment cases detected in 2023-24, with claimants ceasing to provide care accounting for 23.5% of cases.

Preventing and identifying Carer's Allowance overpayments

47%

proportion of available Verify Earnings and Pensions Service (VEPS) cases investigated by DWP in 2022-23 (the last year when a full year of data was available)



- By law, benefit claimants must inform DWP promptly if their circumstances change.
- DWP receives regular information about earnings from HM Revenue & Customs which, through VEPS, it can use to identify where a claimant may be being overpaid.
- In 2022-23, 12,600 (25%) of the 50,000 VEPS cases that DWP investigated resulted in an overpayment being detected or prevented.
- DWP estimates it saved £121 million through investigating VEPS cases from 2018-19 to 2023-24. This estimate is based on reducing overpayments through fraud and error, which HM Treasury classifies as savings in benefit expenditure.
- DWP reports it is on course to exceed its overall savings target of £139 million by the end of 2025-26.

Carer's Allowance overpayment debt

£251.7mn

amount of total outstanding overpayment debt in 2023-24, compared with £150.2 million in 2018-19



- DWP seeks to recover all benefit overpayments where it has the legal basis to do so unless it would cause financial hardship or would not be cost-effective.
- DWP can recover Carer's Allowance overpayments in a range of ways, including by making deductions if a claimant is still receiving benefit payments.
- The amount of Carer's Allowance debt recovered by DWP increased by 141% from £19.6 million in 2018-19 to £47.3 million in 2023-24.
- DWP wrote off £9.1 million of Carer's Allowance debt in 2023-24, up from £2.7 million in 2018-19.

DWP's handling of Carer's Allowance overpayment cases

54

number of overpayment cases that DWP referred for prosecution in 2023-24, compared with 246 in 2018-19



- DWP can refer a case for prosecution where it considers that an overpayment of Carer's Allowance was fraudulent.
- DWP can offer an administrative penalty as an alternative to prosecution – it applied 75 such penalties in 2023-24, a reduction of 90% from 774 in 2018-19.
- DWP imposes civil penalties of £50 where it judges that an individual has incurred an overpayment as a result of their negligence in failing to provide accurate information – it applied 30,129 such penalties in 2023-24, an increase of 50% from 20,023 in 2018-19.

Part One

Overview of Carer's Allowance

1.1 This part of the report sets out:

- information about Carer's Allowance;
- data on the number of people claiming, and expenditure on, Carer's Allowance; and
- how the Department for Work & Pensions (DWP) organises the administration of Carer's Allowance.

About Carer's Allowance

1.2 Originally introduced in 1976, Carer's Allowance is a taxable benefit to give financial support to people who provide regular and substantial care for someone. DWP pays Carer's Allowance based on eligibility criteria (**Figure 1**). Both the carer and the person being cared for must meet the criteria for a claim to be accepted. The rate of Carer's Allowance was £76.75 a week in 2023-24, is £81.90 a week in 2024-25 and will rise to £83.30 a week in 2025-26.

1.3 Carer's Allowance can affect other benefits that the claimant and the person they care for receive. For example:

- if the claimant receives Universal Credit, their payments will be reduced by an amount equal to their Carer's Allowance payment but they will receive an extra carer amount, currently £198.31 a month;
- if the claimant receives Pension Credit, income-related Employment and Support Allowance or Income Support, they will receive an extra amount, currently £45.60 a week; and
- if they are cared for by someone receiving Carer's Allowance, the person being cared for will usually stop getting a severe disability premium paid with their benefits and an additional amount paid with Pension Credit if they have a severe disability.

Figure 1

Eligibility criteria for Carer's Allowance in 2024-25

Both the carer claiming the benefit and the person they care for must meet eligibility criteria for the claim to be accepted

Person being cared for	<p>The person being cared for must already receive one of the following benefits.</p> <ul style="list-style-type: none"> ● Personal Independence Payment – daily living component. ● Disability Living Allowance – the middle or highest care rate. ● Attendance Allowance. ● Pension Age Disability Payment. ● Constant Attendance Allowance at or above the normal maximum rate with an Industrial Injuries Disablement Benefit. ● Constant Attendance Allowance at the basic (full-day) rate with a War Disablement Pension. ● Armed Forces Independence Payment. ● Child Disability Payment – the middle or highest care rate. ● Adult Disability Payment – daily living component at the standard or enhanced rate.
Carer	<p>The carer must:</p> <ul style="list-style-type: none"> ● earn no more than £151 a week from their business or employment (£196 from April 2025) after the deduction of tax and National Insurance, 50% of pension contributions, and allowable expenses, which can include care costs; ● spend at least 35 hours a week caring for the eligible individual; ● be aged 16 or over and not in full-time education; and ● not be in receipt of an overlapping benefit, such as State Pension.

Note

1 Recipients of Carer's Allowance are also eligible for the Christmas bonus, a one-off payment of £10 that the Department for Work & Pensions provides to those on eligible benefits, usually in the first full week of December.

Source: National Audit Office analysis of Department for Work & Pensions information

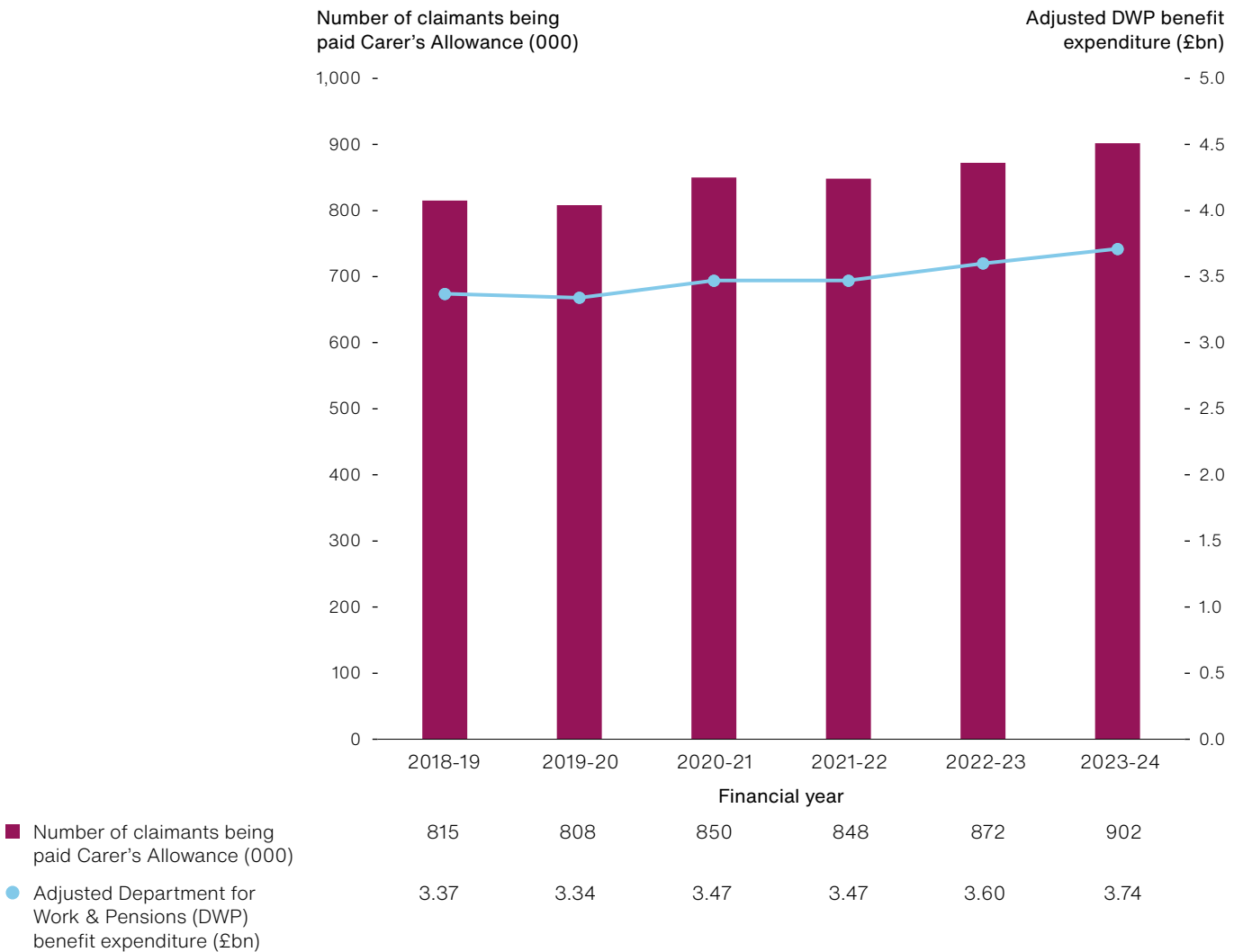
Number of claimants

1.4 The number of people receiving Carer's Allowance has risen over the years. The total number of claimants being paid Carer's Allowance increased by 10.7% from 815,000 in 2018-19 to 902,000 in 2023-24 (**Figure 2**).

Figure 2

Carer's Allowance – number of claimants being paid the benefit and benefit expenditure, 2018-19 to 2023-24

Expenditure on Carer's Allowance increased to £3.7 billion in 2023-24, with 902,000 claimants being paid the benefit



Notes

- 1 Data up to 2 September 2018 cover Great Britain and thereafter cover England and Wales only.
- 2 Benefit expenditure has been inflated to 2023-24 prices using the rate of Carer's Allowance payable each financial year as an index. DWP increases the rate of Carer's Allowance payable each financial year using the Consumer Price Index of inflation in the preceding September.

1.5 In addition to the claimants being paid Carer's Allowance, there were 355,000 people in 2023-24 who had claimed and were entitled to Carer's Allowance but did not receive any payment. This was because they were receiving another benefit that exceeded, or was equal to, the amount of Carer's Allowance payable. As a result of being entitled to Carer's Allowance, even if they do not receive it, people may qualify for additions to other benefits.

Benefit expenditure

1.6 After adjusting to account for changes in the rate of Carer's Allowance, variations in DWP's total expenditure on the benefit are consistent with changes in the number of claimants being paid the benefit (Figure 2). At the equivalent of 2023-24 prices, total expenditure increased from £3.4 billion in 2018-19 to £3.7 billion in 2023-24.

DWP's administration of Carer's Allowance

1.7 Officials in several DWP teams work on administering Carer's Allowance. Day-to-day administration, including processing new claims and applying changes of circumstances, is carried out by staff in DWP's retirement services directorate. Investigations into overpayments and suspected fraud, together with management of debt, is carried out by staff in DWP's counter fraud, compliance and debt directorate (see Part Three).

1.8 DWP estimates that the average number of retirement services staff working on Carer's Allowance rose to over 700 in 2022-23 (**Figure 3** overleaf). This followed a reduction during the COVID-19 pandemic when DWP redeployed staff to work on other priorities, such as processing new Universal Credit claims. The number of staff working on Carer's Allowance fell back to 553 in 2023-24, lower than the number before the pandemic.

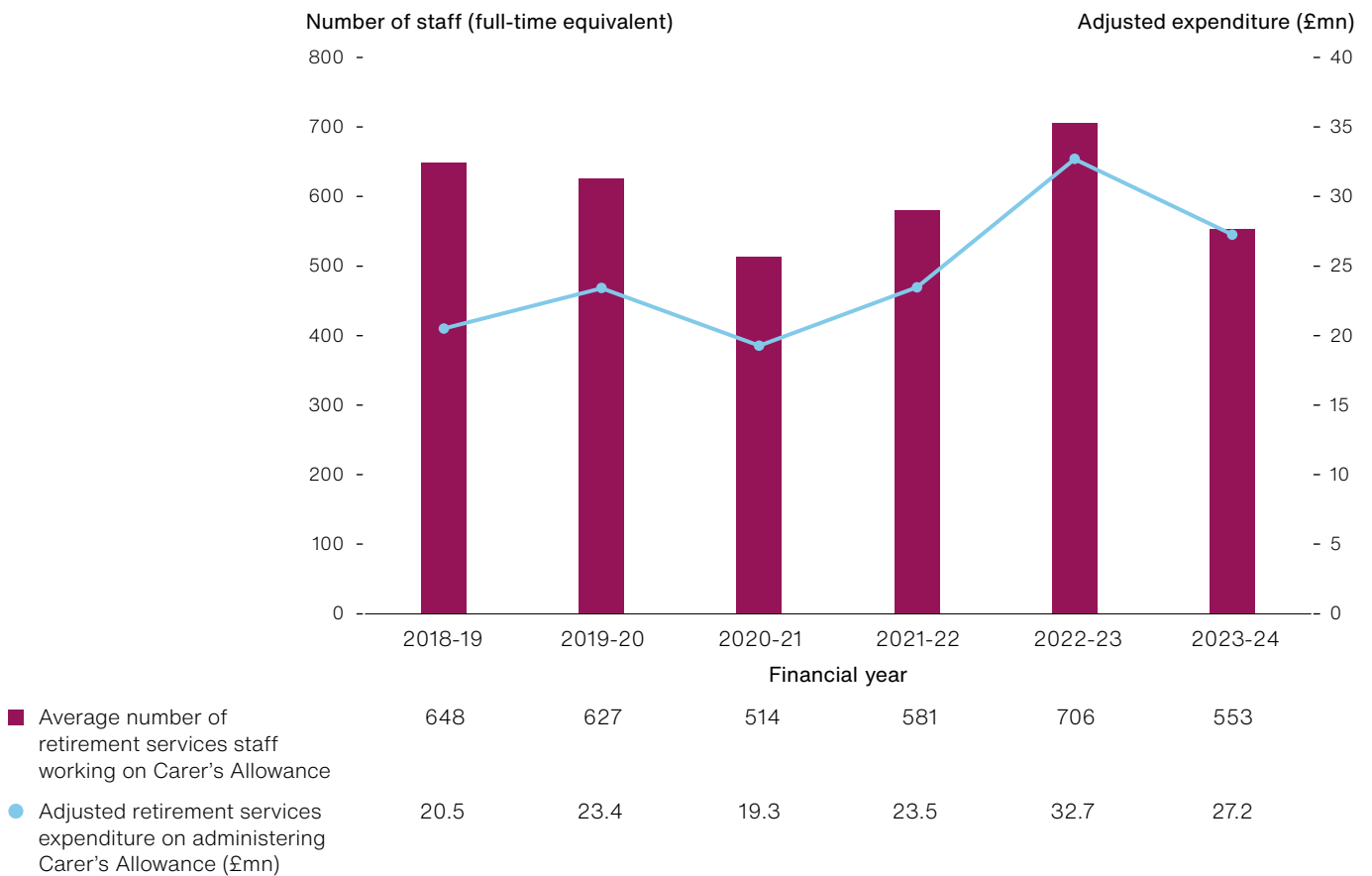
1.9 Overall, DWP's estimate of how much its retirement services directorate spent on administering Carer's Allowance increased by 33% in real terms from £20.5 million in 2018-19 to £27.2 million 2023-24 (Figure 3). This compared with increases of 20.4% in the number of new claims and 10.7% in the number of claimants being paid Carer's Allowance over the same period.

1.10 DWP does not have a robust estimate of the number of counter fraud, compliance and debt directorate staff working on Carer's Allowance cases or of the cost. This is because staff work across benefits and DWP does not record how much time staff spend on each benefit. As part of monitoring trends in activity, DWP estimates costs by apportioning expenditure using the number of Carer's Allowance cases closed during the year as a proportion of total cases closed. On this basis, it estimated that approximately 500 staff in its counter fraud, compliance and debt directorate worked on Carer's Allowance during 2023-24, at a cost of around £24 million. However, DWP told us it considers these estimates are overstated as Carer's Allowance cases, on average, require less resource to complete than cases relating to other benefits.

Figure 3

Estimated number of Department for Work & Pensions (DWP) retirement services staff working on Carer's Allowance and estimated expenditure, 2018-19 to 2023-24

The number of DWP retirement services staff working on Carer's Allowance fell during the COVID-19 pandemic and then rose to 706, with expenditure of £32.7 million, in 2022-23



Notes

- 1 Data show the average full-time equivalent staff for each financial year.
- 2 Cost data are in real terms based on 2023-24 prices.
- 3 DWP redeployed staff during the COVID-19 pandemic, in 2020-21 and 2021-22, to work on other priorities, such as processing new Universal Credit claims.

Source: National Audit Office analysis of Department for Work & Pensions data

Part Two

Carer's Allowance overpayments

2.1 This part of the report sets out:

- how Carer's Allowance overpayments arise;
- data on the number and value of new overpayments identified each year and the causes of overpayments; and
- how the Department for Work & Pensions (DWP) identifies and seeks to prevent overpayments.

About Carer's Allowance overpayments

2.2 Carer's Allowance overpayments occur when a claimant receives a payment they are not entitled to, or they receive the wrong amount. The eligibility rules for Carer's Allowance (see Figure 1) mean that claimants can quickly build up significant overpayments. This is because the rules create a 'cliff edge' with no taper rate – a claimant is entitled to either the whole allowance or none of it. An overpayment is therefore the full payment (currently £81.90) for every week that a claimant is not entitled to, but still receives, Carer's Allowance. This means it is important to identify an overpayment early or, better still, prevent it from occurring.

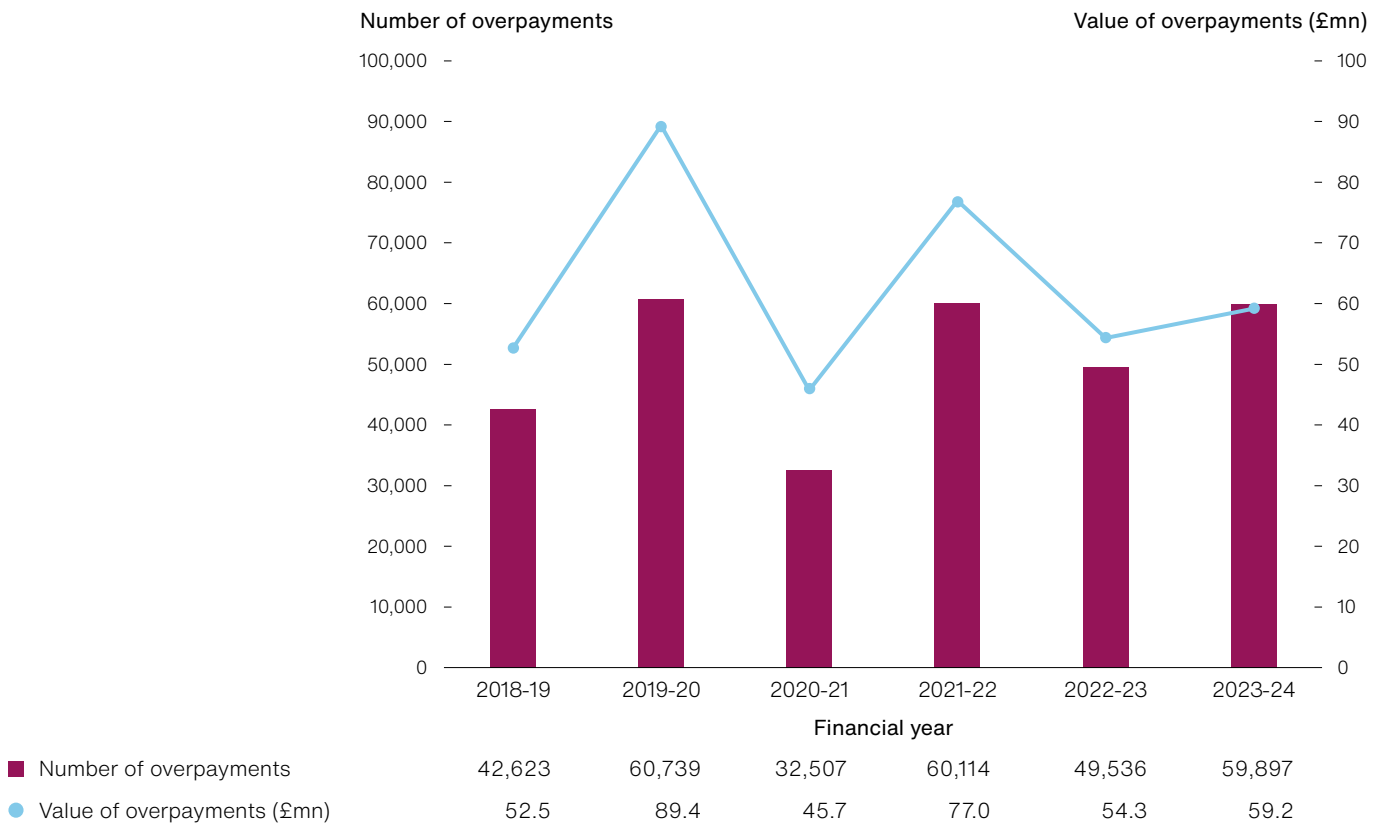
Number and value of new Carer's Allowance overpayments

2.3 From 2018-19 to 2023-24, the number of new Carer's Allowance overpayments identified by DWP each year fluctuated between 32,500 and 60,800 (**Figure 4** overleaf). Similarly, the total value of new overpayments ranged from £45.7 million to £89.4 million over the same period. However, the average value of new Carer's Allowance overpayments identified by DWP fell in each of the past four years, dropping from £1,471 in 2019-20 to £988 in 2023-24. This suggests that overpayments are being identified earlier.

Figure 4

Number and total value of new Carer's Allowance overpayments, 2018-19 to 2023-24

The number and total value of new overpayments fluctuated across the six-year period



Notes

- 1 This Figure shows the number and total value of new overpayments identified by the Department for Work & Pensions (DWP) during each financial year.
- 2 The number of overpayments represents those overpayments that DWP expects to be repaid by claimants. It excludes new overpayments below £65 and those that arise due to error by DWP.

Source: National Audit Office analysis of Department for Work & Pensions data

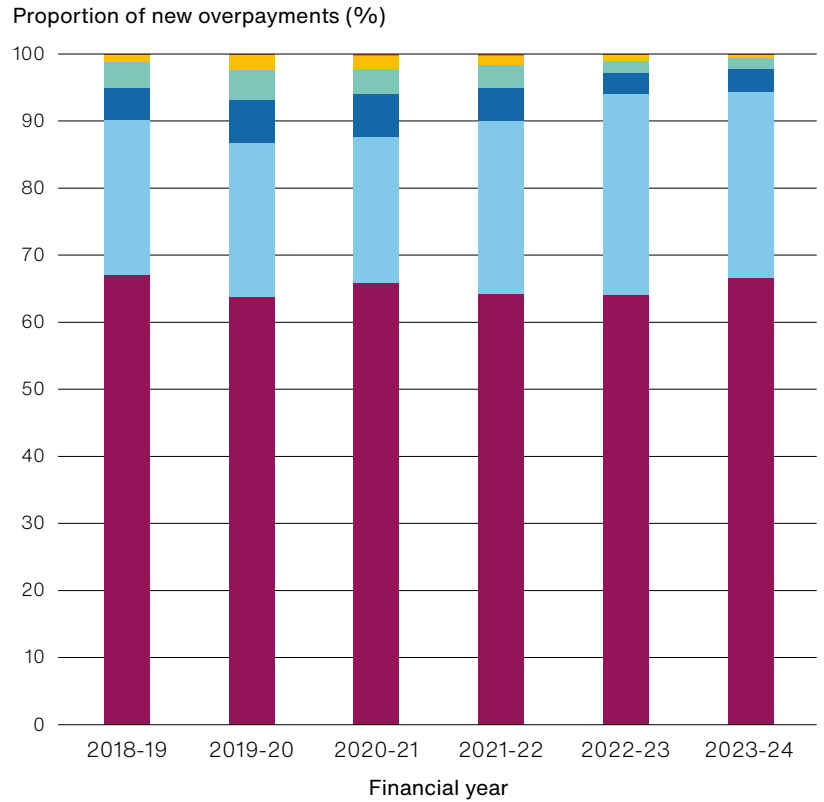
2.4 The number and proportion of new Carer's Allowance overpayment cases with higher values has also fallen (**Figure 5**).

- The proportion of overpayments with a value over £3,000 fell from 13.3% (8,068 cases) in 2019-20 to 5.7% (3,386 cases) in 2023-24.
- In 2023-24, DWP recorded the lowest number and proportion of new overpayment cases worth more than £10,000 since 2018-19 at 0.6% (339 cases).

Figure 5

New Carer's Allowance overpayments by value, 2018-19 to 2023-24

The proportion of overpayments worth £3,000 or less increased from around 87% in 2019-20 to around 94% in 2022-23 and 2023-24



Overpayment range

■ £0.01 - £1,000	67.1	63.9	65.9	64.3	64.1	66.6
■ £1,001 - £3,000	23.1	22.8	21.7	25.8	30.0	27.7
■ £3,001 - £5,000	4.9	6.5	6.4	4.9	3.1	3.4
■ £5,001 - £10,000	3.8	4.4	3.7	3.4	1.8	1.7
■ £10,001 - £20,000	1.1	2.2	2.0	1.4	0.9	0.5
■ £20,001 and above	0.1	0.2	0.2	0.2	0.1	0.1

Note

1 Data may not sum to 100% due to rounding.

Source: National Audit Office analysis of Department for Work & Pensions data

Fraud and error in Carer's Allowance overpayments

2.5 DWP estimates fraud and error through direct measurement of five or six benefits each year using a statistical sampling exercise. It groups overpayments into three categories.

- **Fraud:** Where DWP considers claimants should reasonably have been aware they were receiving money that they were not entitled to.
- **Claimant error:** Where claimants made mistakes (for example, they provided inaccurate or incomplete information) and DWP believes they did not have fraudulent intent.
- **Official error:** Where a benefit is paid incorrectly due to action, delay or a mistaken assessment by DWP.

2.6 DWP categorises most Carer's Allowance overpayments as fraud, for example, because it assesses that the claimants concerned have falsely declared that their earnings are under the permitted limit. Its most recent measurement exercise on Carer's Allowance, carried out in 2019, categorised 58% of overpayments as fraud. Based on this rate, DWP estimates that fraud accounted for £110 million of overpayments in 2023-24 (**Figure 6**).

Figure 6

Estimated fraud and error in Carer's Allowance overpayments, 2023-24

The Department for Work & Pensions (DWP) estimates that fraud accounted for £110 million of Carer's Allowance overpayments in 2023-24

Type of overpayment	Proportion of benefit expenditure overpaid	Value
	(%)	(£mn)
Fraud	3.0	110
Claimant error	2.0	80
Official error	0.1	10
Total	5.2	190

Notes

- 1 Data may not sum due to rounding.
- 2 DWP estimates fraud and error through direct measurement of five or six benefits each year using a statistical sampling exercise. For those benefits not covered in a given year, DWP rolls forward the rates from previous sampling exercises. DWP's estimated rates for Carer's Allowance are based on samples from May to December 2019.
- 3 DWP's 2019 measurement exercise estimated Carer's Allowance underpayments to be 0.0%.

Source: National Audit Office analysis of Department for Work & Pensions statistics, *Fraud and error in the benefit system: financial year 2023 to 2024 estimates*

Causes of overpayments

2.7 The main cause of Carer's Allowance overpayments is a claimant having earnings which exceed the permitted limit (currently £151 a week after allowable expenses) and not informing DWP of this in reasonable time. In 2023-24, the causes of the new overpayment cases referred to DWP debt management accounted for by each cause were as follows:

- 57.6% of cases related to earnings, a lower proportion than in the previous five years when at least 60% of overpayments related to earnings (**Figure 7** overleaf);
- 23.5% of cases were caused by a claimant ceasing to provide care and 3.1% were attributed to breaks in care (where the claimant has not provided care for a period, for example where the person being cared for was in hospital); and
- 15.8% of cases occurred for other reasons which meant a claimant no longer met the eligibility criteria for Carer's Allowance, nearly double the proportion in the previous year. This could include cases where the claimant was in prison, in full-time education, in receipt of an overlapping benefit, or had moved abroad, and where the person being cared for had died.

Identifying and preventing overpayments

2.8 Once DWP has awarded Carer's Allowance, it continues to make payments until it is informed or becomes aware of a change of circumstances that means a claimant's eligibility has changed. This means overpayments can build up unless the claimant or DWP take action.

Claimant notification

2.9 By law, benefit claimants must inform DWP promptly if their circumstances change.³ DWP sets out at the start of the Carer's Allowance process, on the gov.uk website and in the claim form, that claimants must report any changes in circumstances and the potential consequences of not doing so. It also informs claimants of their responsibility to report changes of circumstances in documents they receive after making a claim, such as the benefit award and annual updating letters.

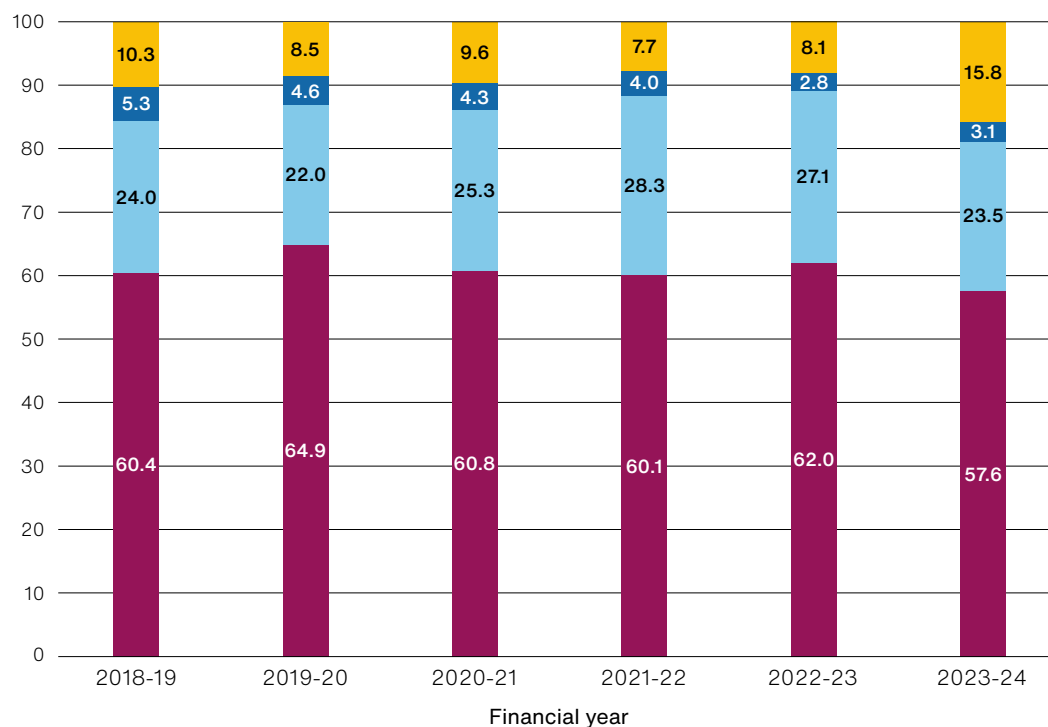
³ The Social Security (Notification of Change of Circumstances) Regulations 2001, Section 5.

Figure 7

Main causes of overpayments referred to Department for Work & Pensions (DWP) debt management by type, 2018-19 to 2023-24

Most overpayments are caused by carers' earnings exceeding the permitted limit

Overpayment cause (Proportion of total cases) (%)



- Earnings over the permitted limit
- Claimant ceased to provide care
- Break in care
- Other causes

Notes

- 1 Data may not sum to 100% due to rounding.
- 2 Other causes may include cases where the claimant was in prison, in full-time education or in receipt of an overlapping benefit, or had moved abroad, and where the person being cared for had died.

Source: National Audit Office analysis of Department for Work & Pensions data

2.10 Carer's Allowance claimants can report a change in circumstances to DWP online, by telephone or by post. Changes in circumstances that claimants are required to notify DWP about include:

- a change in employment;
- a change in income, for example, as a result of working additional hours, to above £151 a week after deductions;
- stopping being a carer or reducing the amount of care provided to fewer than 35 hours a week;
- starting or ending full-time education;
- the carer, or the person being cared for, going into hospital or taking a holiday; and
- the person being cared for no longer receiving disability benefit.

DWP identification using information from HM Revenue & Customs

2.11 DWP receives regular information about earnings from HM Revenue & Customs (HMRC), which it can use to identify where a Carer's Allowance claimant may be being overpaid.

Verify Earnings and Pensions Service alerts

2.12 Using real-time information provided by HMRC, the Verify Earnings and Pensions Service (VEPS) provides DWP with the capability to verify a claimant's earnings before approving new benefit claims where it considers this is required. The service also provides alerts about changes in earnings which DWP can use to investigate whether a claimant's income has risen above the eligibility threshold for certain benefits. DWP introduced VEPS in 2018, replacing previous data-matching systems, with the aim of reducing fraud and error in benefit expenditure. As well as Carer's Allowance, DWP uses the service for Pension Credit, Employment and Support Allowance and Housing Benefit.

2.13 DWP receives a significant number of VEPS alerts about claimants' earnings. A VEPS alert does not on its own provide conclusive evidence that an individual is not entitled to Carer's Allowance, and DWP must conduct further investigations to establish the position. DWP does not investigate all alerts and prioritises those it does investigate. In summary, the VEPS process works as follows.

- An alert is triggered when information from HMRC indicates that a Carer's Allowance claimant has received pay (before any deductions for allowable expenses) above the earnings threshold. The data DWP shared with us indicate that it received some 1.9 million individual alerts in both 2022-23 and 2023-24.

- DWP checks whether the individual's net weekly pay is above the earnings threshold and applies criteria to prioritise which alerts it should investigate based on value and those most likely to result in a change to a claimant's entitlement. DWP prioritised some 386,000 alerts in 2022-23 and 283,000 in 2023-24.
- For the purposes of investigation and managing workflow, DWP groups alerts that relate to the same claimant into cases and makes those cases available to its staff for investigation.
- DWP staff investigate cases to check details, such as allowable expenses, including contacting the claimant by telephone, text message or letter. They assess and decide whether payment of Carer's Allowance should continue and what action is needed to recover any overpayment.
- DWP automatically deletes from its system any case not investigated within 187 days after being made available.

2.14 DWP has investigated around half of available VEPS cases per year since 2020-21 (**Figure 8**). It told us that it resources investigation work using the funding it received from HM Treasury and it would have to redeploy staff from other parts of the business to increase the number of VEPS cases investigated. In 2022-23 (the last year when a full year of data was available), DWP staff investigated 50,000 of the 107,500 cases available (47%). Of these investigations, 12,600 (25%) resulted in an overpayment being detected or prevented. DWP closed 37,500 (75%) investigations of VEPS cases without detecting or preventing an overpayment. Cases may be closed without an overpayment being detected or prevented for a number of reasons, including where:

- based on other information, DWP had already taken action to detect or prevent an overpayment, or to investigate a potential fraud;
- the claimant had allowable expenses which meant their net income was below the earnings limit; and
- subsequent to the VEPS alert being queued for investigation, the claim was disallowed or closed without payment.

Figure 8

Number and proportion of Verify Earnings and Pensions Service (VEPS) cases relating to Carer's Allowance available for investigation and investigated by the Department for Work & Pensions (DWP), 2018-19 to 2023-24

DWP has investigated around 50% of available VEPS cases relating to Carer's Allowance each year since 2020-21

	Financial year					
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
VEPS cases relating to Carer's Allowance available for investigation	125,900	91,100	73,400	95,700	107,500	67,200
VEPS cases investigated	11,300	35,100	38,000	46,100	50,000	35,200
Proportion of available VEPS cases investigated	9%	39%	52%	48%	47%	52%
VEPS cases not investigated	114,600	56,000	35,400	49,600	57,400	32,000
Proportion of available VEPS cases not investigated	91%	61%	48%	52%	53%	48%
VEPS cases investigated that detected or prevented an overpayment	4,400	13,500	7,300	13,500	12,600	10,400
Proportion of VEPS cases investigated that detected or prevented an overpayment	39%	38%	19%	29%	25%	30%

Notes

- 1 HM Revenue & Customs provides information about earnings which, through VEPS, DWP can use to investigate whether a claimant's income has risen above the eligibility threshold for certain benefits, including Carer's Allowance. The data shown are for Carer's Allowance only. For the purposes of investigation, DWP groups alerts that relate to the same claimant into cases.
- 2 Data on numbers of cases are rounded to the nearest 100.
- 3 Data in all categories for 2023-24 are for only nine months of the year. The figures exclude data for October, November and December 2023. DWP told us that, during this period, its management information systems did not record VEPS activity as the software it uses stopped working.

Source: National Audit Office analysis of Department for Work & Pensions data

2.15 The DWP Permanent Secretary asked the Government Internal Audit Agency (GIAA) to review why DWP investigates only around half of VEPS alerts. In its July 2024 report, the GIAA found that DWP investigates VEPS alerts in order to reduce Annually Managed Expenditure by a targeted amount.⁴ Staffing levels are designed to meet the targets and DWP only needs to investigate about 50% of alerts to meet the savings target. GIAA also concluded that VEPS alerts act as an early check on claimants' earnings and that actioning alerts earlier would reduce overpayments and necessary debt recovery by DWP.

2.16 DWP's operating costs of investigating VEPS cases increased significantly in real terms to peak at £2.45 million in 2021-22 (**Figure 9**). The number of staff investigating cases increased to 71 full-time equivalents in 2021-22 and has since fallen. DWP told us operating costs increased in 2023-24, although the number of staff fell, due to pay rises and a cost-of-living payment for staff.

Figure 9

Department for Work & Pensions (DWP) operating costs and number of staff working on Verify Earnings and Pensions Service (VEPS) cases relating to Carer's Allowance, 2018-19 to 2023-24

The cost of operating VEPS relating to Carer's Allowance increased in real terms to £2.45 million in 2021-22 and has remained over £2 million a year since then

	Financial year					
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Number of DWP staff investigating VEPS cases (full-time equivalent)	31	51	35	71	64	61
VEPS operating costs (£mn)	0.99	1.76	1.24	2.45	2.17	2.32

Notes

- 1 Cost data are in real terms based on 2023-24 prices.
- 2 HM Revenue & Customs provides information about earnings which, through VEPS, DWP can use to investigate whether a claimant's income has risen above the eligibility threshold for certain benefits, including Carer's Allowance.

Source: National Audit Office analysis of Department for Work & Pensions data

⁴ Annually Managed Expenditure is spending that is difficult to predict or control as it is spent on areas that are demand-led, such as benefits, so is not subject to multi-year spending limits set in government spending reviews.

2.17 DWP's business case for using VEPS alerts was based on reducing overpayments through fraud and error, which HM Treasury classifies as savings in benefit expenditure. DWP estimates that it saved £15.71 for every £1 it spent investigating VEPS cases in 2023-24.

2.18 DWP expects to achieve total estimated savings of over £139 million in the years from 2018-19 to 2025-26 and has set annual savings targets (**Figure 10**). Although it did not meet its targets from 2018-19 to 2020-21, DWP estimates that it had achieved savings of £121 million by the end of 2023-24 and reports that it is on course to exceed its overall target. These estimated savings are lower than the amounts that DWP previously reported. DWP told us it revised its methodology for estimating savings to take more account of the level of overpayments that would have been prevented through normal business activity, in the absence of investigating VEPS alerts.

Figure 10

Department for Work & Pensions' (DWP's) estimated savings from investigating Verify Earnings and Pensions Service (VEPS) alerts relating to Carer's Allowance, 2018-19 to 2025-26

Although it did not meet its savings targets from 2018-19 to 2020-21, DWP estimates it is on course to exceed its overall target of £139.4 million by 2025-26

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Expected savings (£mn)	2.1	12.2	13.9	19.1	22.3	23.0	23.4	23.4	139.4
Savings achieved (£mn)	1.5	11.3	12.7	26.1	33.0	36.5			121.0
Difference (£mn)	-0.6	-0.9	-1.2	7.0	10.7	13.5			
Difference (%)	-29.4	-7.3	-8.6	36.5	48.0	58.6			

Notes

- 1 HM Revenue & Customs provides information about earnings which, through VEPS, DWP can use to investigate whether a claimant's income has risen above the eligibility threshold for certain benefits, including Carer's Allowance.
- 2 DWP has modelled the expected savings and estimated the savings achieved through reductions in fraud and error as a result of investigating VEPS alerts relating to Carer's Allowance.
- 3 Data may not sum due to rounding.

Source: National Audit Office analysis of Department for Work & Pensions data

Alerts from National Insurance records

2.19 DWP is also alerted to potential Carer's Allowance overpayments when it shares claimant data with HMRC for National Insurance (NI) credits. A Carer's Allowance claimant is automatically entitled to NI credits towards their State Pension and certain other benefits. DWP therefore regularly shares Carer's Allowance claimant data with HMRC. HMRC rejects NI credits requests when a carer's information does not match its NI records, for example, when the carer is earning above the Carer's Allowance earnings threshold. In such cases, HMRC issues an alert using a paper form, notifying DWP that it has rejected a request. These alerts indicate to DWP where there may have been possible overpayments.

2.20 In March 2024, GIAA reported that DWP had accumulated a backlog of around 850,000 paper forms with rejected NI credits alerts. It also found that, after a sift to identify alerts with no impact on claimants, DWP had reduced the backlog to around 87,000, of which it estimated some 85,000 might need some action. DWP told us that, at 31 July 2024, it had 50,379 cases to action and it is continuing to work through these.

2.21 In July 2024, GIAA recommended that DWP should consider the link between preventing overpayments using VEPS and the NI credits being rejected, to reduce DWP seeking NI credits for those carers not entitled to them. DWP told us that, in response to the recommendations, it is undertaking a systematic review of how it manages NI alerts relating to Carer's Allowance and looking at scope to digitise the NI credit rejection alerts.

DWP's plans for improvement

2.22 From July to September 2024, DWP conducted a pilot to notify claimants by SMS text message, when it receives a VEPS alert about their claim, that they have exceeded the Carer's Allowance earnings limit. The aim was to prompt claimants to report changes in circumstances and thereby prevent them building up overpayment debt. DWP told us that, during the pilot, it sent over 3,500 SMS text messages, received responses from nearly 2,000 claimants and identified some 2,500 overpayments. DWP is considering the results of the pilot before deciding its next steps.

Part Three

The Department for Work & Pensions' handling of overpayment cases

3.1 This part of the report sets out:

- data on the extent of Carer's Allowance debt;
- how the Department for Work & Pensions (DWP) handles overpayment debt and approaches debt recovery; and
- DWP's use of prosecutions and penalties in overpayment cases.

Extent of Carer's Allowance debt

3.2 The total overpayment debt that Carer's Allowance claimants owed to DWP increased significantly in the three years to 2021-22, but has remained stable since then (**Figure 11** overleaf). From 2018-19 to 2021-22, the total outstanding overpayment debt rose by 68% from £150.2 million to £252.7 million. Since then, the overpayment debt outstanding has fallen slightly to £251.7 million in 2023-24.

3.3 The number of people with outstanding overpayment debt increased every year from 2018-19 to 2023-24 (Figure 11). Overall, across the period, the total number of people with outstanding debt rose from 80,169 to 136,730, an increase of 71%.

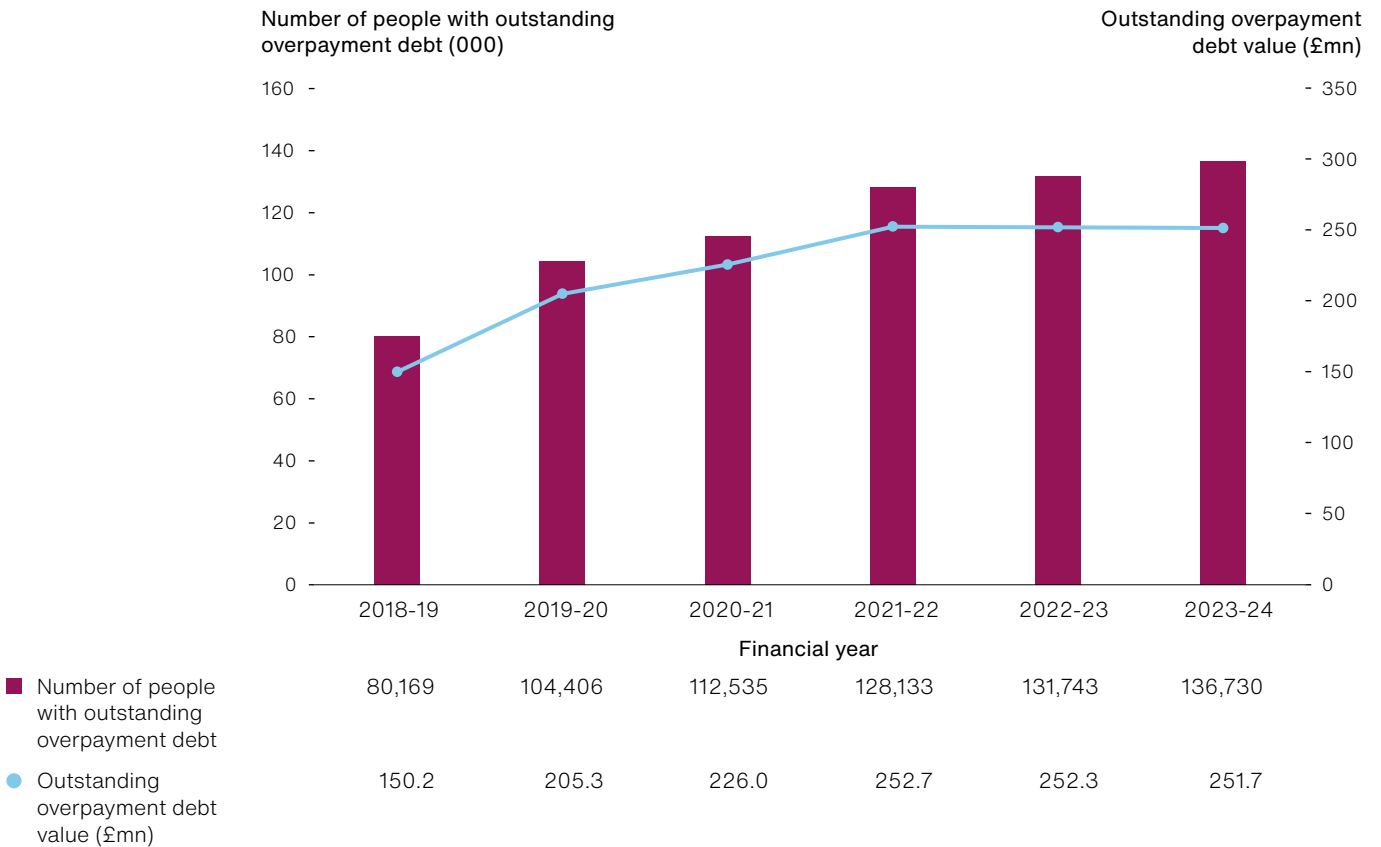
DWP's handling and recovery of debt

3.4 The amounts claimants owe to DWP – debt – are managed by its counter fraud, compliance and debt directorate (CFCD). CFCD's aim is to prevent fraud, error and debt from entering the benefits system and, where it cannot be prevented, to detect and correct it as quickly as possible and to collect debt where it has occurred. In the case of Carer's Allowance, CFCD can act to recover overpayment debt and where appropriate can apply a penalty or refer a case for prosecution.

Figure 11

Number of people with outstanding Carer's Allowance overpayment debt and total overpayment debt outstanding, 2018-19 to 2023-24

Total Carer's Allowance overpayment debt has remained stable since 2021-22, at around £252 million, but the number of people with outstanding debt has increased



Notes

- 1 Data show the total overpayment debt position, after accounting for debt recoveries and write-offs, at the end of each financial year.
- 2 A person can have more than one outstanding overpayment debt associated with their claim.
- 3 The Department for Work & Pensions moved a significant number of debt management staff to support the processing of new benefit claims at the start of the COVID-19 pandemic. It paused debt recovery for three months from April 2020.

Source: National Audit Office analysis of Department for Work & Pensions data

Debt recovered and written off

3.5 As with other benefits, Carer's Allowance overpayments may be recoverable under social security legislation. Overpayment debt caused by fraud or claimant error is typically recoverable. If overpayment debts are not recoverable under legislation, DWP may in some cases attempt recovery under common law principles.

3.6 DWP seeks to recover all benefit overpayments where it has the legal basis to do so unless it would cause financial hardship or would not be cost-effective. Where it judges that recovery would not be cost-effective (for example, for new cases worth less than £65), DWP writes off overpayments, with the exception of fraud cases.

3.7 From 2018-19 to 2023-24, except for 2020-21, DWP increased both the amount of Carer's Allowance overpayment debt recovered and the amount written off (**Figure 12** overleaf). DWP recovered £27.7 million (141%) more in 2023-24 than in 2018-19, and wrote off £6.4 million (241%) more. DWP told us it has a renewed focus on making sure all overpayments are detected and are either promptly referred to debt management for recovery or are written off.

Debt repayment arrangements

3.8 DWP's policy is to recover overpayment debt as quickly and cost-effectively as possible without causing undue financial hardship to customers. It recovers Carer's Allowance overpayments in the same way as it does overpayments of other benefits.

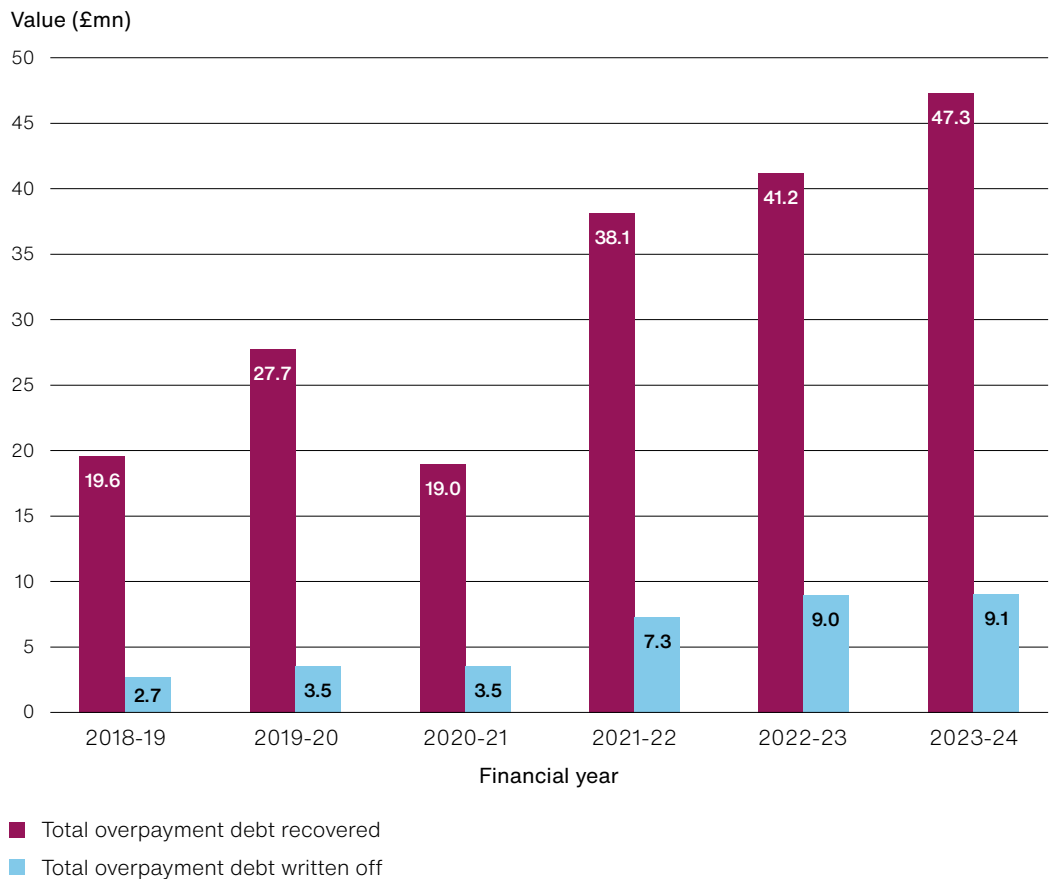
- If a claimant is still in receipt of any benefit payments, DWP can make deductions from those payments – of up to one-third of the claimant's standard entitlement.
- If a person is no longer in receipt of benefit payments, DWP will look to negotiate a repayment arrangement with them. If DWP cannot establish an arrangement and the debtor is in employment, DWP can instruct their employer, through a Direct Earnings Attachment, to make deductions from their salary. Where a debtor is not in receipt of benefit or in employment, and has failed to make an arrangement to pay, DWP will consider taking civil action through the courts.

3.9 In cases of financial hardship, DWP can agree more affordable repayment terms with claimants. Its options include reducing the rate of repayment or, depending on a person's financial circumstances, agreeing to suspend repayment temporarily. In exceptional cases, DWP may write off the debt. Reasons why DWP may write off debt include where it judges there is no realistic possibility of recovery and where the claimant has been deceased for more than two years.

Figure 12

Carer's Allowance overpayment debt recovered and written off by the Department for Work & Pensions (DWP), 2018-19 to 2023-24

Except for 2020-21, from 2018-19 to 2023-24 DWP increased both the amount of Carer's Allowance debt recovered and the amount written off



Note

1 Data on total overpayment debt written off do not include low-value debt and debt written off due to official error because DWP writes off this debt at source and does not register it on its debt management system. Data also do not include waivers by DWP, which are only granted in exceptional circumstances.

Source: National Audit Office analysis of Department for Work & Pensions data

3.10 The number of new low-value overpayment debts – worth less than £65 – has fallen in recent years. As the weekly Carer's Allowance payment is above £65, few debts meet the criteria to be automatically written off. DWP registered 10,400 low-value overpayment debts in 2023-24, 66% fewer than the 30,200 debts registered in 2018-19.

Prosecutions and penalties

3.11 DWP can refer a case to the relevant prosecution service where it considers that an overpayment of Carer's Allowance was fraudulent.⁵ Once a case has been referred for prosecution, it is the decision of the prosecution service whether to prosecute. DWP considers a range of factors when deciding whether to refer a case for prosecution, including:

- the value of the overpayment;
- whether the claimant occupied a position of trust;
- whether the claimant is vulnerable;
- whether forgery or false identification was involved; and
- whether the claimant has refused an administrative penalty (see paragraph 3.13) or has had an administrative penalty for a previous offence.

3.12 The number of cases that DWP referred for prosecution fell from 246 in 2018-19 to 54 in 2023-24 (**Figure 13** overleaf). The highest-value suspected fraud case that DWP referred for prosecution was £44,565 in 2022-23. Over the six-year period, for outcomes reported to DWP, on average 94% of people referred for prosecution by DWP were found guilty.⁶

3.13 DWP can offer an 'administrative penalty' to a person as an alternative to prosecution where there has been an overpayment and there are grounds for instituting prosecution proceedings.⁷ The penalty is £350 or 50% of the overpayment, whichever is greater, up to a maximum of £5,000. The number of administrative penalties used by DWP has fallen significantly in recent years – from 774 in 2018-19 to 75 in 2023-24, a drop of 90% (Figure 13).

3.14 DWP imposes 'civil penalties' of £50 where it judges that an individual has incurred an overpayment as a result of their negligence in failing to provide accurate information as part of their benefit claim or in connection with their benefit award, and has not taken reasonable steps to correct the error. DWP's use of this kind of penalty has fluctuated in recent years, but, overall, there has been an upward trend in its use since 2018-19 – the number of civil penalties increased by 50% from 20,023 in 2018-19 to 30,129 in 2023-24 (Figure 13).

5 The relevant prosecuting service is the Crown Prosecution Service in England and Wales and the Crown Office and Procurator Fiscal Service in Scotland.

6 DWP told us it does not have information on prosecution outcomes for every case it refers for prosecution. For example, for 2023-24, of the 54 cases it referred for prosecution, DWP was able to provide us with data on outcomes for 47.

7 The case must not be so serious, however, that the first option DWP staff should recommend is prosecution.

Figure 13

Referrals for prosecution, and use of administrative penalties and civil penalties, by the Department for Work & Pensions (DWP) for overpayments of Carer's Allowance, 2018-19 to 2023-24

Over recent years, DWP has increasingly used civil penalties rather than administrative penalties or referrals for prosecution

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Referrals for prosecution						
Number referred	246	282	109	112	49	54
Value of suspected fraud (£mn)	1.01	1.84	0.93	0.95	0.57	0.60
Use of administrative penalties						
Number of penalties	774	511	64	43	43	75
Value of penalties (£mn)	1.09	0.71	0.11	0.08	0.08	0.14
Use of civil penalties						
Number of penalties	20,023	28,148	14,933	26,176	24,825	30,129
Value of penalties (£mn)	1.00	1.41	0.75	1.31	1.24	1.51

Notes

- 1 DWP refers cases for prosecution to the Crown Prosecution Service in England and Wales and the Crown Office and Procurator Fiscal Service in Scotland.
- 2 DWP can offer an administrative penalty to a person as an alternative to prosecution where there has been an overpayment and there are grounds for instituting prosecution proceedings.
- 3 DWP imposes civil penalties of £50 where it judges that an individual has incurred an overpayment as a result of their negligence in failing to provide accurate information as part of their benefit claim or in connection with their benefit award, and has not taken reasonable steps to correct the error.

Source: National Audit Office analysis of Department for Work & Pensions data

Appendix One

Our approach

Scope

1 In 2019, we published the results of an *Investigation into overpayments of Carer's Allowance*.⁸ The Work and Pensions Committee used our report to inform its own inquiry into *Overpayments of Carer's Allowance*.⁹ The Committee held two oral evidence sessions in spring 2024 to follow up its earlier inquiry.

2 In May 2024, the then Chair of the Committee wrote to the Comptroller and Auditor General (C&AG) to ask if we could set out the latest information on Carer's Allowance, the Verify Earnings and Pensions Service (VEPS), and overpayment levels. In his reply, the C&AG agreed that, given the continuing concerns about the administration of this benefit, there would be value in us undertaking some further work on this area.

3 The purpose of our work was to compile information about Carer's Allowance and thereby improve transparency and inform public debate. Our work was not designed to assess the value for money of the Department for Work & Pensions' (DWP's) administration of Carer's Allowance. The report sets out:

- an overview of Carer's Allowance, including data on the number of claimants and expenditure;
- information about Carer's Allowance overpayments, including data on the amounts involved and on how DWP seeks to prevent and identify overpayments; and
- information about DWP's handling of Carer's Allowance overpayments, including data on debt, prosecutions and penalties.

⁸ Comptroller and Auditor General, *Investigation into overpayments of Carer's Allowance*, Session 2017–2019, HC 2103, National Audit Office, April 2019.

⁹ Work and Pensions Committee, *Overpayments of Carer's Allowance*, Thirtieth Report of Session 2017–19, HC 1772, August 2019.

Methods

4 We conducted our fieldwork between July and October 2024.

Data analysis

5 Our main method was to compile data about Carer's Allowance on a consistent basis over the period 2018-19 to 2023-24. We have indicated below the differing quality of the data, which range from official statistics and information subject to audit to DWP management information. We obtained from DWP and analysed data covering:

- the operation of Carer's Allowance, including payment rates, the number of claimants and the amount of benefit expenditure (information published by DWP, official statistics and DWP information subject to audit);
- the cost to DWP of administering Carer's Allowance and the number of staff involved, including staff processing new claims and changes of circumstances and staff investigating and responding to fraud and error and managing debt arising from overpayments to claimants (DWP management information);
- the number and value of Carer's Allowance overpayments, including the average value and the number of overpayments in ranges of value (DWP management information and DWP information subject to audit);
- DWP's use of information provided by HM Revenue & Customs through VEPS to prevent and identify overpayments, including the estimated savings DWP planned to achieve, and has achieved, through using the service (DWP management information);
- levels of overpayment debt, both volume and value (DWP management information and DWP information subject to audit); and
- DWP's use of civil penalties and administrative penalties, and referrals for prosecution (DWP management information).

6 Unless otherwise stated, all financial data are presented in cash terms. Where we have adjusted for inflation and presented real-terms figures, except for Figure 2, we used the GDP deflators for 2023-24 published by HM Treasury in October 2024. For Figure 2, we adjusted Carer's Allowance benefit expenditure to the equivalent of 2023-24 prices using the rate of Carer's Allowance payable each financial year as an index. DWP increases the rate of Carer's Allowance payable each financial year using the Consumer Price Index of inflation in the preceding September.

7 On 3 September 2018, responsibility for Carer's Allowance in Scotland was devolved to the Scottish government although the benefit has continued to be administered by DWP on behalf of the Scottish government. Data on the number of claimants and benefit expenditure in Figure 2 cover Great Britain including Scotland up to 2 September 2018 and thereafter relate only to England and Wales. All other data in the report relate to Great Britain.

Interviews with DWP

8 We conducted interviews with DWP staff responsible for benefits policy and for the operation of Carer's Allowance from the retirement services directorate and the counter fraud, compliance and debt directorate. We conducted all interviews online. We used these interviews to develop our understanding of Carer's Allowance and how it works, and to explore and ask questions about the data provided by DWP.

Document review

9 We reviewed a small number of internal documents provided by DWP, including its business case for the use of VEPS and reports by the Government Internal Audit Agency. We also reviewed published DWP material available online, such as its debt recovery guide.

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