

# PARLIAMENTARY DEBATES

HOUSE OF COMMONS  
OFFICIAL REPORT  
GENERAL COMMITTEES

## Public Bill Committee

### PUBLIC AUTHORITIES (FRAUD, ERROR AND RECOVERY) BILL

*Eighth Sitting*

*Thursday 6 March 2025*

*(Afternoon)*

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#### CONTENTS

CLAUSES 72 TO 74 agreed to.

SCHEDULE 3 agreed to.

Adjourned till Tuesday 11 March at twenty-five minutes past Nine o'clock.

Written evidence reported to the House.

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No proofs can be supplied. Corrections that Members suggest for the final version of the report should be clearly marked in a copy of the report—not telephoned—and must be received in the Editor’s Room, House of Commons,

**not later than**

**Monday 10 March 2025**

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**The Committee consisted of the following Members:**

*Chairs:* MRS EMMA LEWELL-BUCK, SIR DESMOND SWAYNE, MATT WESTERN, † SIR JEREMY WRIGHT

- |   |   |
|---|---|
| † Baxter, Johanna ( <i>Paisley and Renfrewshire South</i> )<br>(Lab)    | † McKee, Gordon ( <i>Glasgow South</i> ) (Lab)  |
| † Berry, Siân ( <i>Brighton Pavilion</i> ) (Green)                      | † Milne, John ( <i>Horsham</i> ) (LD)   |
| † Coyle, Neil ( <i>Bermondsey and Old Southwark</i> ) (Lab)             | † Payne, Michael ( <i>Gedling</i> ) (Lab)   |
| † Darling, Steve ( <i>Torbay</i> ) (LD)                                 | † Smith, Rebecca ( <i>South West Devon</i> ) (Con)  |
| † Dewhurst, Charlie ( <i>Bridlington and The Wolds</i> )<br>(Con)       | † Welsh, Michelle ( <i>Sherwood Forest</i> ) (Lab)  |
| † Egan, Damien ( <i>Bristol North East</i> ) (Lab)                      | † Western, Andrew ( <i>Parliamentary Under-Secretary of<br/>State for Work and Pensions</i> ) |
| German, Gill ( <i>Clwyd North</i> ) (Lab)                               | † Wood, Mike ( <i>Kingswinford and South Staffordshire</i> )<br>(Con)                         |
| † Gould, Georgia ( <i>Parliamentary Secretary, Cabinet<br/>Office</i> ) | Kevin Maddison, Simon Armitage, Dominic<br>Stockbridge, <i>Committee Clerks</i>               |
| † Jameson, Sally ( <i>Doncaster Central</i> ) (Lab/Co-op)               |   |
| † Jones, Gerald ( <i>Merthyr Tydfil and Aberdare</i> ) (Lab)            | † <b>attended the Committee</b>   |

## Public Bill Committee

Thursday 6 March 2025

(Afternoon)

[SIR JEREMY WRIGHT *in the Chair*]

### Public Authorities (Fraud, Error and Recovery) Bill

#### Clause 72

##### INFORMATION NOTICES

2 pm

*Question proposed*, That the clause stand part of the Bill.

**The Parliamentary Under-Secretary of State for Work and Pensions (Andrew Western):** It is a pleasure to serve under your chairship, Sir Jeremy. In commencing debate on clause 72, my hon. Friend the Parliamentary Secretary, Cabinet Office, passes the baton to me, to discuss part 2 and the elements of the Bill that pertain to the Department for Work and Pensions. This part sets out reforms of the Department's approach to five key areas: information gathering, the eligibility verification measure, debt recovery, search and seizure, and penalties reform,

Clause 72 inserts proposed new section 109BZA into the Social Security Administration Act 1992. The new section grants DWP authorised officers powers to issue information notices to any information holder as part of a DWP criminal fraud investigation. When I say "authorised officers", I mean DWP staff who have been authorised by the Secretary of State on completion of training and receiving accreditation, and can therefore issue notices. "Information holders" may include businesses or employers; a useful illustration of the sort of organisation from which we may request information is a travel agency. This kind of information can be vital in proving or disproving fraud.

The DWP already has powers to compel information in the Social Security Administration Act 1992. The Act sets out a list of information holders from which the DWP can request information, but that list is restrictive. New section 109BZA will update the powers to enable the DWP to obtain relevant information from any information holder in respect of all payments and investigations made by the Department; it also includes the ability to compel it electronically, which is a vital updating mechanism. These updates enable the DWP to take an approach similar to the one already adopted by the Scottish Government for their own criminal investigations into social security fraud.

The DWP takes its responsibilities in handling personal information very seriously. That is why new section 109BZA is constructed with a number of safeguards to ensure the appropriate use of the powers. First, per subsections (1) and (2), the power may be used only by an authorised officer where there are reasonable grounds to expect that a person has committed fraud. Reasonable grounds are established by an objective review of available facts,

intelligence and evidence. This is the same principle on which the police also determine reasonable suspicion. Reasonable grounds cannot be supported by personal factors or a hunch. In addition, subsection (1)(b) stipulates that all the information requested must be "necessary and proportionate" for the purposes of investigating the fraud allegation. This determination will be made on a case-by-case basis. Mandatory training in the use of this power will be undertaken by all authorised officers.

New section 109BZA will make it easier for information holders to understand and respond to requests for information. It requires that the information notice must identify the individual concerned, and set out how the information should be returned and by when; it must also set out the consequences of non-compliance.

The clause will help to make the DWP's fraud investigations more effective in both proving and disproving fraud. I understand that the Opposition will be interested in the code of practice, but I urge them to hold their comments until we consider clause 73, in which the code of practice is discussed at length. Having outlined the main provisions in the clause, I commend it to the Committee.

**Rebecca Smith (South West Devon) (Con):** It is a pleasure to serve under your chairmanship, Sir Jeremy. As it was to the Minister, the baton has been passed to me from our Cabinet Office spokesperson, my hon. Friend the Member for Kingswinford and South Staffordshire, as part 2 sets specifically how the Bill applies to the DWP.

We recognise that there is a huge amount of work to be done, given the increasing levels of fraud and error against the Department for Work and Pensions in recent years. We broadly support the details of part 2, but unsurprisingly, we will have some questions in the coming sessions, and we are tabling a number of amendments too.

Clause 72 amends the Social Security Administration Act 1992 to provide powers to require information related to fraud. An authorised officer can give a written notice requiring information where they have reasonable grounds to suspect that the person has committed or intends to commit fraud, and where it is necessary and proportionate to do so. The Minister spoke about how this will enable organisations outside the DWP to be required to provide information. It would be useful to understand better the Social Security Administration Act and what it is currently used for, to make sure that we have covered specifically why it needs to be amended in addition to the provisions of this legislation. I recognise what the Minister is saying, but is there a problem now? Are we not able to take its provisions far enough, and so need these changes to be made? Why are existing information-gathering powers insufficient? This is quite a broadening of the current powers, so some clarification would be great.

I have another question on clause 72 and the changes proposed to the 1992 Act. When we talk about a "person", is this just the person the information is being requested of—an estate agent or whoever it may be—or does the term also relate to the person being investigated? Are we talking about the person who is suspected of committing a fraud, a person in possession of information about that person under suspicion, or both? In effect, who is the written notice intended for? I am sure that is probably straightforward, but it would be useful to have it outlined clearly.

I note what the Minister said about the code of practice, which I was not planning to mention in this speech. I was saving my comments on that for clause 73—we are learning as we go in this. Can the Minister confirm whether there are any limits on the non-financial institutions that will have to provide information under the verification notices? Does this include institutions such as education institutions, insurance companies, water agencies and others that people receiving benefits might be paying bills to? Where do the limits lie around the types of organisations that will be contacted? I appreciate that is done in other legislation at the moment, but it is quite a big move. We may well cover this later, but are they subject to the same sort of time restrictions as other organisations? If a school that has never had to do this before is contacted, and they have no idea of what is expected of them, how are we going to ensure that they are not penalised? This could be the first time that anything like this has come in their direction.

**Steve Darling** (Torbay) (LD): It is a pleasure to serve under your chairmanship this afternoon, Sir Jeremy. Liberal Democrats believe, as do all members of the Committee, that fraud is bad. It clearly impacts on the ability of the state to support people and our communities. It is important to put that on the table. I will give a small overview as we start debate on part 2 of the Bill, but as a liberal, the idea of mass surveillance within this part of the Bill causes me grave concern on a number of levels. This will be unpacked over the next few sessions.

I would welcome the Minister commenting on why this piece of legislation is being rushed. The rush poses a danger to our communities. The fact that the Government commissioned a review into the carer's allowance overpayments is to be welcomed. We Liberal Democrats called for that, but we are gravely concerned that the Government are bashing ahead with this legislation without being able to take into account any lessons that could be learned from the carer's allowance debacle.

Although the vast majority of the challenges that we face are error and fraud, my and my colleagues' concern is that the Government need to fix the Department for Work and Pensions, which is effectively broken. I could wax about that for England, but I will not. When the machine is not fit for purpose, we need to fix it before adding more bells and whistles; simply adding to a broken machine will not fix it. I would welcome some explanation of why we are dashing ahead when we do not have the findings from the carer's allowance overpayments review. I would also welcome a deeper explanation of what reasonable grounds for suspecting fraud will be. Putting a bit more colour on the palette would be extremely helpful.

**Andrew Western:** I welcome the broad support from the Opposition spokesperson, the hon. Member for South West Devon, for the overall intent of the Bill. She asked a number of questions about the usage of the 1992 Act. It sets out the information-gathering options available to the Department where fraud is suspected. When we want to compel information for whatever reason—it may be a referral, or data or evidence may be suggesting that there has been fraudulent activity—there is the ability to request, as part of an ongoing investigation, any information that may be useful.

There are two principal reasons why we need changes. The first is modernisation, as I said in my opening comments. I am sure all Members can see how being able to request information via digital means will add speed and simplicity to the process. That is a basic modernisation. There is a more significant change in the shift towards an exclusion list rather than an inclusion list of organisations, which broadens the range of organisations that we can request information from.

The hon. Lady asked whether institutions such as schools or utilities companies may be in scope. In essence, anybody is in scope for this power—for a request for information—unless they are withholding exempted information. There is a range of things that would be specifically exempt. Legally privileged material is an obvious example, as is information that could lead to self-incrimination for recipients and their spouses or civil partners.

It is worth saying for clarity that organisations that provide no-cost advice and advocacy services will not be compelled to share personal data about their service users. That will maintain trust, which is an important principle of their work, and allow individuals to seek help without fear of their information being disclosed. There is also an exemption from providing excluded or special procedure material as defined under the Police and Criminal Evidence Act 1984. That includes personal records, including records relating to physical or mental health, human tissue and confidential journalistic materials. Those are the types of information that would be exempt. With the exception of the organisations providing advice and support, all organisations are essentially in scope if they hold other relevant information to help with an ongoing inquiry.

The person in receipt of the notice is the person or organisation we are compelling the information from, rather than the person about whom it is compelled. So the person receiving the notice is the one we are asking for detail from.

2.15 pm

I will reserve my response to some of the general concerns the Liberal Democrat spokesperson, the hon. Member for Torbay, voiced about the Bill—in particular, his concerns about mass surveillance relating to clause 74. I have to say, however, that this is not a particularly hasty or rushed Bill. Indeed, some of the elements, including a predecessor version of the eligibility verification measure, were seen in the previous Government's legislative attempts.

The hon. Member is correct that we have rightly commissioned an independent review of the causes of the carer's allowance overpayment issues that have been prominent in the media in recent months and years. What comes through strongly when I look at the issue, however, is that a fundamental lack of data was a principal driver of carer's allowance overpayments. The previous Government's steps to attempt to address that, including a pilot of using VEP—verify earnings and pensions—notifications from His Majesty's Revenue and Customs, had capacity to swiftly investigate only 50% of those notifications. We have already taken action to fund investigations into 100% of them from April, because we recognise that data is crucial there, as in this Bill.



We are now in a fundamentally different position with carer's allowance that will enable us to better support people to avoid the sort of overpayments that we have seen to date. That is an interesting example of why data and information sharing are crucial when we look at fraud and error. Having access to as much information as possible will allow us to detect and prevent fraud, and to support those people who are unwittingly in receipt of overpayments.

*Question put and agreed to.*

*Clause 72 accordingly ordered to stand part of the Bill.*

### Clause 73

#### CODE OF PRACTICE

*Question proposed, That the clause stand part of the Bill.*

**Andrew Western:** With permission, before turning to clause 73, I will take the opportunity to make a few general points about the approach to codes of practice for this Bill more generally, as that has become a recurrent theme in the line-by-line scrutiny and was in the evidence-gathering sessions last week. The codes of practice issued under the Bill do not contain statutory provisions. That means that they do not have any particular legal effect; they will simply outline how the measures will be operationalised in more detail. The Bill, and particularly its associated schedules, set out a baseline for that operation. In my view, that gives us more than enough opportunity to understand how the Bill will work in practice.

As the codes of practice do not contain statutory provisions, the guidance, as previously referred to in the evidence sessions, does not say that we must provide them alongside the legislation. The guidance even goes so far as to say that it is “unnecessary” to make it a statutory requirement to provide these codes at all, but we have done so as we believe that is the right thing to do. It is the legislation itself, as I said, that should be considered and scrutinised. There is considerable detail within the Bill, and it clearly sets out the legal obligations that the Government are creating that Parliament must consider, as we are doing in Committee.

As I have said, however, we want to be more transparent with the House, because we recognise that these codes are of interest, even if they are not wholly relevant to the legal obligations that the Bill will create. As such, as my hon. Friend the Parliamentary Secretary has done on part 1, I will provide an outline of what the codes will cover as the relevant clauses are debated. We have committed to provide drafts of the relevant codes as soon as they are available. That is not a requirement, but it recognises the interest of Members. We are going above and beyond what is required in the spirit of transparency.

The “Guide to Making Legislation”, which the hon. Member for Kingswinford and South Staffordshire may be interested to know was reissued this week—I assure him that it will be my bedtime reading this weekend—outlines that codes are not to be used as a substitute for legislation. That is why we have made a conscious effort to include lots of detail in the Bill about how the powers will work in practice.

The clause amends section 3 of the Social Security Fraud Act 2001 to require a new statutory code of practice for authorised officers accredited by the Secretary of State to exercise the information-gathering powers under the proposed new section 109BZA of the Social Security Administration Act 1992. Beyond the detail already included in clause 72 and other parts of the Bill, the code will set out more detail on the limitations of the powers and how they must operate, and clear conditions for their use. That includes detail on the meaning of a reasonable suspicion of fraud, as set out in clause 72.

The code will also include additional detail to help guide information providers. It will provide further detail on the timeframes for compliance and how an information request must be complied with—including how to comply with requirements under subsection (5), which includes the power for the DWP to request that information be provided in a specified form, and for the DWP to require an information holder to state where the information may be held if they do not have it and to explain why it cannot be provided.

The code will also include further details on the consequences of non-compliance. Under existing legislation, information providers who fail to comply with an information notice may be subject to prosecution, which can result in a fine of up to £1,000. If they continue to refuse to provide the requested information, they may be liable to a fine of up to £40 for every day that they fail to provide the requested information. That approach will apply to the new information-gathering provisions. There will also be further detail in the code about the consequences for information providers who repeatedly fail to comply with information requests, and about what may be considered a reasonable explanation for why the information provider is not able to comply with an information notice.

Before issuing the code of practice for the first time, we will carry out informal consultation with stakeholders on a draft code, to ensure that their views are reflected in the drafting. Once finalised, the code of practice will be laid before both Houses of Parliament and published.

**Rebecca Smith:** I thank the Minister for setting out that information. This is a short clause, so my comments will not be long. It amends section 3 of the Social Security Fraud Act 2001 to add a code of practice on the use of information powers exercised by an authorised officer.

As has been said, much has been made of the lack of a code of practice. We maintain our view, and I am sure other Opposition Members will agree. I have heard the reassurances of the Minister and, earlier today, of the Cabinet Office Minister, but the Minister's indication of what will be in the code gives me an opportunity to ask a couple of questions.

I welcome that there will be a consultation on the code, although I appreciate that it could slow down the introduction of the legislation. Had the code of practice been developed in tandem with the Bill, or even beforehand, we could have implemented the Bill much more quickly after its passage to crack on with recouping some of the fraudulent costs and highlighting any errors being made. However, we are where we are and, even so, I welcome the consultation.

The Minister has reassured me that we will continue to hear about the code of practice, but my other question goes back to what I said on clause 72 about additional non-financial organisations that might be contacted, and to what the Minister has just said about the fines to be levied for non-compliance. A huge amount of responsibility is being placed on the people who receive these notices. This will be new to them as it is a new Government power, particularly as it pertains to the DWP.

What will be in the code of practice to ensure that we remember the people about whom we seek information are not necessarily the ones at fault? How do we communicate with them so that they want to co-operate, and so that they do not end up in a non-compliant position? This may not be within the scope of the Bill, but how do we communicate to the general public, in layman's terms, what is expected of them? For example, if this lands on the desk of a primary school headteacher, how will the Department ensure that they understand what has been done and are not terrified by the process? How will it ensure that we achieve the process and outcomes we all seek?

**Steve Darling:** The Minister will not be surprised that I return to the fact that the Bill has been rushed. I respectfully remind him that we are a very refreshed House of Commons. This is fresh information for the vast majority of Members. Although Parliament may have a corporate memory, this Bill has moved at great pace since First Reading and we remain very concerned that this may result in errors.

The Minister has assured us that the code of conduct will be available in due course, but can he identify by what date or by when in the legislative programme? That would give us some comfort. Although positive words have been said about the code of conduct, it drives the culture of an organisation, and culture is extremely important. I look forward to some words of reassurance from the Minister.

**Andrew Western:** I am not sure that I agree with the assertion of the hon. Member for South West Devon that the time it takes to pass the code will significantly slow down the Bill. As she is aware, we are currently working with a range of organisations and stakeholders, and we are gathering information and ideas for a draft of the code.

To answer the hon. Member for Torbay, we hope to share the draft of the code before Committee in the House of Lords. I am happy to put that on the record, as it is an important point that applies to all codes of practice in the Bill, both for the Public Sector Fraud Authority and the DWP.

I am not sure I fully agree with the hon. Member for South West Devon that we could have saved time by having already drafted and consulted on the code. If there were any amendments to the Bill, the code would have to be rewritten, at least to some extent, to reflect them.

I was asked which organisations are anticipated to be called upon to provide information, as well as their willingness to do so and our ability to maintain a positive relationship. They want to engage with this, because tackling fraud is important and has a clear public

benefit. We want to make the information notices as clear as possible. People will have at least 14 days to comply with an information request, and they will have the right to appeal should they have any particular issues. We would look to work with them wherever possible to ensure that they are able to provide the information needed. Clear communication is important, and we want to be certain that we achieve it.

I have dealt with the question about the code of practice, and I hope that is helpful to the hon. Member for Torbay. I struggle rather more with his suggestion that our being a new Parliament means the Bill has been rushed. A number of Bills have already made their way through the House since July. The machinery of government must be able to continue at the pace required to react to change, particularly for a Bill such as this where we are responding to evermore challenging and complex types of fraud. The Department for Work and Pensions alone lost £9.7 billion to fraud and error last year, which suggests to me that urgency is required. On that basis, I see no issues with the timings of the Bill.

*Question put and agreed to.*

*Clause 73 accordingly ordered to stand part of the Bill.*

## Clause 74

### ELIGIBILITY VERIFICATION

*Question proposed,* That the clause stand part of the Bill.

**The Chair:** With this it will be convenient to discuss the following:

Amendment 30, in schedule 3, page 84, leave out line 12.

*This amendment would remove pension credit from being a 'relevant benefit' for the purposes of the Act.*

Amendment 25, in schedule 3, page 84, line 12, at end insert "(d) housing benefit".

Amendment 29, in schedule 3, page 84, leave out lines 13 to 17.

*This amendment would remove the provision for regulations to change the list of qualifying benefits.*

Amendment 35, in schedule 3, page 84, line 13, leave out from "to" to end of line 17 and insert

"remove types of benefit from the definition of 'relevant benefit'".

*This amendment would mean that benefits could not be added to the list of "relevant benefits" by regulations.*

Amendment 24, in schedule 3, page 84, line 25, at end insert—

"or such an account which is held by a person appointed to receive benefits on behalf of another person."

Schedule 3.

2.30 pm

**Andrew Western:** Before I address this group, may I make a brief correction? I confused my information notices earlier: it is 10 days to comply, with no right of appeal, but we are happy to have conversations with those who, for whatever reason, are unable to provide the information that we require, and to work with them to ensure that they can.

[Andrew Western]

I will speak to clause 74 and schedule 3, and then colleagues can speak to the various amendments. Clause 74 inserts proposed new section 121DB and proposed new schedule 3B, which is outlined in schedule 3 to the Bill, into the Social Security Administration Act 1992. The proposed new clause and schedule contain provision for the eligibility verification measure, and they must stand part of the Bill so the Secretary of State can issue a bank or other financial institution with an eligibility verification notice, which will help the DWP to identify incorrect payments in the social security system.

Ensuring that a person is eligible for the benefit they are receiving will help to prevent fraud and genuine errors so that people do not accidentally build up large debts, with all the worry and distress that causes. The measures before us are tough on fraud, but they are also about: fairness to those who play by the rules and rely on the social security system; fairness to those who make errors, by helping to identify potential errors sooner; and fairness to taxpayers, by ensuring that every pound is spent wisely, responsibly and effectively on those who need it and are legally entitled.

Fraud and error in the welfare system were responsible for the overpayment of almost £10 billion in 2023-24. Since the pandemic, £35 billion of taxpayers' money has been incorrectly paid to those not entitled to that money. These measures alone will save £940 million over the next five years, up to 2029-30—a figure that has been certified by the independent Office for Budget Responsibility.

An eligibility verification notice issued under schedule 3B will require a bank or other financial institution to look within its own datasets and to provide data to help the DWP identify where someone might not meet the eligibility criteria for a particular benefit. To do that, the notice will contain defined criteria that the bank or other financial institution must use to detect accounts that might not meet the eligibility rules for a certain benefit—for instance, accounts that receive universal credit but have over £16,000 in capital, which is above the normal limit to remain eligible.

Only then, if there is an indication that an individual may not be eligible for the benefit they are receiving, will the bank or other financial institution share limited information about the account to allow the DWP to undertake further inquiries, as necessary. We know that a customer might hold money in more than one account, and not necessarily in the one that receives the benefit payment. For that reason, schedule 3B requires a bank or other financial institution to look at all the accounts it provides to the individual, and to compare them with the criteria set out in the notice.

The measures also contain important safeguards to protect benefit recipients and associated individuals, to protect their data, and to ensure that it is not unduly onerous for a bank or other financial institution to comply with an eligibility verification notice. Those safeguards, which are extensive, include clearly restricting who the DWP can collect information on, and for what purpose; clearly restricting how the DWP can use the information gathered under these powers; tightly limiting the accounts in scope, including the sharing of data on UK accounts; limiting the type of information that can and cannot be requested, with clear provisions that certain data, such as information on transactions, cannot

be shared; and showing that a human will always be involved in decisions that affect benefit entitlement. A code of practice must be produced, providing guidance for financial institutions on their obligations under this legislation.

To protect the privacy of our customers and associated individuals, such as appointees, we must take steps to ensure that limited information is shared with the DWP—the minimum to enable further inquiries, where necessary. That is why part 2 of proposed new schedule 3B outlines provision for a comprehensive penalties regime to prohibit banks or other financial institutions from sharing information that is not permitted to be shared under the measure, as outlined in paragraphs 1(4) and (5). This can include information about individual transactions and special category data, such as data about an individual's health, ethnic origin or political opinions.

If a financial institution wishes to dispute a notice, it has recourse under proposed new schedule 3B. Specifically, it will have access both to a process to ask the DWP to review the decision to issue a notice, as set out in part 3 of proposed new schedule 3B, and to an appeals process to formally dispute the requirements of a notice, as set out in part 4. Part 5 will mean that the Secretary of State must publish a code of practice to govern the use and operation of the measure, including data received under it.

I said I would spend a moment on codes of practice where appropriate, so I will now speak to this in more detail. The code of practice for EVM will provide further guidance for banks and other financial institutions on complying with notices, and information for those who may be affected by the measure. It will include detail on the eligibility of verification notice and its purpose, including how it will be sent, who should comply with it, and further details on the accounts in scope, such as linked accounts and appointees. It will specify further the type of information that the DWP will request from financial institutions, and the type of information that is prohibited, such as transaction and special category data. It will also set out how the DWP will use the data received in response to a notice, beyond what is in the Bill.

The code will also set out more detail on the safeguards to ensure that the measure is exercised in a proportionate and measured manner, along with the mechanisms embedded to ensure accountability. This includes safeguards for individuals, financial institutions and the data itself, as well as the independent oversight of the measure. It will explain how data must be handled and treated once received, along with the confidentiality and security requirements and compliance with rules and provisions set out in the Data Protection Act 2018 and the UK general data protection regulation. It will also set out clear avenues for compliance concerns to be raised.

The eligibility verification measure is projected to save £940 million over the next five years, and it is a vital part of a package of measures that will save up to £1.5 billion over the next five years.

**The Chair:** Before I call the shadow Minister, it would be immensely helpful if Members could say whether, at this stage at least, they intend to press their amendments to a vote. They will, of course, have a chance to change their mind if the Minister persuades them otherwise when he winds up.



**Steve Darling:** I will press both my amendments to a vote.

**Siân Berry** (Brighton Pavilion) (Green): I will press mine too.

**Rebecca Smith:** As we have just heard, clause 74 amends the Social Security Administration Act to give power to the Secretary of State to obtain information for the purposes of identifying incorrect payments of certain benefits. I think that is fairly self-explanatory, so I do not have any questions.

Schedule 3 provides further detail on eligibility verification measures, but what happens when people have an account with a bank or financial institution other than the one that DWP payments are made into? We talk a lot about linked bank accounts, but it is implied that one bank will be looking to see whether a person has multiple accounts. However, people have much more complicated lives.

How does the Minister intend to ensure that we not only look at the account into which the benefit is paid, so that the investigation is more thorough? Thinking specifically about National Savings & Investments—a Government account into which people save money—are we going to make sure that a person's entire suite of bank accounts are included, or just the one into which the DWP pays money?

That leads me on to my amendments. As the official Opposition, we have tabled amendments 24 and 25 to schedule 3, relating to the scope of who may be subject to the legislation. I will also speak to the amendments tabled the hon. Members for Torbay and for Brighton Pavilion during my comments.

Amendment 24 would include within the scope of the Bill accounts held by a person appointed to receive benefits on behalf of another person. We have tabled that because it would mean that proxy accounts are not excluded and wider patterns of potential organised fraud could be monitored and prevented over time. Without that measure, we believe that it would be easy for fraudsters to deliberately evade monitoring.

**Steve Darling:** I am sure that many colleagues will be alive to the fact the proposals before us mean that one in eight will be affected by these quite significant powers of mass surveillance. Will the hon. Lady advise us on how many more people will be affected by including housing benefit in the proposals?

**Rebecca Smith:** If I may, I will come to that when I speak to amendment 25, which deals with housing benefit. I think it will be simpler if I deal with the amendments separately, but I thank the hon. Gentleman for that question.

We believe that we should look at the recipients of what are essentially proxy accounts because, without that measure, it would be easy, as I said, for fraudsters to evade monitoring deliberately, and therefore investigations and consequences. The Bill in its current form will be limited in how it can tackle welfare fraud, which is one of the main purposes of the legislation. Ultimately—maybe with the exception of error—where people are determined to commit fraud, there are numerous ways of doing

it, and if the Government's Bill is not enabling that significant investigation, we believe that it will fall at the first hurdle.

We also believe that the proposal has the value of increasing protection for vulnerable or older people who may otherwise be unwittingly targeted by those seeking to defraud the DWP. In effect, therefore, this amendment broadens the scope of fraud prevention, ensuring that any misuse of benefits by third parties is identified, and that includes those who are acting as a proxy. We argue that this is, in effect, a tidying-up amendment to enhance the measures in the Bill and to ensure that the legislation does not create loopholes before it has come into force.

We have also tabled amendment 25, as we believe that we should add housing benefit to the list of benefits that fall within scope. If we are serious about tackling fraud and error, we should want to expand the relevant benefits as far as we can, while ensuring that the cost-benefit analysis remains proportionate. Although housing benefit is in the process of being replaced as part of the roll-out of universal credit, as of November 2024, 2 million claimants of traditional housing benefit remain. New claims, as Members will know, can still be made for housing benefit by people who have reached state pension age or who live in supported, sheltered or temporary housing. Receipt of benefit is dependent on household income, including savings and capital, among other criteria.

Amendment 25 provides a focus in our debate on economic impact and cost effectiveness. The current accredited official statistics, published by DWP in its report, "Fraud and error in the benefit system", show:

"The Housing Benefit overpayment rate was 6.3% (£980m) in FYE 2024, compared with 5.7% (£860m) in FYE 2023... Overpayments due to Fraud were 3.9% (£600m) in FYE 2024, compared with 3.5% (£530m) in FYE 2023."

That represents £600 million of lost taxpayer money. The report continues:

"Under-declaration of financial assets (Capital) was the main reason for the changes across total Housing Benefit overpayments"—I know that came up quite a lot during our evidence sessions. The report also states that at a total level, capital fraud

"increased to 2.2% in FYE 2024, compared with 1.3% in FYE 2023."

We know that that is a significant problem. Indeed, as we heard in evidence from the Minister about capital fraud, the amount is eye-watering. Often this is about error, but equally, it does still mean that people fall out of scope for receiving benefits. That increase is statistically significant and highlights why we believe that housing benefit should be brought within the scope of the Bill, if the Government are truly serious about tackling welfare fraud and error.

2.45 pm

On the question from the hon. Member for Torbay, ultimately, we know the number of claimants—2 million are still receiving old-style housing benefit. Anybody receiving universal credit and the housing element of that is within the scope of the Bill already. That is a large number of people and, as I indicated, a large amount of money that the DWP is losing out on. I hope that that gives him some indication of the scale of what I am talking about.

It could be argued that housing benefit cannot be brought within the scope of the Bill, given that historical housing benefit is administered by local authorities rather than directly through the DWP. It is done on the basis of a grant from central Government, however, so central Government money is ultimately still being defrauded if we do not include the benefit. That warrants significant consideration, and it should be brought into the scope of the Bill to ensure that fraud and error is being tackled comprehensively.

Including the benefit would also ensure that there are not two tiers in the system of support for housing costs. Why should someone receiving the housing element of universal credit be under more stringent scrutiny than those who claim the old-style housing benefit? Let us not forget that this relates to error as well as fraud, so incorporating housing benefit would provide additional protections for those who may receive excess support as a result of error and will be required to repay. Such people are not looking to defraud the state directly. Those are a few interesting points that we wanted to get across.

Amendment 29 from the Liberal Democrats, in the name of the hon. Member for Torbay, would remove the provision for regulations to change the list of qualifying benefits. We believe that this would be a short-sighted move. If a decision is taken to change the benefit system, the new system in future would be out of scope of this legislation and could not easily be amended. It is right that we ensure that benefits are paid only to those who are eligible, to ensure fairness to them and to the taxpayer. That applies regardless of the type of benefit, now and in the future.

Liberal Democrat amendment 30 would remove pension credit as a qualifying benefit within scope of the eligibility verification. This is a sensitive point. It is very important to Conservative Members that we are very much on the side of pensioners. Equally, however, we have heard time and again that we have to be tough on fraudsters, and we have to find that balance.

Many pensioners are in need of additional support from the Government, and we completely support the role of pension credit. We want to see that everyone who is entitled to the benefit claims it and, indeed, is facilitated and enabled to do that as simply as possible. Pension credit is essential not only to receive the income top-up, but as a passport to further support, such as a free TV licence, winter fuel and cold weather payments, and free NHS dental treatment, as has been the topic of many debates over recent months.

As hon. Members know, we are campaigning hard for that. We want to ensure that pensioners receive what they are entitled to. Pension credit enables access to housing benefit and other support. We are fully in support of pension credit, but when someone receives a state benefit, we still need to ensure that that is not fraudulent. Given the more generous support, we need to ensure that it goes to the right people.

Pension credit overpayments in 2023-24 totalled £520 million, of which £210 million, or 40%, was attributed to fraud and the same amount to claimant error. Around £100 million was due to official error, the equivalent of about 20%. We recognise that the issue is often the Department, but the figures can come from fraud or error, too.

The figures show that being of pensionable age and therefore entitled to pension credit does not preclude an individual from committing fraud in relation to the payments that they receive from Government. Rather than removing pension credit from the list of benefits to which the Bill relates, setting out in the code of practice how the most vulnerable and older people can be supported through any process for identifying and recovering any overpayment, whether due to fraud or error or departmental error, would provide reassurances. My question for the Minister is, therefore, what plans does he have to include such reassurances and safeguards, specifically for older and vulnerable people, in the code of practice? This is not just about older people, but more vulnerable groups.

Finally, amendment 30, in the name of the hon. Member for Brighton Pavilion, in effect seeks to secure the same outcome as amendment 29. Therefore, our concerns remain the same. The change would remove the flexibility to reflect future benefit changes and deal with developing trends in other benefit fraud and error. I will leave my comments there. We will see how the debate goes before we decide whether to press any amendments to a vote.

**Steve Darling:** I reflect to the hon. Member for South West Devon that accusing somebody of being short-sighted when they have a guide dog with them is a bit of a juxtaposition, but it was taken well.

The Liberal Democrats and I have grave concerns about this Orwellian approach to mass surveillance, and that the proposals are overcooked. I go back to my concerns that the DWP is, sadly, not fit for purpose. One has to look only at the significant delays throughout the system and the challenges within that Department, and yet we are looking at granting it massive, extremely significant powers. The DWP already has the ability to intervene where it suspects fraud, and we welcome that where there is reasonable suspicion, but to actually subject people to this approach is outrageous. Some of the evidence I heard when I consulted people from disability groups is that people with mental health issues may be fearful. They may think, "Because the Government Minister is looking in my bank account, I can't afford the nice cheesecake from Waitrose. I can only shop in discounted supermarkets because the Minister is going to be watching what I am doing."

Turning to our amendments, we have grave concerns that the approach could be the thin end of the Government wedge. We have therefore tabled amendment 29 to put a clear restriction on the proposals, ensuring that what is before us is set in stone rather than allowing for mission creep.

On amendment 30, we know from the debacle around the winter fuel allowance that getting pensioners to step up to the mark and claim pension credit has been a real challenge. I also draw the Minister's attention to the fact that pension credit is an area where there are significantly lower levels of fraud. There are already low levels of fraud generally throughout the benefits system, but the pension credit levels are extremely small.

**Neil Coyle (Bermondsey and Old Southwark) (Lab):** I think the Conservative spokesperson just gave the figure of £500 million in pension credit fraud and error last year. Is the Lib Dem spokesperson saying that that is not very much?

**Steve Darling:** We need to make sure that there is a level of proportionality. On pension credit, proportionality suggests to me that pensioners are often extremely private people, and they will fear that the Minister will be looking through their shopping bills. Although there may be reassurances, this is still the presentation of what parts of our society may see as a Big Brother state. We have concerns about the impact, and by excluding pension credit specifically through amendment 30, we would serve some of the most vulnerable people in our society in the best way we can.

**Siân Berry:** It is a pleasure to serve under you again, Sir Jeremy. I rise to speak against clause 74 and schedule 3, and to support my amendment 35, which I intend to push to a vote. I also support the two Liberal Democrat amendments, and will vote for those if they are pressed.

In short, I am opposed to clause 74 and schedule 3 standing part of the Bill, and to the related powers that apply to the eligibility verification process. These powers do nothing less than bring in a system of disproportionate, mass financial surveillance of millions of people who have done nothing wrong and are not suspected of any wrongdoing. It is of profound concern that these powers are likely to be used at scale to monitor the private bank accounts of people who need the support of society and have done absolutely nothing to arouse suspicion.

One of the changes that people wanted to see when they voted out the last Government was a welfare system that treats people with dignity and respect. Sadly and disappointingly, these parts of the Bill are based instead on blame and suspicion of people in need of help, when the bigger issue is unclaimed and underclaimed benefits due to a lack of awareness, complexity in the system and stigma. I asked the Minister in the evidence session whether he would be using these new powers to also help alert people who are underclaiming benefits to what they may be due. The answer was not very clear, but I think it was no, because only the possibility of overpayments and reclaiming those was discussed.

I do not want to tweak these proposals—I want to prevent these two parts of the Bill becoming law at all, because they would allow the DWP to require banks and other financial institutions to provide information about claimants of universal credit, pension credit and employment support allowance in order to interrogate their claims of eligibility and entitlement. I assume that every claim would be examined over time. That means a huge new invasion of citizens' privacy.

Currently, if someone is out on the street, the police can only use suspicion-less stop and search on them if they have a section 60 notice in place, which involves setting out a clear reason, identifying a small area and identifying a fixed time for which that would take place. The Bill effectively puts a section 60 notice around every single person who claims these benefits. These people include, disproportionately, people from protected groups—disabled people and older people. This is a real problem; it is discriminatory, unsettling and unfair.

On the numbers, around 7 million people receive universal credit, around 1.4 million pensioners receive pension credit, and around 1.5 million get help from employment support allowance. These powers will drag nearly 10 million people directly into a net of intrusive financial surveillance, as well as those appointed to

receive benefits on their behalf, including parents, carers, appointed people and landlords. Given that several of these benefits have eligibility requirements based on household income, we are bringing in family members as well. Unsurprisingly, these measures are of huge concern to disability rights, poverty, pension and privacy groups, who are united in their opposition to them.

Ideally, I want to see everything struck out, but amendment 35 to schedule 3 would at least mean that more benefits could not be added to the list of relevant benefits by regulations. It would leave in place the ability for Ministers to remove benefits through regulations in future.

The hon. Member for Oldham East and Saddleworth (Debbie Abrahams), Chair of the Work and Pensions Committee, set out on Second Reading the risk of damaging trust in and engagement with the DWP for millions of people who might otherwise not claim benefits. I raise that problem because I believe that underclaiming is as much of a problem as fraud and error and should be getting as much attention.

On proportionality, it is incumbent on Ministers to come up with a new, more proportionate way to address fraud, where there is reasonable suspicion. I am not against the issue being looked at, but I add that administrative errors are 8% of the problem. They are caused by the DWP's mistakes and should not result in a need to treat as suspects people who might make errors in their claims due to lack of clarity in or awareness of requirements.

It is absolutely right that fraudulent uses of public money are dealt with robustly. To that end, the Government already have significant powers to review the bank statements of welfare fraud suspects. Ministers did not hear me complaining at the new powers to require more information when there is a reasonable suspicion of somebody having committed fraud. This eligibility requirement goes way, way beyond.

There are automated decision-making powers coming through in another Bill, which impacts on this Bill and the assurances we have received from Ministers. They say that no automated decisions will be made based on the eligibility verification data alone and that, where potential fraud is identified against those eligibility indicators, cases will be referred to the DWP for further consideration and investigation. However, assurances by the DWP that a human will always be involved in the decision whether to investigate an individual are not set out in the legislation, and the scale and nature of any human input is very unclear, despite its having been promised.

Furthermore, as we heard in oral evidence, while assurances about human involvement are also provided for under current data protection law, the Data (Use and Access) Bill currently making its way through Parliament will remove any proper prohibitions on automated decision making. Those must be included in this legislation, in the code of practice or in the regulations. I believe it is for the Government to produce urgent amendments to solve the problem.

3 pm

We have already debated safeguards and the lack of information about the code of practice and about the independent person, what qualifications they might have



and what kind of scrutiny and transparency there may be around that, but I genuinely believe that those issues also need to be solved.

I also want to raise issues around the potential stress on vulnerable people of being investigated. There will be mistakes made. There will be over-flagging, meaning that vulnerable people, some with serious mental health conditions or disabilities, will be put through the stress of an investigation at the behest of an algorithm scanning millions of accounts. Such a scale of operation cannot fail to produce a much bigger scale of error, stress and mistakes in terms of who Ministers investigate.

Benefits investigations are really worrying; the documentation demands can be very burdensome and, if they are not complied with accurately and in time, benefits can be suspended. There may be further sanctions built into this legislation that we do not know of yet, because we cannot yet see the code of practice and when penalties will be imposed on people who struggle under the pressure of an investigation.

Finally, I want to talk about direct payments. There are particular concerns about the impact on disabled people who receive direct payments, as the Committee will be aware from the important written evidence provided by John Stockley, which states:

“For individuals receiving Direct Payments, these funds are held in trust and are specifically designated for meeting their assessed care and support needs...Direct Payment recipients often accumulate underspends, which are built into the Direct Payment framework as financial contingencies”,

which

“can include up to 12 weeks’ worth of funding...intended for future care needs”.

My concern is that sometimes the accumulation of those payments could inadvertently push recipients of disability benefits over the capital limit so that they fall foul of the eligibility verification processes, unless changes are made to exempt those accounts or those individuals from the eligibility verification rules. I do think Ministers should look at that.

In conclusion, while we all want fraud and error to be robustly tackled in the welfare system, these provisions are not proportionate to achieving that aim and we should not undermine the presumption of innocence and fundamental privacy rights in order to achieve it. I urge the Minister to reconsider this part of the Bill. We should be treating people who claim benefits as citizens, not as suspects, and for that reason I will be opposing clause 74 and schedule 3.

**John Milne (Horsham) (LD):** It is a pleasure to serve under your chairmanship, Sir Jeremy. It is important for us all in this place to remember that, although we make legislation with the best of intentions, it does not always play out perfectly in practice. As a member of the Work and Pensions Committee, I heard evidence a few days ago from a number of claimants who have had a very bad experience at the hands of the DWP. Their overall theme was one of antagonism and hostility from the service, and they described a number of serious problems.

That is the attitude that, unfortunately, many claimants and many people across the country have. They think that the objective of the DWP is to catch them out rather than to help them—rightly or wrongly, that is what they feel. In that context, the title of this Bill covers

“fraud and error”, not “fraud and genuine human mistake”—which, frankly, is what goes on a lot of the time.

I say that particularly in the context of our amendment 30 relating to pension credit. As my hon. Friend the Member for Torbay has described, pension credit is an area of relatively low fraud. However, there are more elderly and vulnerable people who are more likely to make an error, particularly in the context of the removal of winter fuel payments. There is a little extra onus on pension credit, and we are trying to push greater take-up. About a third of eligible people do not claim pension credit. Part of the reason is that many of them feel intimidated by the process and the feeling that they are getting something that they should not have. It is fear that holds them back.

A few months ago, the Secretary of State for Work and Pensions, the right hon. Member for Leicester West (Liz Kendall) said she would “move heaven and earth” to try to push that take-up higher, because we never seem to get past that 65% to 66% level. In that context, this feels like a retrograde measure, likely to depress rather than to encourage take-up.

**Neil Coyle:** Could the hon. Member give us the figures on the increase in pension credit take-up for the period during which a Lib Dem held the position of Minister for Pensions?

**John Milne:** That was before my time and I was not even in the country, so I am afraid I cannot answer that question.

It is very important that we should be pushing take-up, not sending it into reverse. For that reason, I ask the Minister to reconsider the need to include pension credit; that the upside—the amount of money that might be recovered from fraudulent claims—is relatively modest compared with the potential downside of putting more people off claiming.

Regarding amendment 29, tabled by the Liberal Democrats, we have heard from many witnesses, such as Big Brother Watch, about the risk of mission creep and these powers being extended in too many directions. It seems to me completely unnecessary to simply give the Minister of the day the power to add whatever benefits he or she feels like at that time. There is no need for it. Excluding that now does not affect the tax take or the potential benefit for the Government, and it seems an unnecessary and disproportionate power. I urge the Minister to reconsider the inclusion of that measure.

**Damien Egan (Bristol North East) (Lab):** I want to make a few points, because I am worried that some Members are underestimating the level of fraud and the direction of travel, because it is only going up.

The hon. Member for Brighton Pavilion is correct in a sense in saying that people voted for change and that fairness in the welfare system is one of the things they voted for, but part of that is about having confidence in the welfare system. People can see the level of fraud, and they want the Government to restore the balance so that it is less in favour of people committing fraud.

I encourage those Members who are apprehensive about these elements to visit their local jobcentre. I did two visits at my local jobcentre in Kingswood; I had to



go back because the work coaches had so many stories to tell. Members of the Work and Pensions Committee will have heard me say this before, but I spoke to two women: one had been there for 45 years and the other 41 years. They said the level of fraud is something that they have never seen before. I wish they were here now, because everything that they said about how we deal with it was about getting information from banks and other agencies and sharing that information on eligibility and combating fraud. I wanted to make those points and I encourage Members to speak to them.

**Siân Berry:** Does the hon. Member recall me talking about clause 72 and not speaking up about speeding up the electronic getting of information from banks when people are under suspicion? Does he agree that there is a barrier at that point?

**Damien Egan:** I really appreciate the point, but I think if hon. Members were to spend time and speak to work coaches—as they may have done—they would find that work coaches want, and are asking for, more of that information to be shared. It is also about trying to prevent people from committing fraud.

**Andrew Western:** I will make a few general comments on the thrust of hon. Members' contributions, beyond the comments that they made about their amendments, and then I will speak to the amendments as one at the end of my contribution.

The Opposition spokesperson, the hon. Member for South West Devon, talked about people who bank with more than one financial institution, and asked what happens if their benefit is paid into one institution and they have savings in another. She is right that we will not have full sight of somebody's accounts if they bank with more than one institution. That is by design, specifically because of the concerns we heard from other Members about the scope of the Bill. Were we to take the power to check every single account in the country, there would understandably be significant outcry about proportionality; indeed, we have heard some of that with regard to what I would call the limited scope of what we are putting forward.

I would be especially concerned were we to attempt to narrow the scope by sharing the details of benefit recipients only. That would breach an important safeguard that we have built into the eligibility verification measure: namely, that we will not share data directly with banks. I do not think there would be a way to do that for somebody who banks with more than one institution without either checking every single bank account in the country—which would not only be a mammoth undertaking, but would lead even me to use words such as “mass surveillance”—or sharing data in the other direction, which I am incredibly keen to avoid.

This is a question of scope. We have gone a considerable way in narrowing the scope of this eligibility verification measure. It most obviously compares to the third-party data measure that the previous Government put forward in the Data Protection and Digital Information Bill. That did not make the same interventions to narrow scope—for instance, removing the state pension—nor would there have been independent oversight of the process.

The hon. Lady is correct that there is a question about what happens when somebody banks with more than one institution. I assure her—this is a really important point from a fiscal perspective—that the savings that we have earmarked against the Bill and the eligibility verification measure are based on the principle of checking only the institution into which the benefits are paid. That does not mean that we would check only that account, however, so if the person had more than one account—a current account, a savings account and so on—that would be in scope, albeit business and charity accounts are explicitly ruled out.

The hon. Lady also asked about the capacity to better protect older and vulnerable people. That is incredibly important. Clearly, there is already a range of safeguards across the Department to work with people who present to us as vulnerable. We have specialist staff who work with those people and a vulnerability management framework within the Department to ensure we work as best we can with people who need additional help and support. She is right that that may manifest more in cases involving pension credit, and we will do all we can to work with people in need of additional assistance.

That does not mean that we get everything right, but we have made strides in our day-to-day support for vulnerable people, both when they apply for benefits in the first place, and when they owe debt to the Department for whatever reason. When we come to the debt recovery powers in the Bill, I will say significantly more about the vulnerability protections that we have built into the Bill and have more generally across the Department.

That brings me to the general comments that the hon. Member for Torbay made. I will avoid some of the more hyperbolic language—“Orwellian”, “mass surveillance”—and go straight to one of my favourite things: a Waitrose cheesecake. I assure him that, as expressly set out on the face of the Bill, transactional data will not be shared with the Department for Work and Pensions under the eligibility verification measure. He says that people are saying that that should be of concern to benefit recipients; I suggest that those of us in this House have a particular responsibility not to peddle those sorts of myths.

I am compelled to address the overarching accusation that the DWP is not fit for purpose. We are not a perfect organisation and do not claim to be, but we support millions of people, week in and week out, pay out billions of pounds, week in and week out, and provide a vital safety net for people up and down this country. I am proud of the work that we do. That does not mean that we do not need to strive to make improvements or that we are in any way beyond reproach. But I have to say that the role we play in supporting the most vulnerable people in society is absolutely critical for this Government.

3.15 pm

I want to touch on the comments the hon. Member for Torbay made about proportionality in pension credit. I am at a loss to understand how it can be considered anything but proportionate to address fraud in pension credit when the level of fraud and error in the pension credit space is 9.7% and upwards of half a billion pounds. That cannot be ignored; it would be remiss of us to do so. We have to take action where we can. As with many of the benefits where we see fraud and error, a significant aspect of that fraud is capital fraud.

I gently say this to hon. Members who have a philosophical objection to the eligibility verification measure because it means looking into the bank accounts of people who are not suspected of anything: there is no way to know whether somebody has more than £16,000 in their bank account without taking the powers to check it. The only safeguard we have as a Department at present is to ask somebody at the beginning of a claim, “Do you have more than £16,000?” That is why, in universal credit alone, we know there is upwards of £1 billion in that specific capital fraud.

It is for that reason that I struggle with the suggestion that, as the hon. Member for Brighton Pavilion said, to act in a preventive manner with the eligibility verification power is to be discriminatory towards disabled people. I fundamentally reject the idea that that is directly discriminatory in any way. I can understand why, looking at the cohort, some may feel that there is indirect discrimination, but it is important to remember that we would face similar charges whatever we did in the prevent space, rather than the detect space, because there is an over-representation of people from specific vulnerable groups in the benefit claimant cohort. That is just a fact. It means that anything we do in that space would be unacceptable. Given the level of fraud and error that we have, it is difficult to say that we should ignore £9.7 billion a year.

**Siân Berry:** I hope the Minister will not take this the wrong way, but I hope that he is able to understand that the stigma that people feel about applying for benefits is partly to do with the attitudes people have towards those who receive benefits. The idea of the Government applying a privacy invasion measure against that cohort of people as a whole feels like discrimination to them. It adds to the stigma; it speaks to the fact that they feel that they are not treated as well as other people in society. They are not believed when they say that they do not have £16,000. Those are all parts of the same package of discrimination, are they not?

**Andrew Western:** They would be, were the powers entirely unique. However, as we heard in the evidence of the representative from HMRC, there is a long-standing power—introduced, I believe, in the Finance Act 2011—for HMRC to routinely and regularly check all interest-bearing bank accounts in the country. I have not looked at the cohort of people who are fortunate enough to have interest-bearing bank accounts, nor have I ever been in such a position myself, so I plead ignorance here. However, I suspect that there is not the same over-representation of vulnerable groups.

The important point—this comes back to the broader point around automated decision making, AI and so on that the hon. Member for Brighton Pavilion made—is that we are looking to better improve our access to data, not take decisions as a direct result of the information we have received. Indeed, we have built in human decision making at every stage of the five areas where we are taking new or updated powers on the DWP side of the Bill.

**Steve Darling:** I referred to the proposals as Orwellian, and my concern goes back to “Animal Farm” where the notice was amended to read:

“All animals are equal, but some animals are more equal than others”.

We have this perverse situation with the legislation where for some sections of society it is appropriate for the Government to use AI to go through their bank accounts, and for other sections of society it is not appropriate to use AI to go through people’s bank accounts. How does that lead to a society that is cogent and speaks together? Or is this just sowing division around our communities?

**Andrew Western:** It is incredibly important to reiterate for anybody who may be watching our proceedings that the Government will not be going through anybody’s bank accounts. We will be asking banks and financial institutions to do that, and to share information with us only where there is a potential breach of eligibility verification. The information that is shared with us will be specifically related to identifying the bank account and the potential breach of eligibility. It will not be, for instance, special category data or transactional data.

To return to my point about the use of AI and automated decision making, when a flag comes back on the eligibility verification measure, a potential breach of eligibility will immediately be passed to a human investigator to take that forward. It will not at any point trigger a penalty or a prosecution for fraud without a human intervening and, as they do at present, establishing that there is potentially fraudulent activity or, indeed, an error that warrants a reclamation of overpayment.

Amendment 30 seeks to stop the DWP from being able to use the eligibility verification power in respect of pension credit. We have had quite the debate about that already, and the hon. Member for South West Devon made many of the points that I would have made.

**Mike Wood (Kingswinford and South Staffordshire) (Con):** According to the House of Commons Library, one of the biggest factors in that 10% of pension credit expenditure that is lost to fraud and error is payments to people who are abroad. How will the measures on eligibility verification help to identify people who do not actually live in the country so would not be eligible for pension credit?

**Andrew Western:** I am grateful beyond belief to the hon. Gentleman, because he highlights why this provision is so important. More than 50% of the fraud and error that we see in pension credit comes from two principle sources, which the eligibility verification measure specifically seeks to address. One is the issue of capital fraud, where there is a relatively easy indicator—for example, in respect of universal credit, was the individual in receipt of capital in their account of more than £16,000?

The provision also has the benefit of helping us to establish when somebody has been out of the country for longer than their benefit entitles them to be. For instance, it would provide a flag on an account when somebody’s bank account suggested they had been making purchases abroad and so on. We would not receive the transactional data or know specifically where the purchases were made—or, indeed, whether it was cheesecake or some other item—but it would give us specifically the date that somebody left the country, and thereby show whether they were in breach of the length of time they are allowed to be away. This is not, then, just a tool to deal with capital fraud, although that is the most straightforward example to articulate and, therefore, the one I use most readily; it will also be useful to

identify people who have been abroad for longer than their eligibility suggests they should be allowed to be while continuing to receive benefits.

It is important to recognise—I touched on this when I set out the human safeguard that is in place—that a flag would not necessarily mean that someone has done anything wrong, or that they are no longer entitled to benefits. On capital fraud, it might be because someone has received, perfectly legitimately, a Government compensation payment, such as for infected blood, which would be out of scope. That is why a human would check that. The person would therefore not lose benefits or receive an overpayment.

On someone being out of the country for longer than they are entitled to be—if they have been taken ill, or if there has been an environmental catastrophe, humanitarian disaster or some such, that means they are unable to leave the country they are in—again, that would be investigated. The person would not face action as a result. I hope I have set out exactly how the eligibility verification measure is useful not only for capital fraud, but for allowing us to notice and receive indications about when someone has been out of the country for longer than they are entitled to be while still receiving benefits.

As I said, on amendment 30, the hon. Member for South West Devon touched on many of the comments that I would have made about why pension credit is included. The change would not explicitly exclude pension credit, as with the state pension, because the legislation still enables Ministers to lay regulations for its inclusion at a future date. My intention, however, is to use the power for pension credit payments from the outset, because unfortunately the rising trend in overpayments of pension credits demonstrates that pension-age benefits are not immune from fraud and error.

In 2023-24, £520 million in pension credit was overpaid, and pension credit has one of the highest rates of capital fraud and error, with £198 million lost in 2023-24 alone. The rate of fraud in pension credit increased by more than 50% in 2023-24, as against the previous year, so we have a clear problem. The under-declaration of financial assets and claimants staying abroad for a longer period than is allowed remain the two main causes of pension credit overpayments in '23-24. As I said previously, they accounted for more than 50% of all overpayments.

Equally, it is important to ensure that people receive the right payments. The eligibility verification measure is not about removing pension credit payments from anyone; it is about confirming that claimants meet the conditions of entitlement. The measure also enables the Department to help to prevent individuals from unknowingly accruing overpayments, pension credits or any other benefit in scope, which could lead to financial stress if later they need to repay money they were not entitled to.

Overall, the measure and the inclusion of pension credit will help the DWP to ensure that public funds are used responsibly while maintaining confidence in the benefit system. On that basis, I will resist amendment 30.

**Rebecca Smith:** Before we move on from pensioners, throughout the debate there has been a valid concern about pensioners potentially being alarmed at or feeling vulnerable about what might happen. Will the Minister clarify something? Any pensioner who is not involved

with pension credit is not likely to fall within scope of having their bank accounts checked, so only those people who are interacting with the Department in one shape or another are likely to have their bank accounts searched, and only in relation to those benefits. Every single pensioner out there will not have their bank accounts scrutinised; only someone of whatever age or bracket who is, or seeks to be, in receipt of benefits will fall within the scope of the Bill. Am I correct in believing that? That would at least reassure a proportion of pensioners—although not all—that they are not, as we said, going to get snooped on for buying a cheesecake. They will fall in scope only if they end up interacting with the Minister's Department.

**Andrew Western:** I am happy to confirm that the situation is as the hon. Lady articulated. Only someone in receipt of one of the three benefits initially in scope would face use of the eligibility verification measure.

**Steve Darling:** Will the Minister confirm whether, once the Bill has passed, he could choose to increase the scope to include all pensioners?

**Andrew Western:** That brings me to amendment 25, which seeks to include housing benefit, and to later amendments on the affirmative procedure regulations that we propose for being able to bring other benefits in scope. We would need to do that to reflect the changing nature of fraud and the fact that fraudsters, unfortunately, change their behaviour and the benefits they target depending on the safeguards in place and the extent to which they are effective. Therefore the answer to the question is yes, and I will say more on that when we come to the specific amendments in that space.

3.30 pm

Amendment 25 seeks to include housing benefit as part of the EVM. It would add housing benefit alongside the three prescribed benefits already presented: universal credit, pension credit and employment and support allowance. I am sympathetic. In resisting the amendment, I want to explain why I do not think it is necessary—or “practical” might be a better description.

Housing benefit is a specific payment that can help to pay rent for people who are unemployed, on a low income or claiming benefits. How much the claimant can get depends on their income and circumstances, and housing benefit is administered by local authorities, not by the DWP. For that reason alone, housing benefit should not be prescribed in this legislation, because we do not have the relationship that we have in respect of the other benefits, where we directly pay the benefit into the bank account and thus to the financial institution, creating the three-way relationship between claimant, institution and benefit payment. For the vast majority of people of working age, support to meet housing costs is, as the hon. Member for South West Devon said, now part of universal credit.

Under the EVM, where an incorrect payment is found in one of the specified benefits, the information gathered under the power can also be used to help to find incorrect payments of any associated benefit. That would include housing benefit. For example, if someone is found to be ineligible for pension credit, their entitlement to housing benefit may also need to be reviewed, and we



would make the relevant local authority aware, as we do now in all other cases. It is on the basis of practicality that I resist the amendment.

I will take amendments 29 and 35 together. Amendment 29 seeks to remove the power to use regulations to add or remove benefits from the list of benefits in scope of the eligibility verification measure. Amendment 35 seeks to remove the power to use regulations to add to the list of benefits in scope, and would therefore allow benefits only to be removed from the list. If accepted, the changes would seriously limit the DWP's ability to respond to any changes in fraud and error overpayment rates in the benefits system.

Universal credit, pension credit and employment and support allowance currently have some of the highest overpayment levels of all benefits—for example, £6.5 billion in universal credit was overpaid last year—which is why those benefits are in scope of the measure and listed in the primary legislation. But we know that that is likely to change because, as I said in response to the intervention from the hon. Member for Torbay, fraud and error overpayment trends change over time. I have mentioned that in one year alone—between 2022-23 and 2023-24—we saw a more than 50% increase in pension credit fraud rates.

It is vital to be able to add to the list of benefits in scope of the measure to ensure that the DWP can respond to fraud and error overpayments in the welfare system, in relation to whichever benefits are most affected. If there is an increase in fraud and error overpayments in relation to a benefit that is not currently in scope of the measure, we must be able to respond. Using the EVM as one tool to do that must remain an option, where it is appropriate.

I am clear that if Ministers wish to extend the measure to other benefits, Parliament should play a key role, which is why the power to change the list of benefits in scope of the measure is exercised by using affirmative regulations. That means that the DWP cannot simply add or remove benefits from the list without the consent of Parliament. For further benefits to be added to the scope of the measure, Ministers will need to make a compelling case to Parliament about why the changes are necessary and proportionate. That will naturally be, in part, driven by our data on fraud and error overpayments in the welfare system.

Amendment 29 would prevent the DWP from removing benefits from the list specified. From a more practical perspective, the benefits offered by the DWP can change over time and it would not make sense for the legislation to list a benefit that no longer exists in its own right, or at all. That is why we must retain the ability to change the list of benefits in scope, even if we set aside the idea—which I am not prepared to do—that other benefits may see increases in their fraud and error overpayment rates in the future. That is a further reason to reject amendment 29. I therefore resist those two amendments.

I resist amendment 24 largely because it would not have a practical effect on how the measure operates. That is because the legislation is already clear, in schedule 3B, that

“relevant accounts...are accounts...into which a specified relevant benefit has been paid, or are accounts linked to such accounts”.

Practically, that means some limited information may be captured on people who are not the claimant themselves,

but who might have a benefit payment paid into their account on someone else's behalf. That could be the case for some appointees, who play a key role in supporting people who are unable to manage their claims independently, but in many cases information on appointees simply will not be relevant to the DWP's verification of eligibility for benefits.

The only way to definitively exclude non-benefit claimants, such as appointees, will be for the DWP to share personal information with financial institutions before information is then returned, but I have been clear that I am not willing to do that. In fact, this is one of the many clear safeguards that have been set for the measure. My Department will, therefore, make sure that any information relating to appointees, landlords or any other third parties will be disregarded where it does not directly impact eligibility for the payment being made.

The legislation is clear that the DWP must comply with UK general data protection regulations and the Data Protection Act 2018 in respect of how data under the measure is handled. That means that any information that the DWP does not have a lawful right to process will be destroyed. This is an issue that I take very seriously and, wherever possible, I have sought to use the legislation to minimise the information that could be shared with the DWP, which is why the DWP cannot and will not receive information on corporate appointees or business accounts, as they are excluded from the measure.

I apologise for having disappointed Members in resisting all five amendments, but hope I have set out my rationale.

*Question put, That the clause stand part of the Bill.*

*The Committee divided: Ayes 13, Noes 3.*

### Division No. 3]

#### AYES

Baxter, Johanna	McKee, Gordon
Coyle, Neil	Payne, Michael
Dewhurst, Charlie	Smith, Rebecca
Egan, Damien	Welsh, Michelle
Gould, Georgia	Western, Andrew
Jameson, Sally	Wood, Mike
Jones, Gerald	

#### NOES

Berry, Siân	Milne, John
Darling, Steve	

*Question accordingly agreed to.*

*Clause 74 ordered to stand part of the Bill.*

### Schedule 3

#### ELIGIBILITY VERIFICATION ETC

*Amendment proposed: 30, in schedule 3, page 84, leave out line 12.—(Steve Darling.)*

*This amendment would remove pension credit from being a 'relevant benefit' for the purposes of the Act.*

*The Committee divided: Ayes 3, Noes 13.*

### Division No. 4]

#### AYES

Berry, Siân	Milne, John
Darling, Steve	



**NOES**

Baxter, Johanna  
Coyle, Neil  
Dewhurst, Charlie  
Egan, Damien  
Gould, Georgia  
Jameson, Sally  
Jones, Gerald

McKee, Gordon  
Payne, Michael  
Smith, Rebecca  
Welsh, Michelle  
Western, Andrew  
Wood, Mike

*Question accordingly negated.*

*Amendment proposed: 29, in schedule 3, page 84, leave out lines 13 to 17.—(Steve Darling.)*

*This amendment would remove the provision for regulations to change the list of qualifying benefits.*

*The Committee divided: Ayes 3, Noes 13.*

**Division No. 5]****AYES**

Berry, Siân  
Darling, Steve

Milne, John

**NOES**

Baxter, Johanna  
Coyle, Neil  
Dewhurst, Charlie  
Egan, Damien  
Gould, Georgia  
Jameson, Sally  
Jones, Gerald

McKee, Gordon  
Payne, Michael  
Smith, Rebecca  
Welsh, Michelle  
Western, Andrew  
Wood, Mike

*Question accordingly negated.*

*Amendment proposed: 35, in schedule 3, page 84, line 13, leave out from “to” to end of line 17 and insert “remove types of benefit from the definition of ‘relevant benefit’”.—(Siân Berry.)*

*This amendment would mean that benefits could not be added to the list of “relevant benefits” by regulations.*

*The Committee divided: Ayes 3, Noes 13.*

**Division No. 6]****AYES**

Berry, Siân  
Darling, Steve

Milne, John

**NOES**

Baxter, Johanna  
Coyle, Neil  
Dewhurst, Charlie  
Egan, Damien  
Gould, Georgia  
Jameson, Sally  
Jones, Gerald

McKee, Gordon  
Payne, Michael  
Smith, Rebecca  
Welsh, Michelle  
Western, Andrew  
Wood, Mike

*Question accordingly negated.*

*Schedule 3 agreed to.*

*Ordered, That further consideration be now adjourned.—(Gerald Jones).*

3.42 pm

*Adjourned till Tuesday 11 March at twenty-five minutes past Nine o'clock.*

**Written evidence reported to the House**

PAB10 JUSTICE (supplementary submission)

PAB11 Nick Sharp, Deputy Director, Fraud, National Economic Crime Centre (NECC), National Crime Agency (NCA)

PAB12 Nik Adams, Deputy Commissioner, National Coordinator for Economic and Cyber Crime and the NPCC Lead for Financial Investigation and Asset Recovery, City of London Police