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Public Bill Committee

PUBLIC AUTHORITIES (FRAUD, ERROR AND RECOVERY) BILL

Twelfth Sitting

Tuesday 18 March 2025

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Saturday 22 March 2025

The Committee consisted of the following Members:

Chairs: Mrs Emma Lewell-Buck, Sir Desmond Swayne, † Matt Western, Sir Jeremy Wright

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

Kevin Maddison, Simon Armitage, Dominic Stockbridge, *Committee Clerks*

† attended the Committee

Public Bill Committee

Tuesday 18 March 2025

[Matt Western *in the Chair*]

Public Authorities (Fraud, Error and Recovery) Bill

9.25 am

The Chair: I remind Members to send their speaking notes by email to hansardnotes@parliament.uk, and to ensure that all electronic devices are switched to silent. I also remind Members that tea and coffee are not allowed during sittings. It is going to be a busy morning. Please speak through the Chair, as usual, and refrain from using "you" unless you wish to speak to me.

New Clause 1

Overpayments made as a result of official error

"(1) Section 71ZB of the Social Security Administration Act 1992 is amended as follows.

(2) In subsection (1), for 'The' substitute 'Subject to subsection (1A), the'.

(3) After subsection (1) insert—

'(1A) The amount referred to in subsection (1) shall not include any overpayment that arose in consequence of an official error where the claimant or a person acting on the claimant's behalf or any other person to whom the payment is made could not, at the time of receipt of the payment or of any notice relating to that payment, reasonably have been expected to realise that it was an overpayment.'"—*(Siân Berry.)*

This new clause would provide that, where universal credit overpayments have been caused by official error, they can only be recovered where the claimant could reasonably have been expected to realise that there was an overpayment.

Brought up, and read the First time.

Siân Berry (Brighton Pavilion) (Green): I beg to move, That the clause be read a Second time.

It is a pleasure speak under your chairship again, Mr Western. I tabled the new clause as a probing amendment. In short, it would bring the test for the recovery of universal credit overpayments caused by official error into line with regulation 100(2) of the Housing Benefit Regulations 2006, meaning that they could be recovered only where the claimant could have reasonably been expected to realise that there was an overpayment.

Let me provide some background on why the new clause is needed. According to Department for Work and Pensions data, in 2023-24 the best part of 700,000 of the new universal credit official error overpayment debts entered into the DWP's debt management system were caused not by fraud or claimant error but by Government mistakes. Unlike for many other benefits, the DWP can recover official error universal credit overpayments from claimants. This power was introduced through the Welfare Reform Act 2012, and represented a significant change to the position that previously applied to most legacy benefits.

When concerns were raised at the time, assurances were provided by the then Employment Minister that the DWP did

"not have to recover money from people where official error has been made"

and that

"we do not intend, in many cases, to recover money where official error has been made."—[*Official Report, Welfare Reform Public Bill Committee,* 19 May 2011; c. 1019.]

However, Public Law Project research shows that the DWP's default approach is to recover all official error overpayments. Relief is dependent on individuals navigating a difficult and inaccessible process to request a waiver. In 2022, only 26 waiver requests were granted.

DWP mistakes matter. The financial and psychological impacts of overpayment debt recovery on individual claimants can be severe. The research I have mentioned found that the recovery of debts, including official error overpayments, by deductions from universal credit led to a third of survey respondents becoming destitute. The risk of harm is particularly acute for official error overpayments, which individuals have no way of anticipating, so they can lead to sudden, unexpected reductions in income that impact existing fixed commitments and carefully planned budgets.

The recovery of official error overpayments brought an added sense of injustice, with individuals finding themselves in debt due to a DWP error over which they had no control. For example, one claimant was overpaid universal credit because the DWP had failed to consider income from her widow's pension. She had informed the DWP that she received it and was assured that it would not affect her claim. She relied on that assurance and spent the money on daily living expenses. Four years later, the DWP told her that it would be recovering the resulting overpayment of £7,258.08. Aside from the significant financial impact, the stress associated with recovery impacted her mental health. She found herself constantly thinking about the overpayment and how she would pay it back, which in turn impacted on her physical health. She was left anxious that mistakes would be made again, leading to her incurring debt that she had no power to avoid.

Recovery often puts individuals who have relied on payments in good faith in financially precarious situations, forcing them to make difficult choices about sacrificing essentials. Research by the Joseph Rowntree Foundation has found that the current standard universal credit allowance is not sufficient to cover the cost of essentials. In this already difficult context, households that are repaying overpayment debt can lose up to 25% of their standard allowance each month.

People often base key life decisions and financial planning on information provided by DWP officials about their entitlement to universal credit. An official error universal credit overpayment can also have a knock-on effect on people's entitlement to other support, such as council tax reduction. I am sure the DWP does not want to be responsible for pushing someone into further financial hardship. We can prevent this harm from occurring in the first place with my new clause, which would mean that overpayments can be recovered only where the claimant could reasonably have been expected to realise that they had been overpaid.

The new clause is equivalent to an amendment proposed by Labour Front Benchers during the passage of the Welfare Reform Act. Under the new clause, DWP officials would themselves consider the fairness of recovering an official error overpayment before any recovery was initiated. Increasing protections against the recovery of overpayments would also create a strong incentive to reduce the rate of DWP errors in the first instance, thereby contributing to a more accurate and better functioning welfare system from the outset.

The Bill provides the Government with an opportunity to proactively address a harmful and unfair process that affects hundreds of thousands of claimants each year, easing the financial burden of debt on claimants who have done nothing wrong and encouraging the DWP to get payments right first time. I hope that the Minister will respond to my points on new clause 1, and I sincerely hope that we will make progress on the issue as the Bill progresses.

Rebecca Smith (South West Devon) (Con): It is a pleasure to serve under your chairmanship, Mr Western. This is the first time that I have spoken to a new clause in Committee. New clause 1, tabled by the hon. Member for Brighton Pavilion, would amend the Bill so that, where universal credit overpayments have been caused by official error, they can be recovered only where the claimant could reasonably have been expected to realise that there was an overpayment.

I am interested to know how the claimant could reasonably be expected to realise that the amount that they had received was an overpayment, as that would be the test for whether that person becomes liable for repaying the amount. If payments are made to an appointee's bank account, do they become liable for spotting the overpayment under this new clause? Would the amount have to be repaid only if both the person eligible for the payment and their appointee realised the overpayment?

Are there figures on how much money is lost and recovered due to error? Do we therefore know how much the new clause would cost the DWP? Underpayments in taxes are recovered by His Majesty's Revenue and Customs in the following months or years even where the individual is not at fault, and it is not clear why universal credit claimants should be any different. It would help if the Minister could explain to the Committee how, in the case of overpayments, a repayment plan will be put in place that is manageable for the person making the payments, and how that will be assessed.

We would be better off focusing on minimising official errors in the first place. What work is the DWP doing to better guard against overpayments, given that the overpayment rate for universal credit was 12.4% or £6.46 billion in the financial year ending 2024, compared with 12.7% or £5.5 billion in the financial year ending 2023? I argue that we need to focus on ensuring that overpayments are not being made, but once the error has been made, particularly because it is so costly to the taxpayer, we should try to ensure that the money is recouped.

Steve Darling (Torbay) (LD): It is a pleasure to serve under your chairmanship, Mr Western. I support the new clause tabled by the hon. Member for Brighton Pavilion. On several occasions over recent weeks, Ministers have gone on the record to describe the DWP and the benefits system as a "broken" system. It is extremely helpful that the hon. Member highlighted the impact that that can have on people who often have chaotic lives and are on the edge.

I have served the people of Torbay in elected office for 30 years. Over that time, I am saddened that, particularly with the recent cost of living crisis, the levels of destitution have become worse, as I hear from people who provide food banks and other support for the people in need in Torbay. Whether it is Scope or the Joseph Rowntree Foundation, many of those good organisations highlight to policy developers that the levels of benefits are really tough and the levels of destitution in our communities are higher than they have been for many years. Therefore, I would welcome some thoughts from the Minister about this proposal, because sadly, recovery will often drive people into destitution and, as highlighted by the hon. Member for Brighton Pavilion, into severe ill health.

The Parliamentary Under-Secretary of State for Work and Pensions (Andrew Western): It is a pleasure to serve under your chairship once again, Mr Western. Before I come to my general comments on the new clause from the hon. Member for Brighton Pavilion, I will attempt to respond to some of the questions that we have heard.

On how we can assure ourselves that people could reasonably have known, this assessment is made by our specialist investigation teams, who do this day in, day out. There is a balance of probabilities that they would apply to instances such as that. It is a process that has been in place for years. On whether an appointee would be liable for an overpayment, yes, they would. How much is official error? It is approximately 0.3% of all benefit payments. About £800 million is the most recently available annual figure.

On how a repayment plan is agreed—this goes to the point that the hon. Member for Torbay made also—we again have a specialist team who calculate this. We have a vulnerability framework should that be required. All repayment requests are done on an affordable basis. As we heard last week, the specifics around the new debt recovery power make attempts, throughout the process, to agree an affordable repayment plan. The limits that the Bill would put in place would be not more than 40% in the case of an ongoing deduction and 20% in cases of error. On the point about recovery causing destitution, which the hon. Gentleman also made, he will have noted that towards the end of last year, the Department announced its new fair repayment rates, reducing the amount of deduction that can be made from benefits down to 15%. As I have just outlined, further provision is made where we are looking to take these new powers to deduct directly from bank accounts.

To return to the point that the hon. Member for South West Devon made about prevention of overpayments, the eligibility verification measure is intended to help us to identify fraud, particularly in relation to capital, and people who have been abroad longer than they should be, in terms of aligning that with their eligibility for benefits, and we think that it will enable us to identify error overpayments sooner as well. Of course, people are regularly reminded to update their circumstances also. A range of mechanisms are in place already to assist with the identification of overpayments. We are not complacent. We know that there are too many

[Andrew Western]

overpayments through official and claimant error, just as there is far too much fraud in the Department. That is why we are taking many of the steps identified and outlined in this Bill.

Before I turn to my comments about new clause 1 specifically, let me just make a correction to something that I told the Committee last week. I said that the minimum administrative penalty that can be offered, which receives a four-week loss of benefit, is £65. I misspoke and I would like to take this opportunity to correct the record and state that the amount is £350.

New clause 1 seeks to amend existing recovery legislation, to limit when overpayments of universal credit and new-style benefits caused by official error could be recovered. Specifically, those official error overpayments would be recoverable only where the claimant could have been reasonably expected to realise they were not entitled to the overpayments in question at the time they received them. This Government are committed to protecting taxpayers' money and ensuring that we can recover in a fair and affordable way money owed. The debt recovery powers in the Bill apply to all debt that Parliament has determined can be pursued. Section 71ZB of the Social Security Administration Act 1992, introduced in the Welfare Reform Act 2012 under the coalition Government, made any overpayment of universal credit, new style jobseeker's allowance and employment and support allowance in excess of entitlement recoverable. That includes overpayments arising as a result of official error.

Official error can arise for a number of different reasons. Some errors, for example, occur as a result of the flexibility of the universal credit system. Unlike the tax credit system it replaces, UC works on a monthly cycle of assessment periods. It is to be expected that on occasion, corrections or changes take place over assessment periods. The system quickly rectifies these "errors" in the next assessment period and it is vital that this functionality is maintained. In these instances, the customer is not worse off as, over the course of subsequent assessment periods, they receive the correct amount on average. It is also helpful to explain that under existing departmental processes, customers have the right to request a mandatory reconsideration of their benefit entitlement as well as the amount and period of any subsequent overpayment. Following that, they can appeal to the first-tier tribunal, should they still disagree with the Department's decision.

We recognise that overpayments, however they arise, cause anxiety for our customers. The Department's policy is therefore to recover debts as quickly and cost effectively as possible without causing undue financial hardship to customers. DWP's overall approach to recovery balances the need to protect public funds by maintaining recovery levels, while providing a compassionate service to all customers regardless of their circumstances. The Department's policy is therefore to agree affordable and sustainable repayment plans. The debt recovery measures in the Bill, however, are last-resort powers for debtors who are no longer on benefits or in pay-as-you-earn employment and are persistently evading debt recovery. These powers apply across all types of debt.

All our communications to our customers signpost to independent debt advice and money guidance, and we heard from the Money and Pensions Service in our evidence sessions about how strong the partnership working between the Department and debt sector is. DWP is committed to working with anyone who is struggling to repay their debt and customers are never made to pay more than they can afford. Where a customer feels they cannot afford the proposed rate of recovery, they are encouraged to contact the Department to discuss their repayment terms. The rate of repayment can be reduced or recovery suspended for an agreed period, and the Department may also consider refunding the higher deduction that has been made. The Department's overpayment notifications have been updated to make sure customers are aware they can request a reduction in their repayment terms. In exceptional circumstances, the Department has the discretion to waive recovery of the debt, in line with the Treasury's "managing public money" guidance. In doing so a range of factors are considered including the circumstances in which the overpayment arose.

Finally, I have listened to and take seriously the concerns from the hon. Member for Brighton Pavilion. As the Committee is aware, the Minister for Social Security and Disability is looking at the policy design of universal credit to ensure outcomes that tackle poverty and help people to manage their money better. I will pass the concerns raised by the hon. Lady on to him, but having outlined the reasons against it, I will resist new clause 1.

Siân Berry: I thank the Minister for taking seriously the concerns I raised. I will not press the new clause further today, but I hope that it will be looked at seriously in the next stages of the Bill, and that we can discuss this further in the House. I therefore beg to ask leave to withdraw the motion.

Clause, by leave, withdrawn.

New Clause 2

OFFENCE OF FRAUD AGAINST A PUBLIC AUTHORITY

"(1) A person who—

(a) commits,

(b) assists or conspires in the committal of, or

(c) encourages the committal of

fraud against a public authority commits an offence.

(2) A person who commits an offence under subsection (1) is liable—

(a) on summary conviction, to imprisonment for a term not exceeding the general limit in a magistrates' court or a fine (or both);

(b) on conviction on indictment, to imprisonment for a term not exceeding 7 years."—*(Rebecca Smith.)*

Brought up, and read the First time.

The Chair: With this it will be convenient to discuss new clause 15—*Offence of encouraging or assisting others to commit fraud*—

"(1) The Social Security Administration Act 1992 is amended as follows.

(2) In section 111A (Dishonest representation for obtaining benefit etc), after subsection (1G) insert—

'(1H) A person commits an offence if they—

(a) encourage or assist another person to commit an offence under this section, or

(b) provide guidance on how to commit an offence under this section.'

(3) In section 112 (False representations for obtaining benefit etc), after subsection (1F) insert—

'(1G) A person commits an offence if they—

(a) encourage or assist another person to commit an offence under this section, or

(b) provide guidance on how to commit an offence under this section.'".

Rebecca Smith: I beg to move, That the clause be read a Second time.

New clause 2 seeks to make it a specific offence to commit, assist or encourage others to commit fraud against a public authority. Someone who commits such an offence would be liable to imprisonment or a fine, or both.

The offence of fraud against a public authority in the Bill is a civil offence. The Government argue that civil penalties offer an alternative to prosecution and help to mitigate the burden on the criminal justice system by offering alternative routes for the public sector to manage fraud cases. The Bill introduces a framework of civil penalties for fraud that the Minister can impose, including on behalf of other Government Departments, serving as an important deterrent against fraud in the public sector. We think it is an anomaly for public sector fraud to be a civil offence while benefits fraud is a criminal offence. Will the Minister explain why one type of fraud is seen as less serious than the other?

9.45 am

New clause 15 aims to target those on social media, particularly but not exclusively TikTok and YouTube, who post videos showing people how they might be able to make fraudulent benefit claims. That includes, for example, how to fill out a form to claim the personal independence payment, which does not require medical evidence but does need a self-assessment form, regardless of an individual's actual symptoms.

As Professor Button said in evidence:

"The other thing is that social media and different types of forums provide opportunities for people to discuss how to engage in dishonest behaviour. I am doing some research at the moment about online refund fraud. We have been going into forums where a wide range of individuals discuss how to defraud retailers and get refunds for stuff that they have bought online. I strongly suspect that that kind of thing is probably also going on for benefits fraud. All of those factors are making it much easier, so I think there is a much more significant challenge for not just the public sector, but private sector organisations in dealing with fraud because of that."—[*Official Report, Public Authorities (Fraud, Error and Recovery) Public Bill Committee,* 25 February 2025; c. 11, Q11.]

He means, by that, because of the online encouragement to commit fraud.

More than 3,000 individuals are signed off work every day. Advice provided by so-called "sickfluencers" includes using specific buzzwords in applications and providing template claims and guidance on passing questions at the interview stage, to fraudulently inflate the value of claims. As we know and have heard many times in Committee, benefit fraud accounts for almost £7.4 billion. It is in that context that the sickness benefits bill is expected to rise by over 50% to more than £100 billion by 2029-30—one and a half times the defence budget.

Clamping down on fraud and those who enable it should be a priority for the Government. I recognise that the Bill has gone a long way to doing that. We just think there is more that we could do. The claimant should clearly be penalised for knowingly making a false claim, but we believe that so too should the person actively encouraging people to defraud the taxpayer and providing information to enable them to do so successfully.

We do not want to target people who are providing genuine advice and guidance to people about how the welfare system and other public authorities work—that is incredibly important—but that is very different from providing assistance and encouragement to commit fraud, which is not acceptable. That should be reflected in the Bill. If these videos are not properly tackled, they become more normalised and people online may not even realise that what they are doing is fraud and illegal. That point also came up in oral evidence.

The new clause also fits in with other aspects of the Government's work surrounding online safety, ensuring that young people, in particular, are not taken advantage of. It would send a clear message that encouraging fraud online is unacceptable and that there are clear consequences for those who do so.

Should the Government choose not to support the new clause, I would be interested to know why. If they accept it, that is fantastic. If they cannot support it today, will the Minister take the idea away and consider how to introduce an amendment at a later stage to protect against the sickfluencer trend and make sure that those who help others to commit benefit fraud are held to account?

Some might argue in opposition that existing legislation, such as the Online Safety Act 2023 and the Fraud Act 2006, are useful enough to cover these areas. However, as we heard from Professor Button during the witness session, whether we need to go further is an open question. He said:

"do we need to create a new, specific offence of, say, promoting social security fraud online?...The key thing is more enforcement, and disrupting forums where that kind of discussion is taking place."—[*Official Report, Public Authorities (Fraud, Error and Recovery) Public Bill Committee,* 25 February 2025; c. 14, Q16.]

We believe that the new clauses directly support that point as they would make it easier to prosecute those who encourage fraud, providing clear legal grounds for enforcement and disruption.

I have heard some opposition to these measures arguing that it could be a challenge to determine those who are deliberately encouraging fraud and those who are merely discussing how to support vulnerable individuals. I touched on that point earlier. All that would be needed is a structured investigative approach—much like we have seen throughout the Bill—that looks specifically at the content. I believe that it would be easy to categorise between what are obviously step-by-step guides posted on forums that are intended to encourage people to commit this fraud, and, for example, the work of Citizens Advice, which we all know provides an invaluable service to the most vulnerable in society. I do not believe that it would be hard to work out which are legitimate organisations, and in doing so, it would be pretty easy to find out who is simply seeking to defraud the system by encouraging others to do so.

The Parliamentary Secretary, Cabinet Office (Georgia Gould): It is a pleasure to serve under your chairmanship, Mr Western. I appreciate the intention of the hon. Member for South West Devon in tabling the new clause—that is, to take fraud against the public sector seriously—but the Government plan to resist it, because we believe that the proposals are already covered and that it could lead to unintended consequences that do the opposite of what she wants.

As the hon. Member said, new clause 2 would create a new offence of fraud against a public authority. We believe that that could have a detrimental effect and is unnecessary, because fraud is already an offence, and this is clearly defined in clause 70 as offences under the Fraud Act 2006 and the common law offence of conspiracy to defraud. The Bill uses those offences—they do not need to be written into it to have effect—and we have given assurances on that during a previous debate.

Consequently, there does not need to be a specific fraud offence for public authorities. Assisting and encouraging fraud against a public authority, as is mentioned in the new clause, is already an offence. The offences of "encouraging or assisting", as set out in sections 44 to 46 of the Serious Crime Act 2007, apply to fraud offences as they do to other crimes. Again, that does not need to be written into the Bill to have effect.

The Public Sector Fraud Authority will be able to investigate cases in which it appears that someone has encouraged someone else to commit fraud. If we discover encouragement, that would likely form part of the PSFA's investigation into a fraud case, and the Crown Prosecution Service could pursue that offence using the evidence collected. Whether action can be taken will depend on the facts of the case, the evidence available and whether the necessary standard of proof can be met.

Crucially, new clause 2 would reduce the maximum sentence available for Fraud Act and conspiracy offences from 10 years to seven years, for fraud against public authorities only.

Mike Wood (Kingswinford and South Staffordshire) (Con): I thank the Minister for her response, but why does she feel that benefit fraud ought to be a specific offence, with maximum sentences under the Social Security Administration Act 1992, but that it is not appropriate for a specific offence to apply to people who deliberately defraud other public authorities?

Georgia Gould: As I set out, these measures are already covered, and the proposals would potentially reduce sentences from 10 years to seven years. I am sure that the hon. Member does not want those who defraud the public sector to get lower sentences than those who would defraud the private sector.

Mike Wood: The Minister is being generous in giving way. Prosecutors have a choice as to which charge to bring. They can still bring a charge under the common law offence, which as the Minister says, has a high maximum sentence—but one that is very rarely imposed—or, as with benefit fraud, they could bring it under a specific offence, as proposed in new clause 2. The Sentencing Council would then develop the guidelines that apply to deliberately defrauding public authorities. Although the Minister is right that the maximum sentence under the new clause is lower than the theoretical maximum for the common law offence, in practice, it is likely to see rather more substantial sentences imposed on conviction.

Georgia Gould: We already have effective fraud legislation. The issue that the Bill seeks to address is that we do not currently have the resources or the powers to properly investigate that or to recover money. We believe that the suggestions that are being made would have the unintended consequences of reducing the seriousness of the offence, in the way that I have set out. The proposals also omit the option available in the Fraud Act offences and the common law conspiracy offence for the Crown court to impose an unlimited fine instead of, or as well as, a term of imprisonment. Again, that weakens the response. That is contrary to the Government's intention with the Bill that strong action should be taken against public sector fraud.

New clause 15 seeks to introduce an offence of encouraging or assisting others to commit fraud by adding new subsections to sections 111A and 112 of the Social Security Administration Act 1992. Sections 111A and 112 set out two specific offences related to benefit fraud. Although the intention behind the new clause is commendable, I believe that it is not needed for several reasons, which are similar to those I have set out on new clause 2.

First, the existing legal framework already provides sufficient measures to tackle fraud of this nature. The Fraud Act 2006 and the Serious Crime Act 2007 make it a criminal offence to encourage or assist any other offence, including when it relates to fraud. There are also existing laws that serve a similar purpose for Scotland. Those existing laws are robust and comprehensive, ensuring that individuals who provide guidance on how to commit fraud, or encourage others to do so, can be prosecuted effectively. Introducing additional subsections to the 1992 Act would therefore be redundant and unnecessary.

Secondly, the new clause could potentially complicate the legal landscape. Adding new subsections to the 1992 Act risks creating overlapping and conflicting provisions that could lead to confusion and inefficiency in enforcement. It is essential to maintain clarity and coherence in our legal system to ensure that justice is served effectively. Moreover, the new clause would mean that those convicted of a new offence would face a less punitive sentence than they would under existing laws. For example, under new clause 15, a conviction related to section 112 would carry a maximum period of custody of three months, compared with a maximum of 10 years under the existing Fraud Act. As a result, and this is similar to what I set out on new clause 2, rather than strengthening our position to respond to such types of fraud, new clause 15 could result in a weakened response.

Although new clauses 2 and 15 are well intended, neither new clause is needed as the existing legal framework already provides sufficient measures to address this issue, and introducing additional subsections would only complicate the legal landscape. However, I very much heard the points about the research being done by the hon. Member for South West Devon and the importance of tackling those who set up sites to try to defraud the public sector. I am more than happy to have a further meeting about how we can take action on that. We believe that we can do that using the existing powers, but we would welcome further discussion. The PSFA and DWP will be concentrating on the provisions in the Bill that are intended to effectively address and combat fraud through them. I therefore ask the hon. Member for South West Devon to withdraw the motion.

Rebecca Smith: I have heard everything that the Minister has said. However, we will still press new clauses 2 and 15 to a vote.

Neil Coyle (Bermondsey and Old Southwark) (Lab): On a point of order, Mr Western. It is a pleasure to serve under you in the Chair; can I ask you a procedure question before we go any further? We have had the presentation of the new clauses, but we have not had any declarations of interest. Given that there are some notable Conservative party donors facing potential fraud charges under covid issues, I just wonder whether that should have been declared before we got to the change in how people in those situations might be punished.

The Chair: I understand, although I was not present at the time, that all the declarations were made at the time of evidence being presented to the Committee. I thank the hon. Member for his point of order.

Andrew Western: I would like to understand how the Opposition Front-Bench team consider new clause 15 to make any provision that is not already in the Fraud Act 2006 or the Serious Crime Act 2007, which already make it an offence to encourage or assist an offence including fraud. I stress that because I am particularly concerned about sickfluencers, to whom the hon. Lady referred, but I fail to see how new clause 15 offers any provision not contained in that legislation already. It does not mention at any point that it would extend powers to what happens online, presumably because—or I can say actually because—online sickfluencers would already be covered by that legislation. I understand the intent. We have a problem with sickfluencers that we need to deal with, but I would be incredibly appreciative to understand how the new clause offers anything that is not already in that legislation.

10 am

Rebecca Smith: I thank the Minister for his comments. I have obviously heard what both Ministers have said in response. We are still keen from a principle perspective to push the new clause to a vote because we think more needs to be done to outline specifically what we are doing to tackle the online aspect. I hear what the Minister is saying but, in this particular instance, we would like to take it further.

Question put, That the clause be read a Second time.

The Committee divided: Ayes 3, Noes 11.

Division No. 7]

AYES

Dewhirst, Charlie	Wood, Mike
Smith, Rebecca	

NOES

Baxter, Johanna	Jameson, Sally
Berry, Siân	McKee, Gordon
Coyle, Neil	Payne, Michael
Egan, Damien	Welsh, Michelle
German, Gill	Western, Andrew
Gould, Georgia	

Question accordingly negatived.

10.2 am

Sitting suspended.

10.6 am

On resuming—

New Clause 5

PUBLICATION OF RESULTS OF PILOT SCHEMES

"Within three months of this Act coming into force, the Secretary of State must publish the results of any pilot schemes run with banks to test the provisions in Chapter 1 of Part 2."—*(Rebecca Smith.)*

Brought up, and read the First time.

Rebecca Smith: I beg to move, That the clause be read a Second time.

We have tabled the new clause to require the Secretary of State to publish the results of any pilot schemes run with banks to test the provisions of chapter 1 of part 2 of the Bill. We have already discussed how banks will be required to undertake ongoing monitoring work to collect the relevant information as part of eligibility verification. The impact assessment states that two proofs of concept have taken place, including one in 2017, with short summaries provided of each. Given the scale of what is being asked of the banks, however, as well as how technology has moved on in the past eight years, it is reasonable to assume that pilots will also be undertaken to ensure that the system works properly before it is fully rolled out. Can the Minister confirm that this will be the case?

In the interest of transparency, we also need to see the results of the pilots, which is why we have tabled the new clause to ensure that they are published within three months of the Act coming into force. It is regrettable that we needed to table the new clause but, as we have said several times throughout the Bill's passage, and as we heard from witnesses before the Committee, it is extremely difficult to judge how the legislation will work in practice without seeing the code of practice and understanding what will be required of the banks. As UK Finance said in oral evidence:

"Much will depend on the mechanism through which banks will be required to share the information, the frequency of the information notices, whether the criteria we are required to run the checks against change over time and other factors that will influence how much capacity is required from the banking sector. As I say, at this stage it is challenging to do a detailed assessment."—[*Official Report, Public Authorities (Fraud, Error and Recovery) Public Bill Committee,* 25 February 2025; c. 48, Q85.]

The practical implications of how to implement the Bill are not currently clear to the banks.

We also discussed the consequences of getting this wrong. As UK Finance also said in evidence,

"under the Bill banks responding to an information request or a direct deduction order, would have to consider whether there is some indication of financial crime that under POCA requires them to make a suspicious activity report. We think it is simpler to remove that requirement, not least because where there is a requirement to make a suspicious activity report there is a requirement to notify the authorities; clearly, there is already a notification to the authorities when complying with the measure. Removing that requirement would avoid the risk that banks must consider not only how to respond to the measure but whether they are required to treat that individual account as potentially fraudulent."—[*Official Report, Public Authorities (Fraud, Error and Recovery) Public Bill Committee,* 25 February 2025; c. 49, Q89.]

The banks are well versed in dealing with fraud, but not so much with error. We need reassurance that there are clear expectations of the banks in delivering their

[Rebecca Smith]

duties under the Bill, that those are compatible with existing obligations regarding financial crime, and that the banks can resource them.

Andrew Western: In my view, the new clause is simply not needed. As the hon. Lady said, to demonstrate the feasibility and potential of the eligibility verification measure, the DWP conducted two proofs of concept, in 2017 and 2022, and the results have been published in the impact assessment for the Bill. Further information on the effectiveness of the measure will, of course, be available following the independent overseer's annual review and report. No pilot schemes have or will be conducted on information notices specifically, as they are an extension of existing powers. On that basis, I resist new clause 5.

Rebecca Smith: I beg to ask leave to withdraw the motion.

Clause, by leave, withdrawn.

New Clause 7

ANNUAL REPORTING OF AMOUNTS RECOVERED

"(1) The Secretary of State must publish an annual report detailing the amount of money which has been recovered under the provisions of this Act.

(2) A first report must be published no later than 12 months after the passing of this Act with subsequent reports published at intervals of no more than 12 months."—*(Rebecca Smith.)*

Brought up, and read the First time.

Rebecca Smith: I beg to move, That the clause be read a Second time.

The new clause would require the Secretary of State to publish an annual report detailing the amount of money recovered under the provisions of the Bill, with the first report to be published within 12 months of its passage. The main purpose of the Bill is to crack down on error and fraud, and we support that aim. It is reasonable to ask for transparency to understand exactly how much money has been recovered thanks to the measures in the Bill, and to ensure that it is working as hoped. If it is not, further action will be needed, but at least we would know, and a discussion could be had instead of the issue being brushed under the carpet.

An annual report allows the Department enough time to produce it without being an administrative burden, while ensuring that it remains relevant and up to date. Given the large amount of money lost to fraud and error, it is important that we are all able to hold the Government to account for how effectively they are recovering it.

Andrew Western: I share and appreciate the hon. Member's concern and interest in delivering the proposed benefits of the Bill, including the effective recovery of debt. The Bill delivers on our manifesto commitment that this Government will safeguard taxpayers' money and not tolerate fraud or waste anywhere in public services.

Turning first to part 2 of the Bill, I do not think the new clause is necessary, given the existing routes for external scrutiny and reporting on the DWP's fraud and error activities, including the new debt recovery powers. The Office for Budget Responsibility provides independent scrutiny of the Government's costings of welfare measures. The Department estimates that, over the next five years, the EVM will save £940 million and the debt recovery measure £565 million. Those estimates have been certified by the OBR. In total, the Bill is estimated to deliver benefits of £1.5 billion over the next five years. In the published impact assessment, the DWP committed to monitoring and evaluation on part 2 of the Bill, including the new powers to recover debt and the EVM.

Although I understand that the hon. Member is particularly interested in scrutiny of the money recovered under the Bill, I remind the Committee that the Government have committed to the biggest welfare fraud and error package in recent history. The total DWP fraud, error and debt package, with savings from the Bill and other Budget measures, is worth £8.6 billion over the next five years.

In its annual report and accounts, the DWP already reports on the savings made from its fraud and error activities, including savings made from "detect" activity across our counter-fraud and targeted case review teams. In addition, we report on our debt recovery totals and debt stock. I think the annual report and accounts, in particular, will give the hon. Member the information in which she is interested. The Department also publishes annual statistics on the monetary value of fraud and error, including various breakdowns by benefit and type. That is another mechanism by which we can see trends over time and ensure transparency for the public.

Turning to part 1 of the Bill, the PSFA already has a published commitment in its mandate to produce an annual report that makes transparent the levels of fraud in Government and the latest fraud and error evidence base, and an annual report on its performance. Recoveries will be published in the annual report. Paragraph 12 of schedule 2 to the Bill also requires:

"As soon as reasonably practicable after the end of each financial year the PSFA,"

when set up as a statutory body,

"must prepare a report on the exercise of its functions during that financial year."

Recoveries will be published as part of that.

For the reasons I have outlined, I resist the new clause.

Rebecca Smith: I beg to ask leave to withdraw the motion.

Clause, by leave, withdrawn.

New Clause 8

PUBLICATION OF AN ANTI-FRAUD AND ERROR TECHNOLOGY STRATEGY

"(1) The Secretary of State must, within six months of the passing of this Act, publish an Anti-Fraud and Error Technology Strategy.

(2) An Anti-Fraud and Error Technology Strategy published under this section must set out—

(a) how the Government intends to use automated technologies or artificial intelligence to tackle fraud against public authorities and the making of erroneous payments by public authorities, and

(b) a series of safeguards to provide for human oversight of decision making that meet the aims set out in subsection (3);

(c) how rights of appeal will be protected;

(d) a framework for privacy and data sharing.

(3) The aims of the safeguards in subsection (2)(b) are—

(a) to ensure that grounds for decision making can only be reasonable if they are the result of a process in which there has been meaningful human involvement by a human of adequate expertise to scrutinise any insights or recommendations made by automated systems,

(b) to make clear that grounds cannot be reasonable if they are the result of an entirely automated process, and

(c) to ensure that any information notice issued is accompanied by a statement—

(i) setting out the reasonable grounds for suspicion that have been relied on, and

(ii) confirming that the conclusion has been formed on the basis of human involvement."—*(Rebecca Smith.)*

Brought up, and read the First time.

10.15 am

Rebecca Smith: I beg to move, that the clause be read a Second time.

The new clause would require the Secretary of State to publish an anti-fraud and error technology strategy within six months of the Act's passage. That must include: how the Government intend to use automated technologies and AI to tackle fraud, subsection (2)(a); safeguards to ensure human oversight of decision making, subsection (2)(b); protection of rights of appeal, subsection (2)(c); and a framework for privacy and data sharing, subsection (2)(d).

Members might be asking themselves why we tabled the new clause. In part, it is based on the evidence we received. In written evidence, the Public Law Project expressed concern that, although the impact assessment, the human rights memorandum and the statements from the Secretary of State and the Minister for transformation, the hon. Member for Stretford and Urmston, on Second Reading state that a final decision on benefit eligibility will always involve a human agent, this is not reflected in the Bill itself. In response to the Public Law Project's concerns, the new clause would provide an audit of technology systems used to tackle fraud, ensuring accountability while addressing the risks posed by automation in decision making.

A report published by the Treasury in 2023, "Tackling fraud and corruption against government", said:

"Public bodies can better protect themselves…by sharing data and intelligence with other public bodies and working together."

We therefore believe the technology strategy clause recognises that sharing data is beneficial to stopping and recovering fraud, but includes additional provisions that audit its use.

The strategy must include: how the Government intend to use automated technologies or artificial intelligence to tackle fraud and error against public bodies; what safeguards exist for human oversight of decision making; how rights of appeal will be protected; and a framework for privacy and data sharing.

The safeguards must ensure that grounds for decision making are reasonable only if they are the result of a process in which there has been meaningful involvement by a human of adequate expertise to scrutinise any insights or recommendations made by automated systems. They must also make it clear that grounds cannot be reasonable if they are the result of an entirely automated process. To ensure this, any information notice issued must be accompanied by a statement setting out the reasonable grounds for suspicion that have been relied on, and confirming that the conclusion has been formed on the basis of human involvement.

We know that AI and other technologies have huge potential to improve efficiency and productivity, and they should be used where appropriate, but we cannot rely on it yet to the exclusion of people and human judgment. The strategy we propose would ensure that those points were adequately considered by the Department, ensuring that the taxpayer receives value for money while safeguarding claimants through the decision-making process.

Andrew Western: I thank the hon. Member for tabling the new clause. The Government recognise the opportunities that AI and machine learning can provide, while also understanding the need to ensure they are used safely and effectively. In January 2025, the Government outlined their response to the AI opportunities action plan led by Matt Clifford, which was commissioned by my right hon. Friend the Secretary of State for Science, Innovation and Technology. The plan outlined 50 recommendations for how the Government can leverage AI, including recommendations to improve access to data, to make better use of digital infrastructure and to ensure the safe use of AI.

Under the leadership of the Prime Minister and the Secretary of State for Science, Innovation and Technology, we have endorsed this plan, and the Government are taking forward those recommendations. As the Government work to implement the action plan's recommendations, I do not believe that the separate anti-fraud and error technology strategy proposed by the new clause is necessary. I believe the new clause would cut across the work being taken forward under the action plan, so I reject the amendment.

As technology advances, the use of AI and machine learning will play a crucial role in detecting and preventing fraudulent activities. The Government want to make use of technology and data to tackle fraud, as the Department has a responsibility to ensure that fraud is minimised so that the right payments are made to the right people. The Government remain committed to building our AI capability, and at DWP we will take advantage of the opportunities offered by AI while ensuring it is used appropriately and safely.

Rebecca Smith: Sorry, I should have said this earlier. The new clause would make the Government's AI strategy a statutory requirement, instead of a manifesto commitment not written into law. That is important to us because, in the case of fraud and particularly benefit fraud, we are dealing with individual people. We want to make sure that we do not inadvertently penalise the wrong people or apply something that is disproportionate. A lot has been said about ensuring proportionality and reasonableness.

I am interested in the Minister's reflections on where else in the strategy something is applied as personally to potentially vulnerable groups of people, thereby suggesting that we do not need this protection to ensure that people are not inadvertently penalised when we use this legislation to tackle the fraud they are committing.

Andrew Western: That is a reasonable question, and clearly the AI framework is not specific to vulnerable groups in the way that the hon. Lady sets out. Decisions regarding

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benefit entitlement or payments within the Department are made by DWP colleagues who always look at the available information before making a decision. I would not want to make an amendment to restrict that to only the activity within this Bill; I would want it to be Departmental wide.

As I have set out a number of times at every stage and in every area of this Bill, a human is involved in decision making. There is no plan to change that. I can understand the hon. Lady's anxiousness to see that set out in legislation, but I think it would create an anomaly between the practices within this Bill and in the Department more broadly. For instance, it is outside the scope of this Bill for a human to complete the vulnerability framework when looking at somebody in financial need who has an overpayment. I would not want to make a distinction between these powers and the rest of the Department's activities. If we were to have a broader debate, I would be happy to engage with the hon. Lady on that basis, but I would not want to create a "two-tier", for want of a better word, description within the Department.

At every stage of model development, as we bring forward the AI opportunities action plan and our work in the AI and tech space, we ensure that checks, balances and strong safeguards are in place. I am proud of our commitment to use AI and machine learning in a safe and effective way.

To provide further assurances to Parliament and the public about our processes, we intend to develop fairness analysis assessments, which will be published alongside our annual report and accounts. These will set out the rationale for why we judge our models to be reasonable and proportionate. This reporting commitment on our fairness analysis assessment further negates the need for the new clause.

Finally, the hon. Lady mentioned the new clause's role in ensuring reasonable grounds of suspicion when investigating fraud. I remind the Committee that, under the information gathering powers, the DWP may request information only where an authorised officer considers that there are reasonable grounds to suspect a DWP offence and that it is necessary and proportionate to obtain that information. Again, a human is fully baked into the process.

The changes made by the Bill will be reflected in the new code of practice. Updated mandatory training will be provided for staff, who will be accredited to use these new powers. Of course, with the eligibility verification measure in particular, but running throughout the Bill, the principle of independent oversight is very much in place. I hope that will provide the hon. Lady with the necessary information to show that the Government will use the information gathering powers only where there is a reasonable suspicion of fraud, and that this will have considerable human involvement. I agree that there is perhaps a broader conversation to be had about this at an appropriate time.

Rebecca Smith: I beg to ask leave to withdraw the motion.

Clause, by leave, withdrawn.

New Clause 9

IMPACT OF ACT ON VULNERABLE CUSTOMERS

"(1) The Secretary of State must, within six months of the passing of this Act, lay before Parliament an assessment of the expected impact of the Act on vulnerable customers.

(2) For the purposes of this section, "vulnerable customers" means someone who, due to their personal circumstances, is especially susceptible to harm, particularly when a firm is not acting with appropriate levels of care."—*(Rebecca Smith.)*

Brought up, and read the First time.

Rebecca Smith: I beg to move, That the clause be read a Second time.

The Chair: With this it will be convenient to discuss

New clause 12—*Impact of Act on people facing financial exclusion—*

"(1) The independent person appointed under section 64(1) of this Act must carry out an assessment of the impact of this Act on the number of people facing financial exclusion.

(2) The independent person must, after 12 months of the passing of the Act—

(a) prepare a report on the review, and

(b) submit the report to the Minister.

(3) On receiving a report the Minister must—

(a) publish it, and

(b) lay a copy before Parliament."

This new clause would look into the impact of the Act on people facing financial exclusion.

Rebecca Smith: New clause 9 would require the Secretary of State to lay before Parliament, within six months of the Act's passage, an assessment of its expected impact on vulnerable customers.

Concern has been expressed in written evidence about the Bill's impact on disabled people. It is important to ensure that vulnerable people are not inadvertently harmed by the Bill. There was a discussion about vulnerable customers in oral evidence, with Daniel Cichocki and Eric Leenders both supporting the notion of an impact assessment while being concerned about the mental strain of being under suspicion. They said that the FCA is due to publish a thematic review on this imminently. We suggest that this strengthens the case for a comprehensive assessment by the Secretary of State.

We define "vulnerable customers" as those who due to their personal circumstances are especially susceptible to harm, particularly when a firm is not acting with appropriate levels of care, per the definition used by the Financial Conduct Authority, with which the sector is familiar. New clause 9 is necessary because some of the people impacted by the Bill will be vulnerable, and some will be repaying money they acquired not through fraud but through overpayments resulting from DWP error. As we heard from UK Finance, banks have duties when they suspect that financial crime is taking place, and although such errors are obviously not financial crime committed by the person who holds the account into which the payments have been made, there is a risk that the Bill does not sit well with those existing duties on banks.

We need to ensure that communication with vulnerable bank customers is of a sufficient standard, particularly where the DWP is recovering funds in cases where customer is not at fault, because the group of people we are talking about is likely to have high levels of vulnerability.

If the Minister will not accept the new clause, I would be grateful for an explanation of the reasons why and, importantly, how the Government intend to undertake monitoring, which we believe is important.

The Liberal Democrats' new clause 12 would require an independent assessment of the impact of the Bill on people facing financial exclusion. I am interested in whether the Liberal Democrats have a particular individual or organisation in mind which they think would be appropriate to undertake such an assessment, but we do not have a difficulty with the principle of the new clause.

Steve Darling: New clause 12 is about financial exclusion, as the hon. Member for South West Devon said. The Liberal Democrats' concern is that, as this morning goes on, a number of safeguards are looking to be—for want of a better phrase—baked into the system by legislation, yet according to the Minister the only thing baked into the system is the involvement of human beings. That causes me, and I am sure other colleagues, concerns.

If an annual review were to take place of the Bill's impact on people facing financial exclusion, conducted by the independent person appointed with the Minister publishing and sharing that with Parliament, we could ensure a level of transparency. While many of us would acknowledge that the Ministers in place at the moment are well-meaning individuals, who knows where we will be in 10 years' time? This legislation needs to stand the test of time, so baking in these safeguards would be a positive way forward. I hope that the Minister will welcome that. I look forward to his comments.

Siân Berry: I have a lot of sympathy with both new clauses. It is really important that we look closely, as we are mandated to do, at the impact of the Bill on the people whose examples have been raised throughout the debate. The Minister should answer the questions asked by hon. Members, and if the Government will not do what is proposed in the new clauses, he should say what the Government will do instead.

Andrew Western: I begin with new clause 9, tabled by the hon. Member for South West Devon. I share her view that where the powers in the Bill are exercised, there should be a consideration of the vulnerabilities that customers may have, whether they be the customers of data holders such as banks or customers of Government —for example, DWP customers. However, I do not think that the new clause is necessary given the existing safeguards, oversight and reporting provisions in the Bill.

The Bill includes a number of protections for vulnerable people, including affordability considerations and protections for persons experiencing hardship, rights of review and appeal, and independent oversight. Those provisions have already been debated and considered by the Committee, so I will not labour the point, but I will comment on the provisions in the Bill for independent oversight, as they will play an important role here.

10.30 am

I remind the Committee that those carrying out independent oversight will report on whether the Government have used the correct powers appropriately and effectively, in compliance with relevant codes of practice and guidance, and whether the exercise of those functions has been correct, effective and appropriate. That, I am sure, will involve His Majesty's inspectorate of constabulary and fire and rescue services considering, for example, whether the PSFA or the DWP, in their fraud investigations, have given appropriate consideration to customers' vulnerability. Furthermore, I remind the Committee that supplementary documentation, including the explanatory notes, impact assessment and policy factsheets that accompany the Bill, outlines how further vulnerabilities will be considered in individual measures.

Throughout the provisions on these powers runs a principle that vulnerability will always be considered in the assessments before any action is taken. That might include, for example, considering vulnerabilities in the risk assessment undertaken before the use of the powers in the Bill relating to entry, search and seizure, and the consideration that must be given to affordability and beneficial interest before any direct deductions are made from bank accounts to recover debt. Due to the combination of robust safeguards, independent oversight and reporting mechanisms already in the Bill, I resist new clause 9.

I recognise the intent behind new clause 12, put forward by the hon. Member for Torbay, and I appreciate his advocacy for protecting individuals from financial exclusion. That is an important point. However, I am again confident that the reporting will not be necessary. DWP and the PSFA are working closely with stakeholders from the finance industry, including the Financial Conduct Authority, to ensure that no one is inadvertently or unintentionally excluded from access to financial services.

For example, in respect of the DWP's eligibility verification measure, there is an important exemption in schedule 3 of the Bill that ensures that a bank or other financial institution that complies with an eligibility verification notice is exempted from specific disclosure obligations under the Proceeds of Crime Act 2002, sections 330 and 331. I say that in response to the point made by the hon. Member for South West Devon. The exemptions apply if the information is obtained solely as a result of the eligibility verification measure. They do not exempt individuals from their ongoing duty to report knowledge or suspicion of money laundering under the Proceeds of Crime Act that might arise independently of EVM. In practice, it means that under that exemption, banks are not required to report it when they have reasonable grounds for knowing or suspecting money laundering through a suspicious activity report, when that arises solely as a result of complying with a notice. Banks should not close or suspend any accounts, or debank anyone, solely in response to information obtained under that measure, because at the point that a bank complies with the notices, there is no presumption of wrongdoing. We heard from Mr Cichocki from UK Finance that it is an important exemption, and I very much agree.

The PSFA will align with the Government debt policy, as well as abide by the standards set out by the Government debt management function and the debt management vulnerability toolkit in respect of how to consider those who are at risk of financial exclusion. The PSFA continues to engage with the financial sector to develop mitigations against financial exclusion. With those protections, I am confident that the Bill contains the provisions necessary to protect individuals from financial exclusion. Therefore, do not think the reporting requirement would add additional value beyond the independent oversight and reporting already provided for in the Bill. I therefore also resist the proposed new clause 12.

Rebecca Smith: I beg to ask leave to withdraw the motion.

Clause, by leave, withdrawn.

New Clause 10

RECOVERY OF OVERPAYMENTS OF CARER'S ALLOWANCE

"The Secretary of State may not exercise any of the powers of recovery under this Act in relation to a person who has received an overpayment of Carer's Allowance until such time as—

(a) the Secretary of State has commissioned an independent review of the overpayment of Carer's Allowance;

(b) the review has concluded its inquiry and submitted a report containing recommendations to the Secretary of State;

(c) the Secretary of State has laid the report of the independent review before Parliament; and

(d) the Secretary of State has implemented the recommendations of the independent review." — *(Steve Darling.)*

This new clause would delay any payments being taken from people who the Government may think owe repayments on Carer's Allowance until the independent review into Carer's Allowance overpayments has been published and fully implemented.

Brought up, and read the First time.

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

New clause 11—*Audit of algorithmic systems used in relation to Carer's Allowance overpayments*—

"(1) An independent audit of algorithmic systems used in the assessment, detection or recovery of Carer's Allowance overpayments must be conducted at least once every six months.

(2) Any audit under subsection (1) must be conducted by persons with relevant expertise in data science, ethics and social policy who have no direct affiliation with—

(a) the Department for Work and Pensions, or

(b) any person or body involved in the development or operation of the algorithmic systems under review.

(3) An audit conducted under this section must consider—

(a) the accuracy of the algorithmic systems in identifying overpayments, and

(b) the fairness of the systems' design, application and operation, including any disproportionate impact on particular groups.

(4) After every audit a report on its findings must be—

(a) published;

(b) laid before both Houses of Parliament within 14 days of publication; and

(c) made publicly available in an accessible format.

(5) If any audit identifies significant inaccuracies, unfairness or biases in any algorithmic systems, the Secretary of State must, within 30 days of the publication of the report outlining these findings, present an action plan to Parliament which outlines the steps which the Government intends to take to address the identified issues."

This new clause would provide for an audit of algorithmic systems used in relation to Carer's Allowance overpayments.

Amendment 32, in clause 103, page 63, line 26, leave out from start to "following" in line 29 and insert—

"Subject to subsections (1A) and (2), this Act comes into force on such day as the Secretary of State or the Minister for the Cabinet Office may by regulations appoint.

(1A) No part of this Act may come into force until the recommendations of a report commissioned under section [*Recovery of overpayments of Carer's Allowance*] have been implemented.

(2) Subject to subsection (1A), the".

Steve Darling: I encourage colleagues to support these proposals about the carer's allowance. Carers are the backbone of many households across the United Kingdom, and I hope the Minister will support the amendment.

John Milne (Horsham) (LD): It is a pleasure to serve under your chairmanship, Mr Western.

The DWP is making extensive and growing use of algorithms for investigation purposes. Without proper oversight, these systems threaten error, unfairness and bias, which could lead to wrongful debt collection. Our amendment therefore calls for an independent audit of these systems at least every six months, to ensure accuracy and fairness. The audit must be conducted by experts in data science, ethics and social policy with no ties to the DWP or system developers. True independence is key.

The audit look at issues such as accuracy, so whether the algorithms are correctly identifying overpayments; fairness, so whether they unfairly target certain groups or operate with bias; and, above all, transparency and accountability. After each audit, we suggest that a full report must be published, presented to Parliament within 14 days, and made publicly accessible. If serious flaws are found, the Secretary of State must respond within 30 days with a clear action plan to fix these issues. Overall, Liberal Democrats are positive about benefiting from new technology, but we do need to consider whether it offers help, not harm.

In the wider context, what work is the use of AI generating? There are already chronic staff shortages at the DWP, with 20% vacancy rates becoming routine. Disability Rights UK has commented that operational failures now permeate every layer of welfare administration. Fraud investigation teams therefore already lack capacity to address the annual £6.4 billion of overpayments. There are only four fraud advisers per regional office to handle cases flagged by frontline staff, which has created a bottleneck, so that very often 90% of suspected fraud cases go uninvestigated. In other words, one could suggest there is already plenty of fraud to investigate without trawling for more. This amendment ensures regular scrutiny, transparency and fairness. I urge the Minister to consider it.

Andrew Western: It is important that I begin by paying tribute to the millions of unpaid carers across this country. The Government recognise and value the vital contribution made by carers every day in providing significant care and continuity of support to family and friends, including pensioners and those with disabilities. The 2021 census indicates that around 5 million people in England and Wales may be undertaking some unpaid care, and many of us take on a caring role at some point in our lives. Like other hon. Members, through my postbag and at events across my constituency, I see much of the work carers do. Carers are fortunate to have some wonderful advocates, not only their MPs but organisations such as Carers UK, Carers Trust and the Learning and Work Institute, to name but three.

We inherited a system in which busy carers already struggling under a huge weight of responsibility had been left having to repay large sums of overpaid carer's allowance, sometimes worth thousands of pounds. We needed to understand exactly what had gone wrong so we could set out our plan to put things right. This is why we launched an independent review of earnings-related

overpayment of carer's allowance. We were delighted that Liz Sayce OBE agreed to lead this review, which is now well under way; we anticipate receiving its conclusions this summer.

The review will investigate how overpayments of carers allowance have occurred, what can be done to best support those who have accrued them, and how to reduce the risk of these problems occurring in future, but we are not sitting back and just waiting for the outcome of the independent review. Right now, we want to make it as easy as possible for carers to tell us when something has changed in their life that could affect their carer's allowance, so we will continue to review and improve communications. From this April, the weekly carer's allowance earnings limit will pegged to 16 hours' work at national living wage levels, so in future it will increase when the national living wage increases. The earnings limit will be £196 a week net earnings, up from £151 today. As a result, over 60,000 more people will be able to receive carer's allowance between 2025-26 and 2029-30. That is the largest increase in the earnings limit since carer's allowance was introduced in 1976.

As the Chancellor said at the Budget, we need to look at the current cliff edge earnings rules. A taper could further incentivise unpaid carers to do some work and reduce the risk of significant overpayments, but introducing a taper to carer's allowance is not without challenges. It could significantly complicate the benefit, and significant rebuilding of the carer's allowance system would be required. The DWP has begun scoping work to see whether an earnings taper might be a feasible option in the longer term, but any taper is several years away.

New clause 10 sets out four points. As I have mentioned, an independent review has been commissioned, its terms of reference have been published and it is well under way. It is anticipated that it will report its conclusions in the summer. Both the report from the independent review and the Government's response will be published, and we will report to the House.

I disagree with the hon. Member for Torbay on two issues. It would not be responsible of us to commit in advance to implementing all and any recommendations from such a review, sight unseen. We need to consider them carefully. In addition, the proposed new clause, as I understand it, would not have the effect he desires. We would still be able to recover overpayments of carer's allowance from benefits under the powers in the Social Security Administration Act 1992.

The new clause would prevent our recovering debts directly from bank accounts of those not on benefits or PAYE, which is one of the additional powers given in this Bill. Even if the new clause operated as intended, it would be disproportionate to suspend all recovery of carer's allowance overpayments until after the review is concluded, as those with overpayments are already covered by the usual safeguards of appeal rights, affordable deductions and, in exceptional circumstances, waiver. Given the discrepancy this would create between those on PAYE and benefits and those with other forms of income, I hope the hon. Gentleman acknowledges the need to withdraw the new clause rather than create further unfairness in the system.

Regarding new clause 11, I re-emphasise that we will not speculate on the findings or any potential outcomes of the independent review. All recommendations will be considered when the independent review concludes. It would not be appropriate of the Department to commit to this new auditing requirement until that has happened, when we can take a holistic view of carer's allowance and how DWP uses data. Nevertheless, it is helpful to set out how DWP currently uses data to verify eligibility for carer's allowance. Verification of earnings and pensions alerts were introduced to carer's allowance in October 2018 as part of a wider strategy to identify data sources, to verify information provided by the claimant, or to identify if information has not been provided by the claimant. Like all data we use for that, it is not intended to replace the legal requirement of a claimant to provide information that may change their entitlement to social security.

VEP alerts arise from HMRC payroll data. The alert service provides a notification of new earnings or pensions as they come into payment, or if amounts change during the life of the claim. The Department uses business rules to prioritise those alerts, based on data provided by the real-time earnings system. Since 2019, we have actioned around 50% of the alerts received in the Department as part of our focus on reducing the risk and level of overpayments. Having secured additional funding in the one-year spending review, we will be deploying additional resource in 2025-26,to action the alerts received from HMRC as quickly as possible. The Department is also testing an approach of using text messages to remind customers of the need to report changes in their circumstances.

Finally, I emphasise that the use of VEP alerts does not replace human decision making. If the Department processes an alert that highlights a change in earnings and a customer has not reported the change, DWP officials will contact the customer to confirm details have changed. If any overpayment is identified, it will be referred to debt-recovery teams. DWP remains committed to working with anyone who is struggling with their repayment terms, and will always look to negotiate sustainable and affordable repayment plans.

In the light of the information I have set out, and the ongoing work of the carer's allowance independent review, I urge the hon. Member for Torbay to withdraw the proposed new clause.

10.45 am

Rebecca Smith: Liberal Democrat new clause 10 would delay any payments being taken from people who the Government think owe repayments on carer's allowance until the independent review into carer's allowance overpayments has been published and fully implemented. Liberal Democrat new clause 11 would provide for an audit of algorithmic systems used in relation to carer's allowance overpayments. It would require that, if any audit identified significant inaccuracies, unfairness or biases in any algorithmic system, the Secretary of State must, within 30 days of the publication of the report outlining these findings, present an action plan to Parliament that outlines the steps the Government intend to take to discuss the identified issues. I am interested to know why the Liberal Democrats are singling out carer's allowance for this treatment—namely, the review of the algorithmic systems—rather than any other allowance or benefits. Is there a reason for that?

Liberal Democrat amendment 32 is a commencement block. It specifies that no part of the Bill may come into force until the recommendations of a report commissioned under the clause "Recovery of overpayments of Carer's

[Rebecca Smith]

Allowance" have been implemented. We would suggest that there is more holistic information that should be made public before the Bill can be commenced, and that the focus on carer's allowance is in danger of missing the bigger picture. For example, we need to see the codes of practice, and we need to know precisely how the banks will deliver their responsibilities under the Bill. I would suggest that those things, which are sadly not yet available to the Committee as we scrutinise the legislation, and that has greatly hindered us, would provide a much more holistic assessment of whether the Government are ready to implement the Bill than the report on recovering overpayments of carer's allowance. Would the Liberal Democrats consider an amendment at a later stage that goes wider than that?

Andrew Western: I contend that amendment 32 is simply disproportionate given the wide range of benefits that the Bill is expected to deliver to address fraud and error, not just in the social security system but in the public sector more widely. It is essential that all of Government have access to the capabilities and tools required to stop fraudsters stealing from the taxpayer. Tens of billions of pounds are being lost to public sector fraud. These losses are unacceptable, and waste enormous sums of public money, which could be put to good use. Delaying the Bill coming into force will risk £1.5 billion of savings over the next five years. These have been certified by the Office for Budget Responsibility. The Government made a manifesto commitment that we would safeguard taxpayers' money and not tolerate fraud or waste anywhere in public services. The Bill delivers on that commitment, and delaying its delivery is unfair on taxpayers, who deserve to have confidence that money spent by Government is reaching those who need it, and not those who exploit the system.

Secondly—we have already discussed this point at length—I remind Members that the Bill introduces new, important safeguards, including provisions for independent oversight and reporting mechanisms, to ensure the proportionate and effective use of the powers. New codes of practice will be consulted on and published to govern how new measures will be exercised in more detail. That will include details of further protections. There will be new rights of review and appeal in both parts of the Bill to ensure that there are opportunities to challenge the Government's approach. A human being will always be involved in decisions about further investigation or the recovery of any debt.

Finally, I return to my earlier point: data and information sharing are crucial when we look at fraud and error. For example, the eligibility verification measure, while it will not be applied to carer's allowance itself, will improve the DWP's access to important data to help to verify entitlements, ensure that payments are correct, and prevent the build-up of overpayments. That will enable the DWP to be tough on those who cheat the benefits system and fair to claimants who make genuine mistakes. It is vital that the DWP is equipped with the right tools, and delaying this Bill will only delay these benefits. In the light of that, I hope that Members will not press the amendment.

Steve Darling: I beg to ask leave to withdraw the motion.

Clause, by leave, withdrawn.

New Clause 13

LIABILITY ORDERS

"(1) Where—

(a) a person has been found guilty of an offence under section 1 or section 11 of the Fraud Act 2006, or the offence at common law of conspiracy to defraud,

(b) that offence relates to fraud committed against a public authority, and

(c) the person has not paid the required penalties or not made the required repayments,

the Secretary of State may apply to a magistrates' court or, in Scotland, to the sheriff, for an order ("a liability order") against the liable person.

(2) Where the Secretary of State applies for a liability order, the magistrates' court or (as the case may be) sheriff shall make the order if satisfied that the payments in question have become payable by the liable person and have not been paid.

(3) The Secretary of State may make regulations in relation to England and Wales—

(a) prescribing the procedure to be followed in dealing with an application by the Secretary of State for a liability order;

(b) prescribing the form and contents of a liability order; and

(c) providing that where a magistrates' court has made a liability order, the person against whom it is made shall, during such time as the amount in respect of which the order was made remains wholly or partly unpaid, be under a duty to supply relevant information to the Secretary of State.

(4) Where a liability order has been made against a person ("the liable person"), the Secretary of State may use the procedure in Schedule 12 to the Tribunals, Courts and Enforcement Act 2007 (taking control of goods) to recover the amount in respect of which the order was made, to the extent that it remains unpaid."—*(Rebecca Smith.)*

Brought up, and read the First time.

Rebecca Smith: I beg to move, That the clause be read a Second time.

Our new clause would provide that, where someone has been found guilty of fraud or conspiracy to defraud and not made the required payments, the Secretary of State can apply for a liability order. It further provides that, where a liability order has been made against a person, the Secretary of State may use the procedure in schedule 12 to the Tribunals, Courts and Enforcement Act 2007, on taking control of goods, to recover the amount in respect of which the order was made, to the extent that it remains unpaid.

The new clause is intended to give the DWP powers to apply to the courts to seize assets where fraud is probable, with the same burden of proof as for cash seizures. It would bring the DWP into line with the Child Maintenance Service. I know that we have had some debate on the matter, so this is probably more of a probing or tidying-up amendment than anything else, but it would be useful to have that said explicitly. It goes without saying that, if the Minister does not intend to support the new clause, I will be interested to know why. If the DWP is serious about recovering money lost to fraud and the person liable is not making the required repayments, why should the DWP not be able to apply to seize their assets?

Georgia Gould: This is similar to the previous new clause we discussed. We have a lot of sympathy with the points set out. We want to ensure that we recover money, whether it is fraud against the public sector more widely or fraud against the DWP, but we believe that that is already covered in the Bill and I will run through why.

Clause 16 clarifies that the PSFA is able to seek alternative civil recovery through the civil courts, in addition to the direct deduction orders and deduction from earnings orders in the Bill. It confirms that the PSFA will be able to apply to the county court for a recovery order. That is an order providing that the payable amount is recoverable

"under section 85 of the County Courts Act 1984, or…otherwise as if it were payable under an order of the court."

Section 85 of the County Courts Act also refers to the use of the procedure in schedule 12 to the Tribunals, Courts and Enforcement Act 2007 to recover the money. That would enable the PSFA to seek enforcement of a debt by applying for a warrant of control in the county court, enabling a court enforcement officer to seize and sell goods to satisfy the debt. That ensures that the PSFA is able to pursue recovery through the most appropriate and effective mechanisms. New clause 13 is therefore already provided through the Bill for the PSFA and through existing legislation for the DWP—section 71 and section 71ZE of the Social Security Administration Act 1992 to be specific—allowing them operational flexibility to recover money in the most effective and efficient way to return money to the public purse. An amendment is not required to do that.

Rebecca Smith: I beg to ask leave to withdraw the motion.

Clause, by leave, withdrawn.

New Clause 14

INCLUSION OF SYSTEMS WITHIN THE ALGORITHMIC TRANSPARENCY REPORTING STANDARD

"(1) For the purposes of this section, 'system' means—

(a) algorithms, algorithmic tools, and systems; and

(b) artificial intelligence, including machine learning

provided that they are used in fulfilling the purposes of this Act.

(2) Where at any time after the passage of this Act, the use of any system is—

(a) commenced;

(b) amended; or

(c) discontinued

the Minister must, as soon as reasonably practicable, accordingly include information about the system in the Algorithmic Transparency Reporting Standard." —*(John Milne.)*

This new clause would require the use of algorithms, algorithmic tools, and systems, and artificial intelligence, including machine learning, to be included within the Algorithmic Transparency Reporting Standard.

Brought up, and read the First time.

John Milne: I beg to move, That the clause be read a Second time.

The new clause would require that the use of algorithms, algorithmic tools and systems, and artificial intelligence, including machine learning, should be included within the algorithmic transparency reporting standard. That standard, established by the Government, is supposed to be mandatory for all Government Departments. However, last November, *The Guardian* reported that not a single Whitehall Department has registered the use of AI systems since it was made mandatory.

Throughout debate on this issue, the Government have consistently downplayed the risk of using AI to trawl for suspect claimants, but if it really is that simple, why have so many organisations come out with concerns and opposition? That includes Age UK, ATD—All Together in Dignity—Fourth World, Amnesty International, Campaign for Disability Justice, Child Poverty Action Group, Defend Digital Me and Difference North East. I could go on: I have half a page, which I will spare the Committee from, listing organisations that have expressed concern. It is quite a roll call.

Governments can and will get things wrong. History tells us that if it tells us anything. In June 2024, a *Guardian* investigation revealed that a DWP algorithm had wrongly flagged 200,000 people for possible fraud and error; it found that two thirds of housing benefit claims marked as high risk in the previous three years were in fact legitimate, but thousands of UK households every month had their housing benefit claims wrongly investigated. Overall, about £4.4 million was wasted on officials carrying out checks that did not save any money. We know that more mistakes will happen, no matter how hard we try to avoid them. I therefore ask the Minister to support the insertion of new clause 14 as a small measure of defence against future institutional failings.

Rebecca Smith: As we have heard, Liberal Democrat new clause 14 would require the use of algorithms, algorithmic tools, and systems, and artificial intelligence, including machine learning, to be included in the algorithmic transparency reporting standard. I have obviously just heard the comments of the hon. Member for Horsham, but I would be interested to know precisely what the Liberal Democrats are aiming to achieve with this new clause and how such reporting would better enable the Government to crack down on fraud and error. Is that the intention behind the new clause?

Andrew Western: I share the support expressed by the hon. Member for Horsham for the algorithmic transparency recording standard as a framework for capturing information about algorithmic tools, including AI systems, and ensuring that public sector bodies openly publish information about the algorithmic tools used in decision-making processes that affect members of the public. However, I do not think the new clause is a necessary addition to the Bill, and I will explain why.

First, all central Government Departments, including the DWP and the Cabinet Office, are already required to comply with the standard as appropriate. We are committed to ensuring that there is appropriate public scrutiny of algorithmic tools that have a significant influence on a decision-making process with public effect, or that directly interact with the public. We have followed and will continue to follow the guidance published by the Department for Science, Innovation and Technology on this to ensure the necessary transparency and scrutiny.

Secondly, I remind the Committee that although the DWP and PSFA are improving their access to relevant data through the Bill, we are not introducing any new use of machine learning or automated decision making in the Bill measures. I can continue to assure the House that, as is the case now, a human will always be involved in decisions that affect benefit entitlement.

[Andrew Western]

Thirdly, although I do not wish to labour the point yet again, I remind the Committee that the Bill introduces new and important safeguards, including reporting mechanisms and independent oversight in the Bill, demonstrating our commitment to transparency and ensuring that the powers will be used proportionately and effectively. The DWP takes data protection very seriously and will always comply with data protection law. Any information obtained will be kept confidential and secure, in line with GDPR.

John Milne: I am content to beg to ask leave to withdraw the motion.

Clause, by leave, withdrawn.

New Clause 15

OFFENCE OF ENCOURAGING OR ASSISTING OTHERS TO COMMIT FRAUD

"(1) The Social Security Administration Act 1992 is amended as follows.

(2) In section 111A (Dishonest representation for obtaining benefit etc), after subsection (1G) insert—

'(1H) A person commits an offence if they—

(a) encourage or assist another person to commit an offence under this section, or

(b) provide guidance on how to commit an offence under this section.'

(3) In section 112 (False representations for obtaining benefit etc), after subsection (1F) insert—

'(1G) A person commits an offence if they—

(a) encourage or assist another person to commit an offence under this section, or

(b) provide guidance on how to commit an offence under this section.'"—*(Rebecca Smith.)*

Brought up, and read the First time.

Question put, That the clause be read a Second time.

The Committee divided: Ayes 3, Noes 10.

Division No. 8]

AYES

Dewhirst, Charlie	Wood, Mike
Smith, Rebecca	

NOES

Baxter, Johanna	Gould, Georgia
Berry, Siân	Jameson, Sally
Coyle, Neil	Payne, Michael
Egan, Damien	Welsh, Michelle
German, Gill	Western, Andrew

Question accordingly negatived.

New Clause 16

REVIEW OF WHISTLEBLOWING PROCESSES IN RELATION TO PUBLIC SECTOR FRAUD

"(1) The Secretary of State must, within one year of the passing of this Act, conduct a review of whistleblowing processes in relation to fraud in the public sector.

(2) A review conducted under this section must consider—

(a) the appropriateness and efficacy of existing whistleblowing processes;

(b) barriers to reporting fraud and reasons for underreporting of fraud; and

(c) recommendations for change.

(3) The Secretary of State must publish a report containing—

(a) the findings and conclusions of the review, and

(b) a timetable for the delivery of any recommendations for changewithin six months of the completion of the review."—*(Rebecca Smith.)*

Brought up, and read the First time.

11 am

Rebecca Smith: I beg to move, That the clause be read a Second time.

New clause 16 would require the Secretary of State to conduct a review of whistleblowing processes in relation to fraud in the public sector within one year of the Bill passing. The Opposition would like the review to include the appropriateness and efficacy of existing whistleblowing processes, the barriers to reporting fraud, the reasons for the under-reporting of fraud, and recommendations for change.

The Committee has previously discussed the 2023 National Audit Office report that highlighted the difficulties with whistleblowing within the public sector, particularly in respect of whistleblowing on senior colleagues. The NAO also highlighted that of the public sector whistleblowing disclosures it received in 2023-24, 12% related to fraud. I did not get a particularly clear answer from the Minister about the safeguards that have been put in place to ensure that junior civil servants are able to raise concerns about more senior members of staff, so I am interested to see if there is more to be said.

It is a serious issue. One of the reasons I was interested in tabling this new clause is that, as a junior member of staff at a local authority, I saw this happen. I was in a situation where two colleagues were defrauding the local housing authority, and at that stage as a 21-year-old I did not feel able to do anything about it. That is one of the biggest regrets of my life. Having worked significantly in housing since, the fact that I was not able to call them out for essentially purchasing a council house that they were no longer living in, makes me feel that this safeguard —ensuring that Government Departments' houses are in order as the legislation goes forward—is particularly vital.

John Smart, who sits on the PSFA's advisory panel, raised the example of the US, which has whistleblower reward legislation in place that is effective at flushing out issues affecting payments made by the Government. The legislation flushes out fraud by incentivising whistleblowers to blow the whistle, so to speak. He recommended that the Government consider such legislation, so could the Minister inform the Committee whether the Government have looked into that option? Would it be possible for us to learn from that legislation? Could the Government consider such legislation in the future, and if not, why not?

Georgia Gould: I thank the hon. Lady for raising the critical issue of whistleblowing. I assure her of how seriously the Under-Secretary of State for Work and Pensions—my hon. Friend the Member for Stretford and Urmston—myself, and both Secretaries of State take the issue of whistleblowing. I hope, as I set out our responses to the NAO report and our wider work, to offer the reassurance that the Opposition are looking for.

When it comes to internal and external fraud against the public sector, Government Departments are responsible for their own whistleblowing arrangements and for overseeing arrangements in their arm's length bodies. For example, the Department for Business and Trade publishes and regularly updates its guidance, "Whistleblowing: list of prescribed people and bodies", which details who individuals can raise a concern with. The list comprises bodies and individuals to whom making a disclosure qualifies the individual who makes the disclosure for legal protections under the Employment Rights Act 1996—for instance, protection against being dismissed by their employer for the disclosure.

Whistleblowers can report concerns about public sector fraud to bodies such as the NAO's Comptroller and Auditor General, the director of the Serious Fraud Office, the Auditors General for Wales and for Scotland, the NHS Counter Fraud Authority and various other bodies listed on gov.uk. The NAO report that the hon. Lady referred to set out that between 2019 and 2022 fraud one of the most common concerns raised—I think it accounted for 40% of concerns.

On the review of the existing processes, the key findings of the recent NAO publication related to the need to increase awareness of the channels for whistleblowing, to improve the experience of whistleblowers and to ensure that lessons are learned, as the hon. Lady set out. In the light of the NAO report, and with the intention of opening up as many avenues as possible for the reporting of public sector fraud, the PSFA will explore with the Department for Business and Trade whether it would be appropriate to add the PSFA to the list of prescribed organisations. That would go alongside the existing ability to raise fraud within a public sector body or Department. We will also use the findings of the report, as well as the NAO's good practice guide to whistleblowing in the civil service, to inform our approach.

The DWP has established processes by which members of the public and staff can report suspected benefit fraud. Members of the public can report fraud online at gov.uk, by phone or by post, while DWP staff follow clear internal guidance and processes. Given the intent to maintain the focus of this legislation, the recent work by the National Audit Office, the existing DWP processes and the steps the PSFA is taking to continue to improve the whistleblowing offer for public sector fraud, I will resist new clause 16.

Rebecca Smith: I appreciate the Minister's response. We will withdraw the new clause, but I urge her to go back and look at what more can be done. I appreciate that the PSFA might come in as a prescribed organisation, but I am particularly concerned about how we bridge the gap and enable more junior civil servants to blow the whistle in relation to senior colleagues. Ultimately, that was the focus of the NAO report. If there is a way to look at that ahead of Report stage, I would be grateful. I beg to ask leave to withdraw the motion.

Clause, by leave, withdrawn.

New Clause 17

Duty to consider domestic abuse risk to holders of joint accounts

"(1) Before any direct deduction order under Schedule 5 is made, the Secretary of State has a duty to consider its effect on any person ('P') who—

(a) is a victim of domestic abuse, or

(b) the Secretary of State reasonably believes to be at risk of domestic abuse,

where P shares a joint account with a liable person believed to be the perpetrator or potential perpetrator of domestic abuse.

(2) In this section 'domestic abuse' has the meaning given by section 1 of the Domestic Abuse Act 2021."—*(Steve Darling.)*

Brought up, and read the First time.

Steve Darling: I beg to move, That the clause be read a Second time.

I start by acknowledging the hard work of Surviving Economic Abuse in this policy area. I thank that charity for its briefing, which I am sure it has shared with all Committee members. The charity and the Liberal Democrats are keen to make sure that domestic abuse, particularly where it plays out in relation to joint accounts, is on the face of the Bill, so that it is taken very seriously.

I can almost hear the Minister's voice saying that DWP officers are well trained to deal with vulnerable claimants, but it is extremely important to put domestic abuse on the face of the Bill. Domestic abuse is a very wicked issue in my Torbay constituency, and I am sad to say that Torbay is not alone in it being a serious challenge in people's households. I hope the Government will take this seriously and support the new clause, so we would like to press it to a vote in due course.

Rebecca Smith: The Conservatives—the official Opposition—share the Liberal Democrats' view that it is vital that we use different Departments across Government to tackle domestic abuse and domestic violence. We have a really strong track record of doing that in government.

In principle, the new clause seems like a good idea. I am conscious that we need to ensure that the Bill does not exacerbate or create problems for victims and put them even more at risk. I have done a lot of work on violence against women and girls away from this place, and I am conscious of how tricky it can be to prove some of these things. I wonder whether there might be other ways to achieve the same outcome. I assume that is why the Government are not able to support the new clause.

The new clause includes language such as "potential" and "believed to be". My gentle challenge is about whether it could be worded differently, as we go forward to other stages, to make it more achievable and deliverable, and something that would have a place in the Bill. As it stands, I am not sure that would be the case, but I am interested to see this issue debated further, because the official Opposition share the commitment to tackling domestic abuse and domestic violence.

Andrew Western: We have reached the stage in Committee at which the hon. Member for Torbay can second-guess my comments. He will be as pleased as I am that this is the last of the new clauses for debate, but it is a very serious one.

New clause 17 seeks to place a duty on Secretary of State to consider the impact of a proposed direct deduction order where a person is a victim of domestic abuse, or officials reasonably believe they are at risk of domestic abuse, and they share an account with a perpetrator of that abuse. I share the hon. Member for Torbay's view that, where the new recovery powers are exercised, there should be a consideration of whether there is evidence

[Andrew Western]

of domestic abuse. However, I do not believe the new clause reflects the right approach. The DWP understands the importance of supporting victims and survivors of domestic abuse, and has existing guidance, processes and operational best practice for supporting them.

The new clause would apply to both debtors and non-debtors, and would not require the DWP to take any steps to identify possible victims. Subsection (1)(a) would place a duty on officials to consider the impact any time a person was a victim, even when the DWP did not and could not have known that that was the case. Subsection (1)(b) would imply a duty to assess whether there was reason to believe the person was at risk of domestic abuse but, as the hon. Member for South West Devon suggested, in many cases the DWP will not be in a position to make that assessment. That would put officials in a difficult, if not impossible, position.

As the direct deduction powers will be used as a last resort where multiple attempts to engage with the debtor to arrange a voluntary, affordable and sustainable repayment plan have failed, we anticipate that the DWP will know very little about the debtor's current circumstances, unless it had been made aware previously or there were clear identifiable risk factors. We are working closely with charities, some of which the hon. Member for Torbay will have heard from, to help to identify those risks, as I will outline.

Where a joint account holder could be at risk of domestic abuse but is not the debtor, we are unlikely to have ever had direct dealings with them prior to the power being used. Unless we were directly notified, it is unlikely we would have the information necessary to form the reasonable belief that they were at risk, and much less likely that we could identify all the cases where the person was experiencing abuse. I do not, therefore, agree that a placing a legal duty on officials in this way is the right approach.

We are committed to continuing to support victims of domestic abuse whenever they interact with the Department, which is why we are working with charities such as Surviving Economic Abuse, which is dedicated to advocating for women whose partner has controlled their ability to acquire, use and maintain economic resources. SEA is supporting the drafting of the code of practice to ensure that robust safeguards are in place and to encourage engagement specifically from those who are vulnerable, including victims of domestic abuse. Although SEA works with women, the principles will apply to all victims and survivors of domestic abuse.

Frontline debt management staff already receive training for their role, including on assessing affordability, discussing hardship, and identifying and dealing with vulnerable customers. As we have heard, a specialist debt enforcement team will exercise the new recovery powers, and it will be governed by a code of practice. As explained, we will consult on the draft code of practice, and I welcome further views as part of the wider public consultation.

Finally, I note that paragraph 6(1)(b) of schedule 5 already imposes a broad duty on the Secretary of State to ensure that the amount of any deduction is

"fair in all the circumstances."

That would include consideration of the impact on a victim of domestic abuse, as the hon. Member for Torbay seeks in the new clause, where the relevant context and circumstances are known to the Department. I hope that reassures the hon. Member that his concerns are already addressed in the Bill, and that the DWP takes domestic abuse seriously and will continue to do so when exercising the new recovery powers.

11.15 am

Steve Darling: I would like to press the new clause to a vote.

Question put, That the clause be read a Second time.

The Committee divided: Ayes 6, Noes 9.

Division No. 9|

AYES

Berry, Siân	Milne, John
Darling, Steve	Smith, Rebecca
Dewhirst, Charlie	Wood, Mike

NOES

Baxter, Johanna	Jameson, Sally
Coyle, Neil	Payne, Michael
Egan, Damien	Welsh, Michelle
German, Gill	Western, Andrew
Gould, Georgia	

Question accordingly negatived.

Clause 99

Application and limitation

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

The Chair: With this it will be convenient to discuss clauses 100 to 104 stand part.

Georgia Gould: This is the final group of clauses that the Committee will consider. I give massive thanks to the Committee for our constructive dialogue, which I am sure will continue—I look forward to a long afternoon and Thursday discussing these final clauses.

Clause 99 covers how the Bill will be applied and limited by setting out the retrospective effect of the new powers, and makes some technical amendments to the Limitation Act 1980. There is a significant policy change in the clause, which is the extension of the existing six-year limit for civil claims relating to covid frauds. I think the Committee will agree that is critical. Although the application and limitation of the clause covers the whole Bill, and the powers can be used on existing cases, retrospective effect does not apply for clauses 96 and 97, which relate to non-benefit payment administrative penalties.

Subsection (3) of clause 99 sets out that the time-limit change applies to amounts that an England and Wales public authority is entitled to claim from a person as a result of a fraud the person carried out. Subsection (5) clarifies what is meant by an England and Wales public authority, and explains that Scottish and Welsh devolved authorities are not included. Subsection (7) makes technical amendments to section 38(11) of the Limitation Act 1980.

Clause 100 enables the Secretary of State for Work and Pensions and the Minister for the Cabinet Office to ensure that the Bill works alongside all existing legislation. As is usual for Bills that may have provisions consequential for other Acts of Parliament, the power allows the Secretary of State and the Minister to amend other legislation to ensure that the Bill works effectively with existing Acts of Parliament.

Clause 101 recognises that the Bill requires a money resolution, primarily because it confers new functions on the Minister for the Cabinet Office and the Department for Work and Pensions.

Clause 102 sets out the Bill's territorial extent, while annex A in the accompanying explanatory notes provides a full breakdown of the territorial extent and application of its measures. The provisions in part 1 apply to England and Wales. Legislative consent is required for Wales for some parts of the part 1 provisions. The provisions in part 2 apply to England, Wales and Scotland in relation to reserved matters.

As the Committee is aware, the UK Government do not generally legislate on devolved matters without the consent of the relevant devolved Governments. We have written to our counterparts in Scotland and Wales, and engagement with both remains ongoing, to seek legislative consent from Wales on the part 1 provisions that interact with Welsh competence and from Scotland on the part 2 provisions that interact with Scottish competence.

Clause 103 is required to enable the provisions in the Bill to be implemented. It sets out how the Bill's provisions will be commenced.

Finally, clause 104 is straightforward and confirms that the short title of the Act will be the Public Authorities (Fraud, Error and Recovery) Act 2025, to summarise the intent of the Bill captured in the long title. Having outlined the main provisions in clauses 99 to 104, I commend them to the Committee.

Rebecca Smith: The good news is that the Minister has answered some of my questions, particularly in respect of clause 99 and the extension of the retrospective time limits. Clause 100 is a standard Henry VIII power to make consequential provision as a result of the legislation; does the Minister envisage that the power will need to be used frequently? Clauses 101 to 104 are standard provisions and we do not have any substantive comments to make on them.

The Chair: I remind the Committee that we have until 11.25 am.

Georgia Gould: The Henry VIII power is to ensure that any other legislation is in line with this legislation. We do not expect it to be used on lots of occasions, but it will be used on some. We welcome the Opposition's support for the extension to the limit for investigating covid fraud. I thank the Committee again for its work on the Bill, which will ensure that we take action against fraud wherever it occurs.

Question put and agreed to.

Clause 99 accordingly ordered to stand part of the Bill.

Clauses 100 to 104 ordered to stand part of the Bill.

Question proposed, That the Chair do report the Bill, as amended, to the House.

Andrew Western: I place on the record my thanks to you, Mr Western, and all the other Chairs who have supported and guided us through the Bill. I thank the Clerks and officials from the Cabinet Office and DWP for their support. I also thank my co-pilot, the Parliamentary Secretary, Cabinet Office, my hon. Friend the Member for Queen's Park and Maida Vale; the Opposition spokespersons; and all Committee members for their input. I commend the Bill to the Committee.

Question put and agreed to.

Bill, as amended, accordingly to be reported.

11.23 am

Committee rose.