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Dame Meg Hillier MP
Chair
Public Accounts Committee
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Sent electronically

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Dear Meg

Fraud and Error Estimates Release – May 2022

As you will have seen, our fraud and error estimates for 2021/22 have been released today. The overall rate of overpayments – formerly 3.9% (£8.2bn) – is now 4.0% (£8.6bn) whilst Universal Credit overpayments have increased from 14.5% (£5.5bn) to 14.7% (£5.9bn).

The overall rate of fraud, error and overpayments across welfare had fallen prior to the pandemic, at the very point when Universal Credit was expanded. This was driven by our fundamental approach, which has always been to prevent fraud from entering the system in the first place, to detect and root out fraud when it does, and to deter would-be fraudsters through a robust penalty system, including recovering the debt owed.

I previously set out to the Committee the action we took in response to the pandemic to meet the extraordinary surge in demand, and how our considered judgement was to get money as quickly as possible to those who needed it. I also made it clear that, while we documented the steps we took, and reversed out easements at the earliest opportunity, exploitation of the benefit system during this time, along with the increasingly sophisticated nature of organised benefit fraud, would still be a factor in 2021/22.

We are determined to bring the levels of fraud back down. As you know, over the last year we have revisited those claims that our risk assurance service has identified as the riskiest claims, generating significant savings. But the caseload still contains claims made during the Covid period, and while we are confident that the picture is improving, we always knew this would take time.

This is why we published our Fraud Plan, 'Fighting Fraud in the Welfare System', on 19 May 2022. The Plan sets out our approach and explains how we will invest in DWP's frontline counter-fraud professionals and responses, create new legal powers to investigate (and punish) potential fraud fraudsters and bring together the full force of public and private sectors so that we can remain one step ahead.

The £613 million additional investment we announced at the end of 2021 means we have secured a 75% increase in funding to help realise our goals over the next three years. This money will allow us to scale up our existing operations, enhance our approach to data and analytics and establish our brand-new Targeted Case Review of UC claims, which will see us conduct a full review of two million claims over the next five years.

We believe this new investment will stop an estimated £2.1 billion of loss in fraud and error over those three years and £4.0 billion of loss over the next five years. As I mentioned in my letter of 18 May, we have been unable to establish a target due to the uncertainty of our baseline caseload post Covid. Nevertheless, we will continue to track the impact of this increased investment, and the delivery of our plan.

I know that you will want to know more about this when we meet in July, following publication of our Annual Report and Accounts.

Your sincerely
Peter Schofield

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Permanent Secretary