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HMRC internal manual

## Complaints and Remedy Guidance

From: **HM Revenue & Customs**  
**(/government/organisations/hm-revenue-customs)**

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[Back to contents](#) > [CRG5000](#)

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# CRG5550 - Financial redress: System failure

It is good practice to consult Online Services for advice when system error (in connection with our online services) is alleged or suspected, as they are best placed to understand the background and technical aspects of issues arising.

Consider the following factors when deciding whether financial redress is appropriate:

- What was the impact of the system failure on the customer?
- How much time did the customer waste and was the customer upset about this?

- Did the customer pay the costs of an agent to rectify the problem or deal with us?
- Did the customer incur any other additional costs because of the system failure?
- Did we correct the problem within a reasonable period of time?
- If the problem was with an online system, was an alternative to dealing with us online provided and was it reasonable to expect the customer to use this alternative?
- Did we publicise the alternative properly so that the customer should have been aware of it? For example, did we make the error and alternative clear on the relevant internet page?

Financial redress would usually be appropriate where one or more of the following applies:

- the system failure caused significant worry or distress to the customer
- the customer spent a significant amount of time dealing with the error, causing worry or distress
- the customer employed an agent to deal with the issue
- the customer incurred other reasonable costs as a direct result of the system failure
- we did not provide a reasonable alternative to dealing with us online or the customer was unaware of the reasonable alternative because we had not publicised it properly and the Online Services Helpdesk was not able to give assistance.

Financial redress would not usually be appropriate where one or more of the following applies:

- the system failure caused the customer a small amount of inconvenience but no significant worry, distress, or costs (including agents' costs)
- we provided a reasonable alternative to dealing with us online which was well publicised
- the online system was temporarily unavailable but this did not cause a key deadline to be missed and therefore a penalty to be incurred.

Costs may include reasonable agents' fees, postage and telephone costs.

Consider the following when deciding whether we provided a reasonable alternative:

- The alternative should be reasonable. For example, if the SA online system went down and we agreed to accept paper returns beyond the usual deadline, that would be a reasonable alternative. But if we asked customers to attend a particular office with the required information so we could input the return, that would not be reasonable.
- The reasonable alternative should be published properly. Sometimes it will be obvious that an alternative, such as telephoning us for information usually available online, exists. However, we should take care to ensure that whenever there is a system failure, the alternatives are publicised, preferably on the internet page or area which the customer would normally access. If we do this and the customer fails to make use of the alternative, then it is unlikely that any claim for financial redress would be met.
- The alternative should only be for a reasonable amount of time. We should make sure that normal service is restored as soon as possible. For example, where the electronic payment of Tax Credits goes wrong, arrangements are normally made for manual payments until the problem is resolved. This is a reasonable alternative for a limited period of time, but if we did not resolve the problem for several years and continued to issue manual payments, this would not be reasonable. In these circumstances, you should consider whether financial redress is appropriate.
- Some online issues can take a long time to resolve. Consult Online Services for advice on what is reasonable for the particular circumstances.

## Unplanned downtime

We would not normally consider financial redress in these circumstances since the problem is usually rectified quickly with no consequences for the customer. As with all complaints however, each case should be considered individually and financial redress may be appropriate if a customer is able to show that they tried to use the online facility over a prolonged period of time and its unavailability affected them particularly badly, or they incurred reasonable costs as a direct result of the system failure. Consult Online Services for advice.

Financial redress may also be appropriate if the failure led to a deadline being missed and penalties being incurred. In all cases however, you should look at what measures we had taken to mitigate the problem (such as providing an avenue to appeal under “reasonable excuse”) when considering financial redress.

[Top of page](#)

## **Agents complaining that multiple clients have been affected by the same system failure**

Our normal rules about paying agents direct (see [CRG5275 \(https://www.gov.uk/hmrc-internal-manuals/complaints-and-remedy-guidance/crg5275\)](https://www.gov.uk/hmrc-internal-manuals/complaints-and-remedy-guidance/crg5275)) apply to system failures, but where agents contact us in these circumstances, we should make every effort to work with them to minimise the costs they, and ultimately their clients, incur as a result of the error. For example, we should be prepared to write to the clients explaining what’s gone wrong and what we are doing to put things right. If you are concerned about a compensation claim from an agent, or are uncertain about how to handle the claim, please seek advice from CCAST.

[Top of page](#)

## **Agents complaining that a system failure impacted on their own time**

Where the system failure has a specific impact on the agent (such as not being able to register as an

agent or post being wrongly delivered), the agent will often seek financial redress from us. In these cases, see [CRG5275 \(https://www.gov.uk/hmrc-internal-manuals/complaints-and-remedy-guidance/crg5275\)](https://www.gov.uk/hmrc-internal-manuals/complaints-and-remedy-guidance/crg5275). If you need any further advice, please contact CCAST.

[Top of page](#)

## Other third parties

Sometimes a system failure may impact on a third party, for example, if we were incorrectly to inform a pension provider that a customer has died, resulting in unnecessary work to close down their pension. In these cases, please see the guidance on complaints from third parties at [CRG5300 \(https://www.gov.uk/hmrc-internal-manuals/complaints-and-remedy-guidance/crg5300\)](https://www.gov.uk/hmrc-internal-manuals/complaints-and-remedy-guidance/crg5300) and seek advice from CCAST if you are unsure about any aspect of the case.

← **Previous page**  
(/hmrc-internal-manuals/complaints-and-remedy-guidance/crg5525)

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→ **Next page**  
(/hmrc-internal-manuals/complaints-and-remedy-guidance/crg5575)

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