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HMRC internal manual

Complaints and Remedy Guidance

From: **HM Revenue & Customs**
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CRG5175 - Financial redress: Loss of earnings and "own time"

Customers may have used their own leisure time or work time to sort out problems our mistakes caused. This is regrettable. We appreciate that people's time is valuable to them but it is not our policy to use taxpayers' money to compensate for the notional or hypothetical cost of "own time".

This applies to all our customers including employees, sole traders, directors of small limited companies, and professional agents and tax advisers in connection with their own affairs.

For reimbursement to be made there must be clear evidence of actual loss of earnings and proof

beyond doubt that income has been permanently lost.

For example, an employee might spend 3 hours of their leisure time dealing with a mistake we have made but continues to be paid in full by their employer. There is no loss of earnings.

Similarly, customers who are self-employed may not lose income. They may have to spend time in which they might normally choose to undertake work, but that does not mean the work or income is irretrievably lost. They may be able to do it at another time. Again, there is no loss of income.

It is not enough for a complainant to say "I normally charge my time out at £25 an hour and I spent 3 hours resolving this problem therefore I want £75 compensation" as there might be no work scheduled for that time, or no actual loss of earnings or income.

If a claim is made we would want to see proof that the time would otherwise have been actually charged to a customer, i.e. that custom was lost. Even in that situation, if the work was simply postponed rather than permanently lost, it may be difficult to establish a genuine loss.

This aspect is difficult to apply. However, if a customer intends to seek redress for their own time they need to provide clear evidence of the lost earnings or income.

For example, this might be

- Payslips showing the self-employed customer or small business had to sub-contract or pay someone else to undertake work at this time, or
- A docked payslip, with confirmation from a contractor or employer that the income was permanently lost to the sub-contractor or employee because of the time taken (such as unpaid leave).

It is not always easy to provide. That does not mean that people's time is not valuable or that earnings or income were not lost, but we can only reimburse where there is demonstrable proof of

loss of earnings, income or profits. To do otherwise would mean reimbursing for hypothetical, notional, speculative or potential losses from the finite resource that is taxpayers' money, which is not our policy. You will need to consider all the facts and circumstances and sometimes make fine balancing judgements.

When compensating for lost earnings or income, bear in mind that hourly rates can cover a number of activities. Focus on what the net earnings would be and reimburse accordingly. You should therefore deduct income tax where the claimant is liable to tax. It is unlikely to be possible to reach a precise figure, so use reasonable estimates - see example below.

Examples

- An employed customer lost earnings through having to take half a day's unpaid leave to deal with matters arising solely from our mistake. So long as this was the only way of resolving matters, reimbursement can be made for the net pay lost for that half day. He produces payslips that show his net earnings average at around £120 per day. You therefore pay him £60. (The same person using holiday leave to sort out the problem would not lose earnings.)
- A self-employed customer had to hire someone to run the business for a day so the customer could attend to the unnecessary work caused by our mistake. The cost of hiring the help could be reimbursed.

In some cases where evidence of loss of earnings or income is not available, but it is clear our mistake has had a significant adverse impact on the customer, it may be appropriate to make a suitable worry and distress payment - see [CRG6100](#) (<https://www.gov.uk/hmrc-internal-manuals/complaints-and-remedy-guidance/crg6100>).

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