

**Public Accounts Committee inquiry – HMRC customer service
Response from the Low Incomes Tax Reform Group (LITRG)**

1 Executive Summary

- 1.1 We welcome this opportunity to submit evidence to the Committee’s inquiry. Our aim is to give a voice to those unable to afford professional tax advice. By definition, these taxpayers rely on HMRC for support to get their taxes right. Our submission focuses on tax issues from their perspective.
- 1.2 We submitted evidence to the Committee’s HMRC Standard Report inquiry in October 2023¹. Much of our submission focused on HMRC’s customer service standards and the digital channel shift and is therefore also relevant to this inquiry.
- 1.3 There is no doubt that digital services (including guidance) can be greatly beneficial both to taxpayers and to HMRC in helping them administer the tax system. We are generally supportive of HMRC’s digital agenda. For those that can use them, digital services, when done well, are often quicker, easier and more convenient than traditional methods such as phone and printed materials. However, there are issues with HMRC’s current suite of digital services, and we are not supportive of HMRC’s attempts to force people to use digital channels before they are of a sufficient standard to meet their needs.
- 1.4 On 19 March 2024², HMRC announced they would permanently close the self assessment helpline for 6 months of the year and operate a system of prioritisation for the remaining 6 months, as well as make some changes to other helplines. This decision was reversed the following day.³ We are still firmly of the view that HMRC’s plans were too aggressive, were not built on a solid understanding of taxpayer needs and did not have a robust evidence base. Indeed, HMRC’s own evaluation of the

¹ <https://www.litrg.org.uk/submissions/public-accounts-committee-inquiry-hmrc-standard-report-2022-23>

² <https://www.gov.uk/government/news/hmrc-encourages-customers-to-interact-online-with-changes-to-its-self-assessment-payee-and-vat-services>

³ <https://www.gov.uk/government/news/hmrc-helpline-changes-halted>

helpline closure trials (which ran for three months from June 2023) did not consider the potential impact on tax compliance and revenues and did not sufficiently consider the impact on taxpayers¹.

- 1.5 On 15 May 2024, the National Audit Office (NAO) published their report on HMRC Customer Service². Much of the report echoes concerns and points we have been raising over the last 18 months, including those about the data used to make decisions. We therefore welcome the report, the detailed findings (many of which we discuss in this response) and the recommendations, which include HMRC developing more realistic plans. In putting these together, it is vital that HMRC take account of the report findings, in particular the numerous data gaps and they must be willing to engage fully with stakeholders.
- 1.6 We remain of the view that the current customer service situation is damaging trust in the tax system. People are frustrated that they cannot get the help and support they need. Poor digital journeys and guidance also provide opportunities for exploitation – as has been seen with the growth of unscrupulous tax refund companies in recent years. However, this is an opportunity for HMRC to reset and to form a new strategy.
- 1.7 HMRC’s own published research shows that over 80% of HMRC customers are at least somewhat willing to engage in with HMRC digitally and so we think the focus of a new strategy should be about building good quality digital services, encouraging people to use them and, essentially, supporting them to do so. There must also be clear provision for those unable to use digital services – which includes those who are unable to prove their identity to be able to use their online accounts as well as those who are digitally excluded. This should include identifying opportunities to improve digital services so that they give taxpayers the reassurance they need.
- 1.8 HMRC should then publish their detailed strategy so that they can be held to account in terms of progress. We recommend HMRC consider having a small number of external stakeholders more involved, both in terms of building a strategy and also in holding HMRC to account in delivering against it.
- 1.9 Developing a new strategy and improving digital services will take time. In the meantime, HMRC are expected to service, with continuously decreasing revenues, a growing number of taxpayers with increasingly complex tax affairs. We welcome the recently announced £51 million of additional funding to help improve the current phone line situation, but the impact of this is likely to be limited. This situation is not tenable and HMRC must have sufficient funding to maintain good customer service levels by phone and post and to invest properly in improving and building their digital services.

¹ <https://www.gov.uk/government/publications/evaluation-of-changes-to-how-hmrc-supports-self-assessment-customers/summary-of-the-evaluation-of-changes-to-how-hmrc-supports-self-assessment-customers-in-the-2023-to-2024-tax-year>

² <https://www.nao.org.uk/reports/hmrc-customer-service/>

2 About Us

- 2.1 The Low Incomes Tax Reform Group (LITRG) is an initiative of the Chartered Institute of Taxation (CIOT) to give a voice to the unrepresented. Since 1998, LITRG has been working to improve the policy and processes of the tax, tax credits and associated welfare systems for the benefit of those who are least able to pay for professional advice. We also produce free information, primarily via our website www.litrg.org.uk, to help make a difference to people's understanding of the tax system.
- 2.2 LITRG works extensively with key stakeholders such as HM Revenue & Customs (HMRC) and other government departments, commenting on proposals and putting forward our own ideas for improving the tax system. LITRG also considers the welfare benefits system, and other related systems, to the extent that they interact with tax.
- 2.3 The CIOT is a charity and the leading professional body in the United Kingdom concerned solely with taxation. The CIOT's primary purpose is to promote education and study of the administration and practice of taxation. One of the key aims is to achieve a better, more efficient, tax system for all affected by it – taxpayers, advisers and the authorities.

3 HMRC's customer service – general comments

- 3.1 Good customer service is critical for a number of reasons. On a day to day basis, poor customer service leaves people feeling frustrated and takes away time from individuals and businesses which affects productivity. Sustained poor customer service damages trust in the tax system. It risks people not getting the support they need to get their taxes right, which can affect the amount of tax revenue collected. It risks people disengaging with HMRC – which can lead to long term non-compliance. It also means HMRC cannot meet their Charter standards which include getting things right, making things easy and being responsive¹. The other significant impact is on HMRC themselves – declining customer service can lead to more chasing calls, putting further pressure on phone lines.
- 3.2 HMRC did not meet any of its customer service targets in 2023/24. In the first 11 months of 2023/24, only 67.2% of telephone adviser attempts were handled, against a target of 85%². Those who did get through had an average wait of just over 23 minutes to speak to an adviser, compared to 5 minutes in 2018/19³. The NAO say that 798 years was spent by customers and agents waiting to speak to an adviser in 2022/23, up from 365 years in 2019/20⁴. There is no shortage of evidence to show that HMRC are failing in terms of providing an adequate service to taxpayers.

¹ <https://www.gov.uk/government/publications/hmrc-charter/the-hmrc-charter>

² Page 21 <https://www.nao.org.uk/wp-content/uploads/2024/05/hmrc-customer-service.pdf>

³ Page 7 <https://www.nao.org.uk/wp-content/uploads/2024/05/hmrc-customer-service.pdf>

⁴ Page 6 <https://www.nao.org.uk/wp-content/uploads/2024/05/hmrc-customer-service.pdf>

- 3.2.1 However, there is another aspect to this picture which is that HMRC has to deal with increasing numbers of taxpayers coming into contact with the system. In part, this is due to freezing of various thresholds. But also, people's working lives are getting more complex with more people working multiple jobs, including those in the gig economy who work on a self-employed basis. The number of people in self assessment is therefore increasing. For some of these people it will be their first time in the self assessment system. For others, their characteristics mean that they may struggle to navigate the complex self assessment system. Although HMRC handled fewer calls in 2022/23 vs 2019/20, on average they took 21% more time to handle¹ – which does indeed suggest that people need more support and/or may have more complex issues to deal with on the phone.
- 3.2.2 Moving customers to digital is a key part of HMRC's plan to achieve their efficiency targets set in the 2021 spending review and the wider 2022/23 review². At the start of 2024/25, HMRC needed to reduce its overall customer service workforce by 14% to stay within its budget³. In addition, Mr Harra, HMRC's Chief Executive Officer (CEO) made it clear that they needed to reduce phone and post customer demand by 30% in order to meet their customer service standards with these reduced resources⁴.
- 3.2.3 Mr Harra told the Treasury Committee in 2023 that *'the good news is that we have plenty of evidence that, within that contact demand, there is demand that is unnecessary or that can relatively easily be self-served online. We get about 3 million calls a year on, "What is my national insurance number?", "What is my pay-as-you-earn tax code?", "Can I change my online password?" Those are all services that you can do online. The SA helpline pilot was part of testing how we can push contact demand that is capable of being dealt with digitally on to digital, so that we can deploy our resources on helping those people who really need the extra support.'*⁵.
- 3.2.4 This all fed into HMRC's aggressive plan to force people away from the phone lines and into digital services. For the reasons set out throughout this response, we disagree with HMRC's approach and we hope that the NAO report, coupled with stakeholder feedback, will prompt HMRC to rethink their evidence base and their strategy.

¹ Page 4 <https://www.nao.org.uk/wp-content/uploads/2024/05/hmrc-customer-service.pdf>

² <https://www.gov.uk/government/publications/hmrc-annual-report-and-accounts-2022-to-2023/hmrcs-annual-report-and-accounts-2022-to-2023-performance-overview>

³ Page 11 <https://www.nao.org.uk/wp-content/uploads/2024/05/hmrc-customer-service.pdf>

⁴ Q260 <https://committees.parliament.uk/oralevidence/13689/pdf/> Our understanding is that this 30% is in comparison to the 2021/22 baseline and does not include additional demand created by an increase in taxpayers interacting with the system, which also needs to be removed to meet the target.

⁵ Q260 <https://committees.parliament.uk/oralevidence/13689/pdf/>

4 HMRC's digital services and channel shift initiatives

4.1 *HMRC digital services*

- 4.1.1 Over the last few years, HMRC have introduced many enhancements to their digital services. This includes the introduction of the HMRC app. Although the initial app had some shortcomings, the current version is easy to use and helpful¹. HMRC have also appointed someone to be in charge of guidance and there has been a programme of work to improve HMRC's guidance on GOV.UK. More recently, new online child benefit services have been rolled out which provide more reassurance to claimants and allow claims to be made easily and be processed more quickly.
- 4.1.2 HMRC say that satisfaction with digital services is high when people use them. However, digital services are better able to deal with straightforward queries and those that involving simple transactions, such as reporting a change of address. Additionally, in parts, HMRC's guidance is still oversimplified and lacking and cannot help people with more complex queries. We also have concerns about HMRC's use of X (formerly Twitter) and their Community Forums to fully answer taxpayer queries.
- 4.1.3 Our own testing of HMRC's digital assistant², the first port of call for many people seeking help digitally or who have been deflected from the phones, shows it to give unhelpful results in some cases. Although HMRC have said repeatedly that people can have their query escalated to a webchat adviser if the digital assistant cannot help, in most of the tests we did, this facility was not offered automatically and indeed the digital assistant's responses encouraged people away from the tool and back to guidance. Significant improvements are necessary with the digital assistant.
- 4.1.4 There is clearly opportunity to be had from digital services, but HMRC's current digital services (which includes their guidance) are not of an adequate standard to support a forced channel shift.

4.2 *Changes to the self-assessment helpline*

- 4.2.1 In our previous evidence³, we were critical of HMRC trialling a 3 month closure of the self-assessment helpline and felt this was too radical. HMRC went on to run a restricted access pilot on the self-assessment helpline from 11 December 2023 to 31 January 2024. On 19 March 2024, HMRC published their evaluation of the trials⁴ along with an announcement⁵ that they would make the

¹ <https://www.litrg.org.uk/news/how-hmrCs-app-can-potentially-help-make-your-life-easier>

² This has not been made public, but a summary of the results was shared with HMRC

³ <https://www.litrg.org.uk/submissions/public-accounts-committee-inquiry-hmrc-standard-report-2022-23>

⁴ <https://www.gov.uk/government/publications/evaluation-of-changes-to-how-hmrc-supports-self-assessment-customers/evaluation-of-changes-to-how-hmrc-supports-self-assessment-customers-in-the-2023-to-2024-tax-year>

⁵ <https://www.gov.uk/government/news/hmrc-encourages-customers-to-interact-online-with-changes-to-its-self-assessment-payee-and-vat-services>

closure permanent for 6 months of the year and restrict access for the remaining 6 months of the year. HMRC said this was following 'successfully trialled'¹ pilots, which did not result in a subsequent, sustained increase in calls to HMRC on reopening and did not impact on the number of returns filed.

- 4.2.2 Our response to this announcement² was that it was 'disappointing but not unexpected' as ever since the three month pilot was announced, it felt inevitable that it would be a permanent change given the pressures on HMRC's resources.
- 4.2.3 We also raised concerns about the robustness of HMRC's evaluation of the trials. The evaluation document said that it was 'too early to say if the trial has changed contact from phone to online self-service' in the longer term for both trials. Although HMRC said there was no impact on filing rates, there was no evaluation as to the quality of returns filed and therefore whether taxpayers were able to get their taxes right without access to the helpline. Nor did it look at any other taxpayer impacts – for example we know the tax charities (TaxAid and Tax Help for Older People) saw a significant increase in calls to their helplines during the closure period.
- 4.2.4 The NAO report highlighted similar shortcomings with the evaluation, noting in particular
- that it didn't consider stakeholder views
 - that customer satisfaction and net easy scores declined throughout both trials
 - HMRC did not capture customers' experiences of using the digital channels and whether those customers were supported in submitting accurate self assessment returns³.
- 4.2.5 Despite all of this, HMRC still went ahead with their closure and restriction plans.
- 4.2.6 We were particularly concerned about those who needed to access the extra support team. Although HMRC made some improvements to the journey following our initial feedback at the start of the three month pilot, the journey remained unnecessarily complex (routing people as it did, through the Online Services Helpdesk). It also changed the nature of the extra support service, which was introduced based on the premise that individuals do not need to request extra support because call handlers are trained to identify whether a taxpayer presented with any 'drivers of need' which are widely drafted. By making people identify whether they need extra support, the nature of the service changed and we have seen no analysis of what impact this has had. The NAO report also

¹ <https://www.gov.uk/government/news/hmrc-encourages-customers-to-interact-online-with-changes-to-its-self-assessment-payee-and-vat-services>

² <https://www.litrg.org.uk/press-release/self-assessment-phone-line-closure-disappointing-not-unexpected>

³ Page 50 <https://www.nao.org.uk/wp-content/uploads/2024/05/hmrc-customer-service.pdf>

identified that HMRC only operated limited checks during the pilot to ensure those requiring extra support were being identified by staff and did not quantify the results of those checks¹.

- 4.2.7 Less than 24 hours after the 19 March 2024 announcement, HMRC reversed their decision². At a subsequent Treasury Committee hearing³, Mr Harra suggested that this was to do with the strength of stakeholder feedback following the original announcement of the permanent closure and restriction. However, most stakeholders, including LITRG, had been clear throughout, that we did not support forced digital channel shift at a time when digital services were not adequate enough to give people the support they need to get their tax right and that, in fact, if digital services are good enough, a forced shift is not necessary as people will use them naturally.
- 4.2.8 At that same hearing, Mr Harra suggested that if stakeholders had time to digest the evaluation of the trials and understood better how HMRC would support vulnerable or digitally excluded taxpayers, we would have supported the changes⁴. As explained above, this is not the case. We do not believe the evaluation of the two trials provided enough evidence for HMRC's decision to make the closure and restrictions permanent. They neglected to look at taxpayer and revenue impact and they did not assess whether people got what they needed from digital services. In addition, we continued to have significant concerns about the wide range of statistics that HMRC were quoting in support of the changes – both in terms of the methodology used to obtain them and also the conclusions drawn by HMRC, which appear to be those most favourable to the forced channel shift direction. We explore this further in Section 5.
- 4.2.9 In addition to the two pilots mentioned above, HMRC also rolled out channel shift initiatives including the use of SMS text messages to 'deflect' calls from the helpline to digital services. In some cases, HMRC tells the caller about digital services that may be able answer their query but allows them to stay on hold to speak to an adviser. In other cases, HMRC use a 'hard deflect' which means the call is ended before the taxpayer can speak to an adviser. Nearly a third of calls to the self assessment helpline were deflected in the first 11 months of 2023-24⁵.
- 4.2.10 In our previous submission to the Committee we raised concerns about the conclusions HMRC had drawn from the SMS trial data. HMRC decided the trial was a success and therefore should be expanded because 38% of the people sent a text message left the call and did not call back within 7 days⁶. To date, we are not aware of any further analysis.

¹ Page 51 <https://www.nao.org.uk/wp-content/uploads/2024/05/hmrc-customer-service.pdf>

² <https://www.gov.uk/government/news/hmrc-helpline-changes-halted>

³ <https://committees.parliament.uk/event/21373/formal-meeting-oral-evidence-session/>

⁴ Q407 and 409 <https://committees.parliament.uk/event/21373/formal-meeting-oral-evidence-session/>

⁵ Page 8 <https://www.nao.org.uk/wp-content/uploads/2024/05/hmrc-customer-service.pdf>

⁶ <https://www.gov.uk/government/publications/agent-update-issue-108/issue-108-of-agent-update#support-customers-digitally>

- 4.2.11 We do not doubt the statistic is true, but we are firm that you cannot conclude that it means taxpayers were able to resolve their query using digital services instead. In fact, they may have phoned back after 7 days, they may have stopped engaging, they may have gone elsewhere for help (the LITRG website, the tax charities), they may have contacted HMRC via webchat or via social media channels or sent a letter. Our concerns were echoed by the NAO whose recent report found that customer satisfaction for those who heard a deflection message has been low and importantly HMRC does not currently know how many of these customers succeeded in resolving their query online¹.
- 4.2.12 This is another example where HMRC have pressed ahead without sufficient evidence and data as to the full impact of a pilot.

5 Customer insight and data

- 5.1 Repeated press releases, reports and Committee evidence from HMRC have repeated a claim that ‘around two-thirds of all SA calls can be resolved by customers online’. This statistic seems to form a fundamental part of HMRC’s belief that people can and should be using online channels already and therefore that their channel shift strategy should work.
- 5.2 As we mentioned in our previous evidence, despite asking on multiple occasions, we have not been able to obtain any real detail from HMRC as to how they made this estimate, other than it is based on their call handling data. We remain of the view that the methodology is important. If it was based on key words that people said on the voice recognition system and HMRC assessing they have guidance on those topics, then we would question its reliability. It could be the case that the calls are actually more complex than a few words might convey to an automated phone system, or it could be that there is guidance but it is lacking in some way or that people find it difficult to apply to their situation.
- 5.3 This is not the only statistic presented by HMRC that we have questioned and asked for further information about.
- 5.4 One theme that runs through the NAO report is criticism of gaps in HMRC’s data and lack of understanding about taxpayers. This suggests HMRC do not know enough to be sure the decisions they are making are the right ones or to evaluate the impact of any decisions properly. It shows we were right to question HMRC’s understanding and data. In addition to the points above about HMRC’s helpline trial evaluation report, the NAO report highlights that:
- HMRC’s forecasting about how far and how fast digital services will reduce demand for telephone and correspondence is highly uncertain (Page 13)
 - HMRC must allow more time for new services to bed in and understand the difference they make before taking any action (Page 14)

¹ Page 8 <https://www.nao.org.uk/wp-content/uploads/2024/05/hmrc-customer-service.pdf>

- HMRC's estimate that two-thirds of self assessment calls can be dealt with online does not take into account those customers who need help using digital services (estimated to be around 20% or up to 7 million) (Page 9)
- HMRC does not have an understanding of how many of those potential 7 million who need support to use digital services need to interact with HMRC or what their support needs are (Page 40).
- HMRC's understanding of the demand for extra support and the performance of its team are limited (Page 40).
- HMRC don't have a good understanding of what calls and correspondence can be handled digitally and to what extent digital services are offering a like-for-like replacement of traditional channels for many issues (Page 9)
- HMRC does not have a good understanding of how the cost of digital services compares to the cost of other channels in resolving common queries (Page 43)
- There is no data to show how effective HMRC's activities have been around raising awareness of digital services (Page 11)
- HMRC does not know enough about how effectively digital services meet customer needs (page 10)
- HMRC is not yet tracking people across channels and so cannot know whether the digital service has fully resolved a query (although HMRC are taking steps to try and improve this) (Page 10)
- Customer satisfaction scores for digital services are consistently around the 80% mark but these are based on self-selecting sample of customers who choose to complete an exit survey (Page 41)
- HMRC does not currently know whether people have been successful in resolving their query online following deflection from phone lines (Page 8)
- HMRC does not know whether trends in compliance statistics, around failure to take reasonable care, are linked to customer service performance (Page 55)
- 72% of calls are estimated by HMRC to be due to failure demand – HMRC do not have more specific data about detail of this figure (Page 10)

5.5 We would add one observation that isn't covered in the NAO report. Page 23 of the NAO report shows the seven key customer service measures that HMRC use. In addition, it points out that HMRC also use annual satisfaction surveys, complaints and stakeholder feedback. It is helpful that HMRC publish their seven priority metrics and that external stakeholders can hold them accountable against the measures. However, none of the metrics appear to look at the extent to which people are getting things right and the quality of HMRC services.

5.6 As we have explored above (see para 4.2.3), this 'quality' measure is something that was also missing from HMRC's trial evaluations and yet it is key to ensuring taxpayers are complying and the right amount of tax is being paid. The NAO reported¹ that HMRC's audits of its quality in 2023/24 found that in a third of sampled telephone and correspondence cases, HMRC advisers had not fully

¹ Page 7 <https://www.nao.org.uk/wp-content/uploads/2024/05/hmrc-customer-service.pdf>

complied with procedures. Not only is this audit finding concerning, but it is also concerning that HMRC's plans don't seem to address this aspect - particularly as providing unclear or incorrect advice, must surely lead to an increase in calls to helplines as taxpayers seek clarification or assistance to resolve issues that flow from that unclear or incorrect advice.

6 Why are people phoning HMRC?

- 6.1 HMRC have repeatedly said two-thirds of people phoning them could easily deal with their query online. We now know from the NAO report that HMRC have not accounted for those who need support in using digital services in that assessment. HMRC's annual customer survey for individuals found that, seven in ten had contacted HMRC by phone because they could not resolve their issue online¹. Why, if things can be done quickly and easily online, are people choosing to wait for up to an hour to speak to a HMRC adviser? We have the following observations.
- 6.2 We know that 60% of taxpayer transactions are already carried out digitally². HMRC's own research also shows there is an appetite for people to use digital – over 80% of people in the research survey said that they would be at least somewhat willing to deal with HMRC online in future but one of their main barriers are complexity of tasks, levels of digital capability and the need for reassurance and worries about consequences of mistakes³. This aligns with what we see day to day. People who contact our website have often read the HMRC guidance, but struggle to apply it to their situation or just need some reassurance they have understood it correctly. They fear getting things wrong and what consequences there might be if they do get it wrong. Reassurance is a legitimate reason to seek support from HMRC, but one that doesn't seem to have been fully accounted for by HMRC in their estimates of how easy it is to do things online.
- 6.3 The NAO report states that 72% of calls to HMRC are due to failure demand. This means calls caused by HMRC's process failures or delays, customers chasing progress and customers' errors. HMRC lacks complete data on the breakdown of this 72% and the cost to HMRC of handling these calls⁴. We noted in our previous submission that HMRC's response should include identifying things they do that generates contact (for example, providing unclear or incorrect advice – see para 5.6). This statistic reaffirms that this is an urgent and necessary data gap.
- 6.4 Per the NAO report, HMRC's research shows that awareness of HMRC online services is low. In November 2022, HMRC found that only 21% of taxpayers were aware of the HMRC app and only 29% were aware of the personal tax account⁵ (PTA). There is clearly a need for more effective

¹ Page 9 <https://www.nao.org.uk/wp-content/uploads/2024/05/hmrc-customer-service.pdf>

² Page 6 <https://www.nao.org.uk/wp-content/uploads/2024/05/hmrc-customer-service.pdf>

³ <https://www.gov.uk/government/publications/contact-method-preference-and-digital-appetite-of-hmrc-customers/contact-method-preferences-and-digital-appetite-research-executive-summary>

⁴ Page 31 <https://www.nao.org.uk/wp-content/uploads/2024/05/hmrc-customer-service.pdf>

⁵ Page 9 <https://www.nao.org.uk/wp-content/uploads/2024/05/hmrc-customer-service.pdf>

awareness raising activity. It is also the case that HMRC could do better at keeping stakeholders (and the public) up to date about what it is possible to do online. Often we find out about functionality and services some time after they are introduced and accompanying guidance is not always updated with the current position regarding services. We think this may be contributing to taxpayers feeling that HMRC's digital services might be unsuitable, outdated, underinvested, unstable or unreliable.

- 6.5 It is also the case that many unrepresented taxpayers have difficulty using digital services, even if they want to, because of problems with government gateway and the ID requirements to verify their identity. HMRC's own customer forums contain the same 'I can't access government gateway' posts again and again¹. It would be good for HMRC to publish the government gateway identify verification failure rate and factor this into their plans. We know that the Verify failure rate was 52%² and see that the new system OneLogin is 38%³ – so we assume government gateway is somewhere in the middle.
- 6.6 We do not know whether this population is included in the 7 million that HMRC estimate need help with digital services, or is in addition to it. We are hopeful that recent changes to verification and the shift to OneLogin will improve things (it allows non-UK passport holders to verify their identity, for example), but there will always be a proportion of taxpayers who simply **cannot** access their PTA/HMRC app etc. to check their National Insurance number or tax code (see para 3.2.3) even if they are confident using digital services.
- 6.7 It is also the case that although some digital services work well, some do not give the support that people need. Some services have very low completion rates – for example, those used to claim tax relief for expenses of employment. The NAO concluded that the high level of contact with HMRC shows that digital channels have not yet been optimised to meet customer needs and we would agree⁴. In particular, in respect of tax refunds we have looked in some detail at the difficult online journey⁵ which will be feeding into the low completion rate. It is also increasing the market for tax refund agents - many of whom are unscrupulous and who themselves place huge demand on HMRC customer services⁶.

¹ See for example: <https://community.hmrc.gov.uk/customerforums/pt/dc26a30c-ff1e-ee11-a81c-000d3a8751e3>

² <https://www.nao.org.uk/wp-content/uploads/2019/03/Investigation-into-verify-Summary.pdf>

³ <https://gds.blog.gov.uk/2023/06/24/gov-uk-one-login-june-2023-update/>

⁴ Page 10 - <https://www.nao.org.uk/wp-content/uploads/2024/05/hmrc-customer-service.pdf>

⁵ See <https://www.litrg.org.uk/submissions/high-volume-repayment-agents>

⁶ The NAO report highlights that 10% of all correspondence is linked to refund agents (so 2.2 million attempted claims – we say attempted as we know that a significant number are ineligible/speculative claims). These same agents will then be clogging up the phone lines progress chasing or causing customers to phone in to complain about the agent's standards/behaviour etc.

7 Next steps

7.1 As set out above, HMRC pressed on with their forced channel shift, despite the fact that they appeared to have minimal evidence as to whether people could actually resolve their query online.

7.2 HMRC must now take time to reflect on the NAO report and the comments and feedback from stakeholders and build a more realistic digital channel shift strategy that puts the needs of taxpayers at the centre of it. It needs to be less about what HMRC think or want and more about what is actually needed to help move people to digital services and to ensure those digital services help them get their tax right. To build the strategy, HMRC need to address some of the gaps in their data such as:

- Taxpayers need – what is it taxpayers need to get their tax right?
- To what extent existing digital services can meet that need?
- What new digital services can be added to meet that need?
- What actions and processes of HMRC are causing demand?

7.3 In the short-term, we suggest:

- Start with the quick wins – it should be possible to encourage people who need to carry out simple tasks to do so online once HMRC get a better understanding of why those people are still using the phone. In addition, education about the services and how to use them should be made available.
- Work with stakeholders to identify a list of HMRC led contact demand and come up with ideas of changes that would reduce that demand. For example through improvements to letters and processes or through staff training and supervision so that they can provide accurate and up-to-date information to taxpayers.
- HMRC's own research shows that the key barrier to people using digital services is the need for reassurance. We agree with this finding and have raised this as an issue for many years. Current guidance and digital services are not designed with this in mind. We therefore think that for any channel shift to be successful, HMRC must look for ways to build in an element of reassurance into their digital services.
- Prioritise improvements to the digital assistant – the digital assistant gives a very poor customer experience. HMRC have not responded sufficiently to our feedback despite the fact the digital assistant is the key method of enabling people to self-serve.
- Ensure that legislation, policy and processes are aligned to reduce demand – we see examples where processes or guidance do not match the legislation, which causes confusion and the need for clarification. Where this is the case, if the legislation cannot be changed immediately, HMRC must use their care and management powers and stand by their process or guidance by offering a guarantee to taxpayers that if they follow that process/guidance they will not be penalised at a later date.

7.4 It will be important that HMRC publish their updated strategy so that stakeholders can hold them to account in making progress against it. When HMRC offices were shut in 2014 and the extra support model introduced, HMRC invited two external stakeholders to sit on their project board to provide external perspective and challenge. We are aware that HMRC have a customer service committee

and various executive committees with external representatives that provide challenge, but we think having some external perspective covering a range of taxpayers at the point decisions and plans are being made would have merit.

- 7.5 Developing a new strategy and improving digital services will take time. In the meantime, HMRC are expected to deal with a growing number of taxpayers with less resources. We welcome the recently announced £51 million of additional funding to help improve the current phone line situation, but the impact of this is likely to be limited. This situation is not tenable and HMRC must have sufficient ongoing funding to maintain good customer service levels by phone and post and to invest properly in improving and building their digital services.

LITRG
23 May 2024