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for Work &  
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23<sup>rd</sup> April 2018

Dear all,

I recently provided a reply to your question regarding statistics relating to the changes to Support for Mortgage Interest (SMI) payments. It has now been confirmed that the figures indicating the size of the SMI caseload I originally provided were under-reporting the true position. I would like to apologise for this error and provide assurance that this has not resulted in a detrimental effect on any recipient of the benefit. The error occurred in the reporting systems only: there was no operational impact and no claimants were affected.

There has been a long-term decline in the number of recipients of SMI. It was also forecast that increases in the rate of State Retirement Pension would affect Pension Credit eligibility (which is a qualifying benefit for SMI), and maintain this downward trend. Independently, both my office and the SMI project team recognised this fall in numbers and queried the statistics early in the New Year as part of the weekly reviews to monitor progress that I instigated. Reassurance was provided to me at that time that the information was accurate and robust, given the planned ongoing change activity. The assurance was provided in good faith but has since proven unfounded.

The collation of this information is complex because the source data is held on a number of different benefit systems which are then integrated on to a central data warehouse. As part of the planned change activity, claimants transfer from the existing benefit systems onto the new SMI-specific system. Volumes recorded on the new system are dictated by the loan take-up rate.

This transfer takes place at the point the claimant informs the Department of their decision of whether to accept the loan. If a claimant declines the offer of the loan an end date for the benefit is entered on the existing benefit system. In these cases the date used was 5 April 2018, as this was the day before the new system came into effect. The project had been advised that all benefit systems would report the case as “live” up to that date. It has now been discovered that one of the several legacy systems stopped the reporting as “live” at the point of data entry and not, as intended, on 5 April 2018. **It should be stressed that this affected reporting functionality only. It did not affect the payment of the benefit - which remained fully functional - or the amount of benefit any individual claimant received, including those currently undecided about the new loan.** This error has solely resulted in the under-reporting of the live caseload volumes.

The fact that only a single reporting function was incorrect, combined with the expected long term decline in volumes, initially masked the error. Further requests from my office, together with the project team, resulted in additional checks being made as to the accuracy of the reporting functions. Following these additional checks it became clear that the reduction in volumes exceeded expectations. The reporting discrepancy was subsequently identified and has now been rectified.

Where previous caseload volumes were reported as reducing to circa 90,000 I can now confirm the true caseload on 18 April 2018 was 103,000. **New management information on the conversion of SMI to a loan will be published on 24 April 2018.**

I apologise again for this inadvertent error in reporting and would like to reiterate that no claimants were denied their benefit as a result of this system error. I have, of course, instructed that corrections be made to published statistics to ensure the SMI caseload is reflected accurately, as well as the publication of an explanation of the error alongside the latest figures. Given the complexities I hope you will appreciate why I thought it necessary to write to you with a full explanation.

I will place a copy of this letter in the House Library.

A handwritten signature in black ink, appearing to read 'Kit Malthouse', written in a cursive style.

**Kit Malthouse MP**

**Minister for Family Support, Housing and Child Maintenance**