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## Fraud Mitigation in Universal Credit since COVID Easements

**Issue:** *This paper provides an update on the fraud mitigation we have put in place since the Coronavirus pandemic.*

**Recommendations/Decisions required:** *This paper is for information only.*

### Introduction

1. During the COVID period we introduced a number of 'easements' to our processes due to COVID restrictions as well as an almost doubled caseload, which has therefore introduced a large amount of potential fraud into the department.
2. To date we have treated all of these 'easements' as a bucket of changes we made to accommodate the pressure caused by the surge with an expectation that we will reverse out of them.
3. In reality the easements are not all the same in nature – some we do indeed want to reverse (e.g. updating CIS), for others we have identified a more effective solution to managing the risk that the easement creates (e.g. the targeted, risk based interventions on advances is more effective than returning to a blanket face to face requirement), and others we may not want to reverse at all if it has not generated much/any fraudulent activity (e.g. provision of a fit note). We are doing a piece of work to break down the bucket of easements into these different categories.
4. Since March we have made significant progress to mitigate as much fraud as possible. This paper highlights our successes and progress into mitigating the risk exposure in Universal Credit.
5. Fraud and error modelling estimated potential AME exposure by the end of the calendar year, however, due to our extensive redesign activity this has reduced significantly already, with an expectation to reduce even further once we undertake retrospective activity.

### ID Verification Improvements

6. Part of our original ID verification easement meant that in some circumstances we weren't contacting the claimant throughout their new claim journey - enabling the claim to go straight through to payment (and allowing access to an advance if the claimant met certain conditions). This lasted approximately 3 months and was necessary at the time in order maintain payments.

7. In order to protect telephony performance, we actively encouraged channel shift to our online routes for verification and managed to increase the number of claimants verifying online by introducing Confirm Your Identity (CYI) 2.1.
8. In addition to our usual online verification using Verify, since early June we have tested and implemented Confirm Your Identity Phase 2.1. This has enabled a higher number of claimants to verify online, and we are continually monitoring and testing the impact this has on claimant ability to verify remotely. Remote identity verification is our preferred method of verifying claimants (pre COVID as well as throughout the COVID response) and provides us with high confidence in a claimant identity behind F2F verification. Improving our online verification routes remains a focus over the next phase of product prioritisation.
9. Some claimants are not able to verify online for a number of reasons. For this cohort of claimants, from the 8th June, we introduced an outbound telephone call with **enhanced biographical questions** (meeting HMT conditions). This process includes having strong questions we ask the claimants in order to verify their identity such as information around previous earnings, addresses and names. We have been monitoring and incrementally strengthening and adding to this approach to reduce risks, with positive results.
10. For claimants that are unable to pass identity using either of the two methods above, they are instructed to call a team of agents in place to use other means to verify their identity such as uploading of official documents or using the postal channel to provide such documents. If a claimant fails telephony bio questions they also use this process.
11. Claimants who are unable to provide documentary evidence are referred to an **Enhanced Checking Service (ECS)** for further scrutiny. Learning from this activity, such as the proportion of claimants who are unable or unwilling to verify their identity in this manner, is used to understand the levels of fraud that we are able to prevent. The documentary evidence is checked against other DWP data to give us further confidence in the claimant's identity.
12. This tiered approach is our optimal approach to identity verification currently but it is worth noting that we do empower our Jobcentres or the ECS to ask a claimant to come in for a F2F appointment where they have particular concerns or doubt in their identity or circumstances.
13. Early analysis indicates that the biographical questioning is robust and that our approach is effective in determining when we need to do more detailed checks where we have a doubt around identity. From a representative sample of cases that successfully passed the enhanced biographical checks, around 3% were found to have false ID when investigated thoroughly. This is in contrast to around 18%-20% of cases that were thought to be fraudulent at the point that the new process was introduced. This means that our working assumption is that the risk of ID fraud has been reduced by 5 or 6 times as a result of the new enhanced process.

14. Furthermore, there are indications that the new process is having an effect on deterring fraudsters from applying with false IDs. Each week, we are seeing the percentage of cases that are unable or unwilling to verify their identity drop. In addition, fraud referrals relating to false ID have also dropped by around 5 times since the introduction of the new process and are continuing to drop further each week. As a result of the new process, our modelling estimates that the ongoing AME losses due to ID fraud have reduced from over £200m each month to around £15m each month.
15. We believe that the reintroduction of labour market interventions will achieve a similar deterrent, as we will be requiring claimants who undertake a F2F labour market interview to show their identity documentation at the start of the process.
16. We also delivered a new feature in August that ensures IDV verified using original COVID easement in the relevant COVID period, prior to the introduction of the enhanced BIO process, will expire following case closure. This prevents the re-use of the IDV following a further claim; providing a degree of repair and preventing fraud.
17. Our remote ID solution forms part of our product prioritisation for the October-January build phase, when we will be securing the UC gateway further whilst also establishing our medium to long term plans for identity verification.
18. The next phase will also prioritise our approach to handling identity fraud. Heightened awareness of cyber-crime and the potential use of stolen data to make fraudulent claims means we have to have significant plans in place to manage and mitigate those scenarios.
19. Aside from detection and disruption, a cohesive business response is needed. This requires the setting up of a command structure and use of scenario planning and a playbook to identify actions needed at day one and beyond to mitigate and manage the impacts of fraudulent claims.
20. These enablers are in development so that we can safeguard any genuine or vulnerable claimants adversely impacted, such as ensuring we have robust process for repatriation of claimants back to legacy benefits in a timely and organised manner.

## **Advances**

21. At the start of lockdown our eased verification processes meant that claimants had access to advances without going through our full ID journey. The lack of F2F availability also meant that additional step was removed in order for a claimant to access an advance.
22. Since then we have done an extensive amount of work in order to reduce the level of exposure here and have put lasting changes into the service that have actually strengthened our security controls.
23. To summarise, we have:

- Increased capacity into the team who verify children, meaning we were able to re-introduce **child verification** before allowing the child component of the advance to be available;
- Introduced new risk rules around a change of DOB and PRS / SRS housing that would **block an advance** and refer for further investigation before the advance payment was paid;
- The new claim advance has been reduced to only 1 in a six-month period, which **prevents re-claims** in order to access multiple loans;
- Removed the **faster payment** option for online advances, so that if subsequent intelligence suggests the advance is fraudulent we have time to intercept the payment;
- Developed a **strategic risk model** on advances fraud which we will be able to identify less obvious fraud characteristics.

24. Due to the improvements outlined above, we believe our current advances process is equally or more robust than prior to COVID. Previously, claimants wouldn't be able to apply for their advance until they had a F2F appointment yet claimants could still inflate their circumstances after their appointment in order to receive a larger advance. Our new rules in the service prevent an advance from being paid before we have successfully verified someone's identity, and also target these known areas of fraud. Once triggered, the service will block the entire advance amount until the claim is investigated further.

25. We monitor advances fraud through tracking advance fraud referrals. During the height of COVID, referrals were over 14x higher than in February 2020. After the introduction of the mitigations mentioned above, in parallel with removing the identity easements and introducing bio questions, referrals are falling every month and are now close to the level we saw pre COVID.

26. More strategically, we have prioritised for the next build phase the start of transaction risking for advances in the service, building on the risk rules around housing we currently have in place.

### Other Verification

27. Throughout the pandemic in order to meet the increased demand and F2F restrictions, we eased other processes of verification such as children, HRT and housing.

28. In the initial months of the pandemic, any child that needed verifying outside of our automated LEV verification was mainly done under the Trust and Protect model. The ECS was in place to refer potential fraudulent claims to, and in mid-May we reintroduced child verification using CBOL for any children not automatically verifying using LEV.

29. Our SRS housing verification model is secure with housing costs being verified using the landlord portal. PRS housing verification was a F2F activity and therefore moved to a Trust & Protect model, with potential fraud being referred to the ECS.

30. Since July, PRS housing verification has been one of our key priorities and we are mid-expansion of a trial that requires the upload of sufficient documentation to prove housing costs. National rollout and improvements to the new PRS process have been prioritised over the next phase in order to reduce fraud risk further.

### Counter Fraud Activity

31. We have implemented new processes to ensure we are in place to act on and prevent future fraud.

32. The most significant intervention activity introduced so far is the Enhanced Checking Service (ECS) which was set up in mid-April. Frontline staff in UC are advised to refer any claims where an element of the claim has failed verification for an enhanced pre-payment check by counter-fraud expert staff. The same team is used to pick up risky cases referred by the service, ensuring that we can resolve issues at pace.

33. The Serious & Organised Crime team are now fully joined up with UC, enabling us to tackle organised crime and swiftly suspend and investigate those cases.

34. In order to manage all of this activity, the **Fraud and Error War Room** was set up to link all areas of expertise together, ensuring that any insight is driven forward. We expect this to continue post COVID-19.

35. A number of other mitigations have also been put in place such as guidance for staff in order for them to spot and easily refer blatant fraud to the ECS, utilising the Service Innovation Lead network to spot trends and patterns in behaviour, allowing us to learn directly what is happening on the frontline.

### Retrospective Action and Repair

36. As well as improvements to our processes to secure the UC gateway, we have begun to take action to review claims that were made using eased processes.

37. We are in the process of analysing our **Repair Test and Learn** activity in order to:

- determine the process for repair;
- determine where we may require enablers to support repair; and
- understand the overall impact of this on Debt Management services.

38. This will inform our overall strategy to repair, ensuring that we prioritise our efforts and follow a systematic approach to bring all our claims to an acceptable standard.

39. Work has also started on **Retrospective Action**; an exercise to target interventions on high risk cohorts in order to drive a reduction in Fraud/Error (and therefore AME savings) for new claims between 16<sup>th</sup> March and 7<sup>th</sup> June. The scope is c.1.3m claimants.

40. Retrospective action will also inform our wider repair strategy as it will help to determine the effectiveness of repair, e.g. if a certain intervention has resulted in a changed outcome.

## Further Improvements

41. Combating Fraud and Error is a big focus for our next phase of product prioritisation. As well as the developments already mentioned (e.g. improvements to the remote ID process), we have a wide programme of activity planned outlined below:

- Improving and expanding **multi factor authentication** to improve ongoing verification of a claimants' identity;
- Reducing fraud and error in **self-reported** and **self-employed** earnings;
- Reducing the risk associated with **Roles Based Access** back to pre-COVID levels;
- Tackling an outstanding fraud risk of **multiple claimants** receiving the child element for the same child;
- Tackling ongoing risks around fraud associated with **PRS housing** declarations.

## Decision / Recommendation

Provided for information only.