

Fraud and error

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Introduction

Fraud is an illegal or criminal act intended to result in financial or personal gain. A claimant and/or their partner may commit benefit fraud by either:

- intentionally not reporting a change in their circumstances
- providing a false statement on a new claim to Universal Credit

When there is evidence a claimant and/or their partner have committed fraud they are told to pay back the overpaid money and one or more of the following may apply:

- taken to court or asked to pay a penalty (between £350 and £5,000)
- benefits may be reduced or stopped

If you suspect benefit fraud or a member of the public provides details of suspected fraud, you must complete a Fraud Referral Form using the fraud referral icon on your desktop. Referrals must not be recorded in Claimant History.

For information on how to complete the Fraud Referral Form, see Fraud Referral Deskaid.

Common examples of where benefit fraud may occur are:

- living together as a married couple
- undeclared income
- undeclared capital
- identity fraud
- housing costs
- childcare costs

- not declaring cash in hand payments
- under declared self-employed earnings
- collusive employers
- Advances
- Stolen identity

Advances

When completing the Fraud Referral Form, Universal Credit agents must use **SOCIAL FUND OFFENCE** for Advance payment referrals.

Within the free text box they must enter '**UC ADVANCE MIS-USE REFERRAL**'.

When asked for a conversion date, you must enter your local site conversion date.

Stolen Identity

If someone reports a case of suspected Stolen identity, for example:

- the individual has received a letter stating they need to pay back money to Debt Management but they have never made a Universal Credit claim
- the individual did not make a claim to Universal Credit, and have been notified their legacy benefit/Tax credits/housing benefit is stopping
- the individual reports they have a genuine claim to Universal Credit but a deduction has been taken from their payment relating to a benefit or credit claim they have not made - for example Carers Allowance, New Style JSA or New Style ESA

cases should be referred to the Stolen Identity Team using Stolen ID Referral form.

Unauthorised access

A security incident must be raised when a claimant reports unauthorised changes to their online claim for example:

- changes of address
- change of bank account details
- telephone numbers

For information on security, see Security Advice Centre.

Fraud penalties

The aim of the penalty regime is to reduce fraud or attempted fraud. Fraud penalties are higher in the deduction priority order and take precedence if the claimant also has a conditionality sanction. The conditionality sanctions will be

suspended and then put back into place (if appropriate) after the Loss of Benefit Penalty period has ended. See deduction priority order.

If a claimant comes off Universal Credit and then reclaims during the Loss of Benefit Penalty period, the penalty will restart and continue until the end of the penalty period.

Administrative Penalty

An Administrative Penalty can be offered by law to a person as an alternative to prosecution where:

- the fraud is deemed not so serious that a prosecution would be considered in the first instance
- an overpayment of benefit has (or in the case of attempted fraud) would have occurred due to an act or omission by that person and there are grounds for starting proceedings for an offence against that person
- that person will also be subject to a Loss of Benefit Penalty for 4 weeks

An Administrative Penalty is a minimum of £350 or 50% of the overpayment up to maximum penalty of £5,000. This is in addition to repaying the overpaid benefit.

If the Administrative Penalty is refused, the case is considered for prosecution.

Loss of Benefit Penalty

Following a conviction for benefit fraud, or the acceptance of an Administrative Penalty, a Loss of Benefit Penalty will apply. The length of the penalty will be:

- 4 weeks when an Administrative Penalty has been accepted
- 13 weeks for a first offence that results in a conviction
- 26 weeks for a second offence, the later of which results in a conviction
- 3 years for a third offence, the later of which results in a conviction

For the escalation of the offences to apply, the offence needs to have been within 5 years of the last offence.

Serious organised fraud or identity benefit fraud

An immediate 3-year Loss of Benefit Penalty, is applied following a conviction for serious organised or identity benefit fraud, which results in:

- an overpayment of at least £50,000
- the claimant being punished by a custodial sentence of at least one year (included suspended sentence)

- the claimant being found by the court to have committed fraud over a period of at least 2 years (this only applies to certain offences)

Notifications

When the investigation is complete, the claimant is told of the decision.

The Counter Fraud and Compliance Directorate will tell the Service Centre when to apply a Loss of Benefit Penalty, and the length of the penalty period.

For further information, see:

- Overpayments
- Identity verification and standards of evidence
- Deductions
- Recoverable Hardship Payments
- [GOV.UK](#) Penalties policy: in respect of social security fraud and error