



Baroness Anderson of Stoke on Trent  
Baroness-in-Waiting [Government Whip]  
Cabinet Office 70 Whitehall London SW1A 2AS

8th July 2025

Dear Lords Committee Members,

**Public Authorities (Fraud, Error and Recovery) Bill – Reasonable Grounds**

I committed to write to all of you that were present at the third Grand Committee debate on 11th June on the Public Authorities (Fraud, Error and Recovery) Bill regarding amendments 75A and 79A.

These amendments, which formed the last group, were tabled by the noble Lord, Lord Vaux of Harrowden, and the noble Baroness, Lady Bennett of Manor Castle, and were supported by Baroness Fox of Buckley, Baroness Kramer and Lord Younger.

The amendments would add a definition of what cannot constitute “reasonable grounds” in the legislation, setting out certain factors that will not constitute reasonable grounds for suspicion.

As mentioned in the House, I want to reiterate that stereotypes and generalisations would not be considered “reasonable grounds” for commencing an investigation or for issuing an information notice. Under the information gathering powers in the Bill, an information notice (clauses 3 and 73 of the Bill) may only be sent when an Authorised Officer has reasonable grounds to suspect a relevant offence.

An Authorised Officer must genuinely suspect that the fraud has been carried out by the individual and that belief must be based on an objective assessment of facts, information, and / or intelligence.

“Reasonable grounds” is an “objective” test - the Authorised Officer must believe not only that the facts and evidence provide them with a genuine basis for suspicion (the “subjective” test) but also that an ordinary reasonable person, in possession of the same facts as the Authorised Officer, would believe that suspicion was reasonable.

“Reasonable grounds” is a common test used by other organisations such as the police and it is clear that the decision cannot be based on a “hunch” or the types of personal factors listed in the amendment.

I am grateful to the noble Lord, Lord Vaux for providing us with two international examples of where using artificial intelligence, algorithms, stereotypes and



generalisations in investigations have gone wrong and for the noble Baroness, Lady Bennett of Manor Castle for highlighting the case in Australia known as “Robodebt”.

However, I want to be explicitly clear that PSFA will not make investigative decisions using algorithms in investigations arising from the powers in Part 1 of the Bill. Similarly, in Part 2 of the Bill, all decisions to issue an information notice must be made by a specific Authorised Officer, who is a person. To be clear, in the context of these powers, this means neither the PSFA nor DWP will be using automated processes to decide whether an information notice will be issued. An information notice may only ever be issued by an Authorised Officer who must also carefully consider whether it is necessary and proportionate to do so and document their reasons – therefore, this decision must always be taken by a human.

Turning to the specific points and question raised by the noble Lord, Lord Younger, I can answer each one in turn:

***1. The need to have 100% comfort on the security and fairness of the algorithmic operation of the system for detecting fraud, both with the public authorities and between the DWP and the banks. When is there an expectation that proof of concept is reached in Test -and-learn mode, i.e. when are they going to be completed?***

As noted above, this Bill introduces no new forms of automated decision making for either the PSFA or the DWP, and all decisions made in relation to issuing an information notice as part of a fraud investigation will be made by an Authorised Officer, who is a person. These new powers extend existing DWP information gathering powers which are routinely used by DWP Authorised Officers who are required to document their reasons for believing that issuing a notice is necessary and proportionate. Information notices issued under these powers may also be checked to ensure that the powers are being used correctly. The PSFA expects to undertake a review of the use of these powers once they are in use and outcomes have been achieved. Both the PSFA and the DWP will also be subject to independent inspections by His Majesty’s Inspectorate of Fire and Constabulary services (HMICFRS). HMICFRS will look at the PSFAs and the DWPs investigative practices, including the use of these powers.

On the DWP Eligibility Verification Measure (EVM), as I set out in Committee, this is a data requiring power, it is not a decision-making power. Financial Institutions will be required to return limited data that matches the eligibility indicators provided by DWP. DWP anticipates following a straightforward rule-based approach and not using more complex processes. EVM information will then be used by DWP officials to make further enquiries, as necessary, and to ensure that benefits being received are correct, in line with a claimant’s circumstances and the relevant benefit eligibility criteria.

On the question of proofs of concept and the test and learn phase, we already know that the Eligibility Verification Measure works. This was demonstrated through the testing of two separate Proof of Concepts (PoCs) which consisted of establishing data-sharing collaborations with two separate banks. These were completed in 2017 and 2022 and further information can be found in the published impact assessment for the



measure. The test and learn approach is separate to proving the concept and will only begin once the powers in the Bill have commenced. This Test and Learn approach will run for approximately 12 months working in partnership with a smaller number of banks and financial institutions initially. This is to ensure the delivery model is refined, that we identify processes that can be improved and allow for those to be addressed and resolved as quickly as possible. The measure will then be gradually rolled out with all relevant financial institutions ensuring the safe and effective implementation of the new processes.

***2. Further comfort must be given that on every occasion, a human will be there to ultimately assess and decide on cases. Can the Minister give us some reassurance and the details on the operational aspects here?***

PSFA and DWP can confirm that this will always be the case in any fraud investigation it takes on, without exception.

***3. How are public authorities expected to demonstrate compliance with the standard? Would this require changes to internal audit procedures, transparency and algorithmic design, or additional training for officials exercising discretion?***

The government publishes guidance on complying with the Algorithmic Transparency Recording Standard, here: <https://www.gov.uk/government/collections/algorithmic-transparency-recording-standard-hub>

PSFA Authorised Officers and Authorised Investigators will be members of the Government Counter-Fraud Profession and trained to the published standards for Counter-Fraud Investigators. DWP Authorised Officers and Authorised Investigators are already part of this profession. The standards can be found here:

<https://www.gov.uk/government/publications/professional-standards-and-guidance-investigation>

The Bill provides for extensive oversight, including by His Majesty's Inspector of Constabulary, Fire and Rescue Services covering both the PSFA and DWP's fraud investigations

***4. What resources are available for the operation in the Cabinet Office, local authorities and the DWP?***

The PSFA Enforcement Unit, which will be using the powers in Part 1 of the Bill, is currently limited in scale. They will test and refine the processes underlying the use of these powers before reviewing the outcomes, to allow the government to decide on whether and how best to scale up operations.

The DWP already has a team of highly trained Authorised Officers who utilise the DWP's existing information gathering powers, and will be trained on the use of the new powers.



All Authorised Officers undergo extensive training as well as being accredited, for example, via the Accredited Counter Fraud Investigations Programme (ACFIP), the Government Fraud Investigations Apprenticeship (CFIA) or Professionalism in Security (PINS).

***5. Is there a need to recruit and what is the extent of the shortage of manpower? Assuming that that is the case, how long is the training required for new recruits? We suggest that there should be a separate reporting duty on the Cabinet Office to ensure that its efforts in these areas are made transparent.***

Recruitment will be managed under the normal Civil Service recruitment processes. The Government Counter Fraud Profession requires as a condition of organisational membership that there is a structured learning environment which provides training to satisfy the requirements of the standards. The PSFA is currently developing this alongside the passage of the Bill. It will be part of the remit of the Independent Person to assure that the training of Authorised Officers and Authorised Investigators in the PSFA is sufficient, and they will include this in their reports.

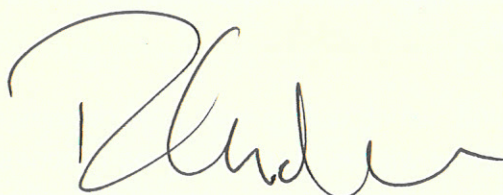
DWP already have Authorised Officers who are deployed to use existing information gathering powers. These Authorised Officers will receive updated training prior to being accredited to use the new powers. Any additional recruitment will be conducted under normal Civil Service recruitment processes, if required.

***6. Will the Minister consider whether this principle should be accompanied by a duty on public authorities to publish guidance on how they interpret reasonable grounds in the context of automated or data-led systems to provide assurance that these powers are not operating in a discriminatory manner, even unintentionally?***

Given that the decision as to whether there are reasonable grounds will always be a decision made by a human being, there is no need for such a duty.

I hope you find this letter helpful and a copy will be placed in the House library.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'Anderson', written in a cursive style.

**Baroness Anderson of Stoke on Trent  
Baroness-in-Waiting**