

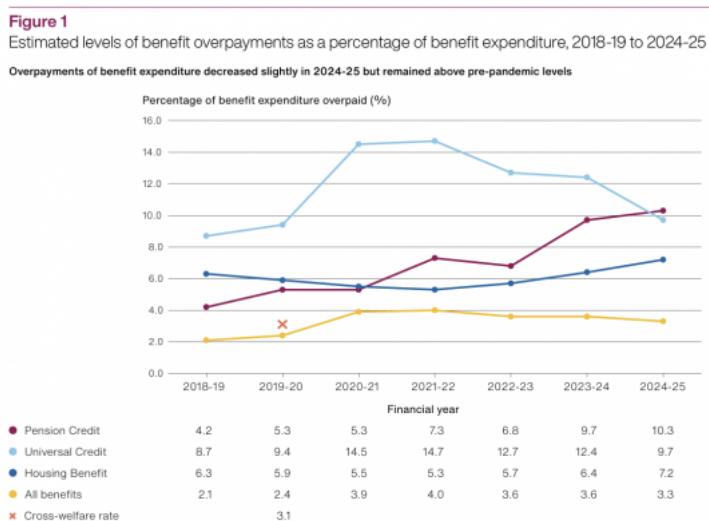
Funding the Future

Article URL

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The National Audit Office [issued a report yesterday](#) on efforts being made by the Department of Work and Pensions (DWP) to tackle benefit fraud, and the rate of errors being made in payments of what I call social security.

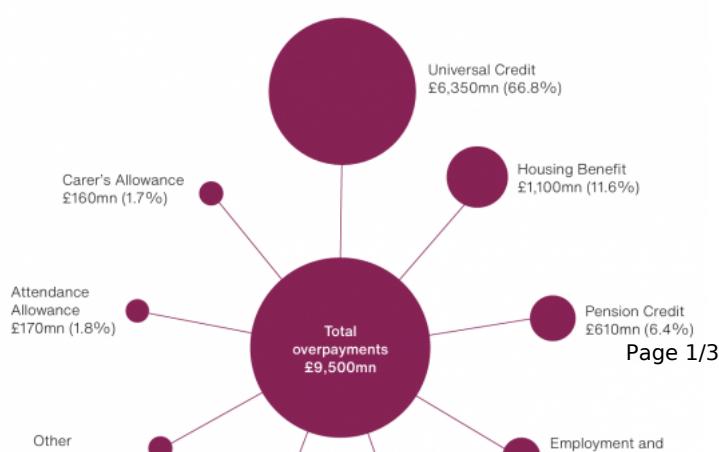
The DWP estimates that it overpaid 3.3% of benefit expenditure in 2024-25 as shown in Figure 1, below. This equated to £9.5 billion of the £292.2 billion that it spent on benefits. Fraud accounted for an estimated £6.5 billion; claimant error, £1.9 billion; and official error, £1.0 billion.



The unpaid figure is broken down as follows:



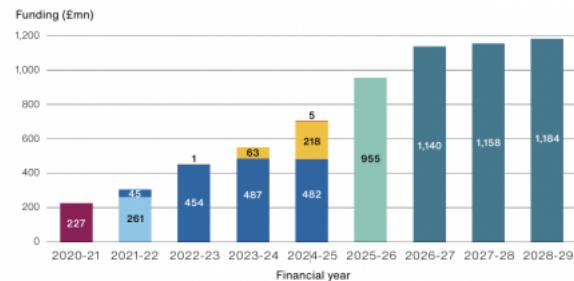
Universal Credit accounted for an estimated £6.4 billion (66.8%) of overpayments by value in 2024-25



The DWP has, according to the National Audit Office, been provided with considerable financial support to tackle this issue:

The Department for Work & Pensions' (DWP's) dedicated funding for fraud and error activity awarded in fiscal events, 2020-21 to 2028-29

DWP is receiving earmarked funding for fraud and error activity, with around half of the £6,681 million it has been awarded since 2018 allocated in the 2025 Spending Review

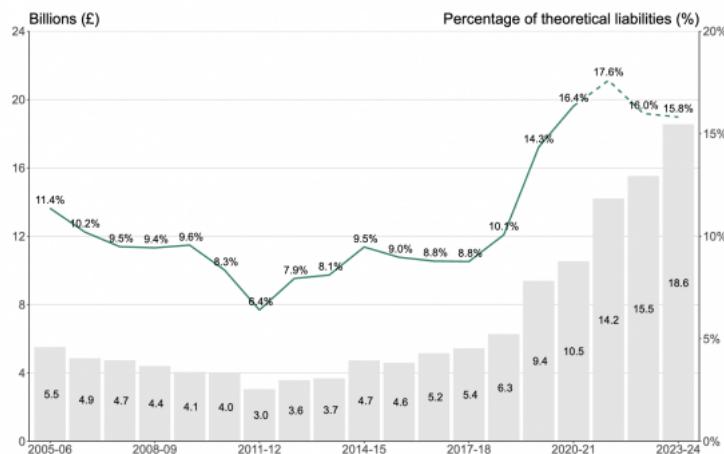


£6.7 billion has been provided since 2018, with little overall apparent impact. The estimated value saved by the Department for Work & Pensions (DWP) through counter-fraud activities from April 2022 to March 2025 was £4.5 billion. The rate of return on sums expended is marginal.

What is also very apparent is that the report is partial. It does not show the unpaid benefits to which people were entitled each year, which are rarely the subject of political scrutiny but which are, of course, an indication of a series of policy failures. These are estimated at **£19 billion a year**, double the amount lost. Imagine the advantage to society if all such sums were paid.

And now let me contextualise this. [HM Revenue & Customs](#) has estimated that the unpaid corporation tax in the UK amounts to 15.8% of all liabilities owing:

Figure 5.1: Corporation Tax gap by value and as a percentage of theoretical tax liability, 2005 to 2006 up to 2023 to 2024



When it comes to small companies, the rate is around 40%:

Figure 5.2 Corporation Tax gap as a percentage of total theoretical tax liabilities



The cost exceeds £18 billion a year. And what is being done about it? Almost nothing, even though putting necessary laws in place to tackle this by requiring banks to provide data to HMRC to identify companies not paying and then removing limited liability from the people managing the abuse would be easy.

So what is the conclusion? It is that we still have an obsession with attacking benefit cheats and those who simply make innocent errors, who have little overall impact on the economy, and don't give a damn about the fact that maybe 40% of small businesses are operating illegally in the UK. That's what political hypocrisy, backed by class prejudice, now looks like in modern Britain, and the result is terrible decision-making that harms the economy and the well-being of vast numbers of people who are deep in need and who are always subject to suspicion when that is inappropriate.

Taking further action

If you want to write a letter to your MP on the issues raised in this blog post, there is a ChatGPT prompt to assist you in doing so, with full instructions, [here](#).

One word of warning, though: please ensure you have the correct MP. ChatGPT can get it wrong.

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