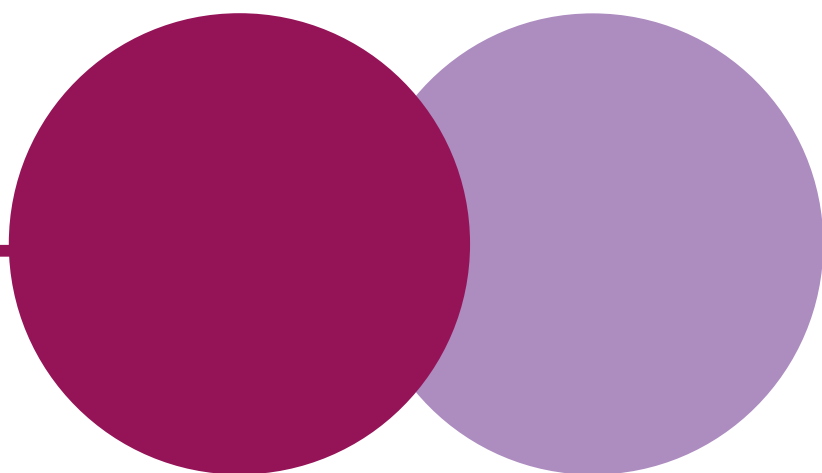




National Audit Office



REPORT

# Report on Accounts

Department for Work & Pensions

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**REPORT**

**by the Comptroller  
and Auditor General**

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**JULY 2025**



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National Audit Office

# Report on Accounts

## Department for Work & Pensions

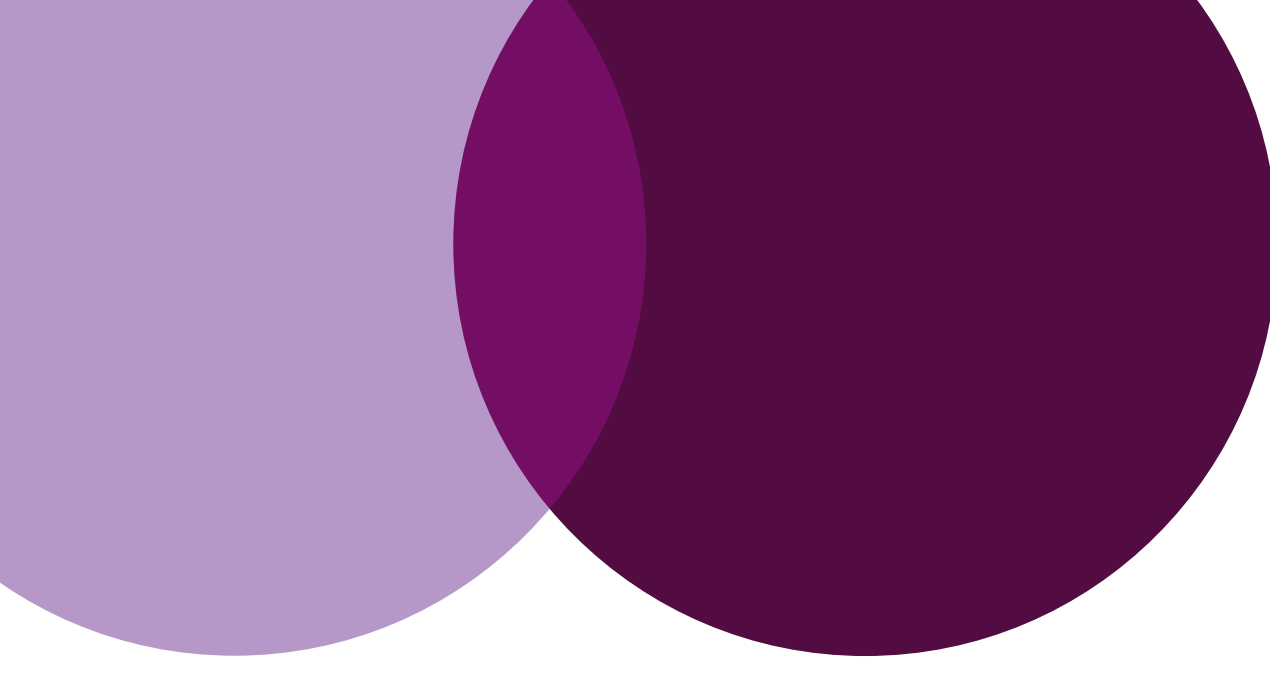
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Report by the Comptroller and Auditor General  
as set out in pages 305 to 315 of the Department for Work  
& Pensions, Annual Report and Accounts 2024-25,  
Session 2024-25, HC 995

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Gareth Davies  
Comptroller and Auditor General  
National Audit Office

8 July 2025



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# Fraud and error in benefit expenditure

## Introduction

**1** The Department for Work & Pensions (DWP) is responsible for welfare, pensions and child maintenance policy. It is required to pay benefits and State Pension to claimants and pensioners on time, and in full, in accordance with legislation and the related regulations.

**2** In 2024-25, DWP spent £290.8 billion on benefits and State Pension payments to claimants and pensioners.<sup>1</sup> Of this, £137.4 billion was spent on State Pension, £137.5 billion was on other benefits paid directly by DWP and £15.9 billion on grants paid by DWP to local authorities, the largest element of which was £14.7 billion for Housing Benefit paid on DWP's behalf. Benefit and State Pension expenditure represented 98% of DWP's total operating expenditure of £298.0 billion. The remaining expenditure related to DWP's running costs such as staff remuneration.

**3** This report sets out:

- how DWP estimates the levels of fraud and error in benefit expenditure;
- the reasons and context for my qualified regularity opinion in relation to fraud and error in benefit expenditure and for the removal of Unfulfilled Eligibility from my qualified opinion; and
- the estimated levels and causes of fraud and error in the benefit system.

**4** Alongside my annual audit of DWP's financial statements, I am also carrying out a study on DWP's approach to tackling benefit overpayments due to fraud and error, with a view to publishing a report later in 2025.

<sup>1</sup> Audited total expenditure on benefits in 2024-25 was £290.8 billion, as reflected in the Statement of Comprehensive Net Expenditure for the core Department. Note 19 to the accounts sets out estimated total expenditure on benefits of £292.2 billion, which represented the latest available forecast for 2024-25 at the time DWP produced the fraud and error estimates.

## How DWP estimates the levels of fraud and error in benefit expenditure

**5** DWP sets out how it measures the levels of fraud and error in benefit expenditure on pages 92 to 95 of its Performance Report. The estimates are published annually as National Statistics. DWP estimates fraud and error through direct measurement of five or six benefits each year using a statistical sampling exercise. Where it does not directly measure the rate of fraud and error in a benefit in a given year, DWP rolls forward the rate it used from the previous sampling exercises. For benefits that have never been measured, DWP makes an assumption of the rate, typically using a similar benefit as a proxy. This year, DWP has measured fraud and error in Universal Credit, State Pension, Housing Benefit, Personal Independence Payment (PIP), Pension Credit and Carer's Allowance. Overall, 87% of benefit expenditure for 2024-25 was subject to sampling.

**6** DWP reports fraud and error in the benefit system across four categories, three relating to overpayments and one to underpayments.

- **Fraud (overpayment):** Fraud is where DWP considers a claimant should reasonably have been aware they were receiving money that they were not entitled to. Estimated to be £6.5 billion in 2024-25.
- **Claimant Error (overpayment):** Claimant Error is where a claimant made mistakes, for example they provided inaccurate or incomplete information, and DWP believes they did not have fraudulent intent. Estimated to be £1.9 billion in 2024-25.
- **Official Error (overpayment):** Official Error is where a benefit was paid incorrectly due to action, delay or a mistaken assessment by DWP, a local authority or HM Revenue & Customs (HMRC). Estimated to be £1.0 billion in 2024-25.
- **Official Error (underpayment):** As above. Estimated to be £1.2 billion in 2024-25.

**7** DWP sets out its definition of these categories on page 93 of its Performance Report. I consider expenditure in all four categories to be irregular on the basis that, where payments have been made to an individual who is not entitled to that benefit, or a benefit is paid at a rate that differs from the amount specified in legislation, the overpayment or underpayment does not conform with Parliament's intention.

**8** Unfulfilled eligibility, which was estimated to be £3.7 billion in 2024-25, was previously a fifth category within the fraud and error statistics known as 'Claimant Error underpayments'. DWP decided to remove these from its fraud and error reporting in 2023-24. It now separately publishes information on these underpayments under the name 'unfulfilled eligibility in the benefit system'. DWP removed Claimant Error underpayments from the fraud and error statistics because claimants are not legally entitled to a higher benefit payment until they notify DWP of a change in circumstance or provide evidence to support their entitlement as required in legislation. I consider this category of expenditure to be regular, as I discuss further in paragraph 13.

## The Comptroller and Auditor General's audit opinion on the regularity of benefit expenditure

### **My qualified regularity opinion**

**9** I have qualified my opinion on the regularity of DWP's 2024-25 financial statements due to the material level of fraud and error in its benefit expenditure – except for expenditure on State Pension, for which the level of fraud and error is significantly lower. This is the 37th year in which the Department's accounts have been qualified due to material fraud and error.

**10** In performing my audit under the Government Resources and Accounts Act 2000, I am required to obtain sufficient evidence to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied for the purposes intended by Parliament and that the financial transactions recorded in the financial statements conform to the authorities that govern them.

**11** Legislation specifies the eligibility criteria for each benefit and the method to be used to calculate the amount of benefit to be paid. DWP relies on claimants providing timely and accurate information, particularly when their circumstances change. The complexity of the benefit system can cause confusion and genuine error both for the claimants providing the information, and for DWP and others responsible for processing it. Benefit payments are also susceptible both to deliberate fraud by individuals and to organised crime attacks. Where fraud or error results in the payment of a benefit to an individual who is not entitled to that benefit, or a benefit is paid at a rate that differs from the amount specified in legislation, the overpayment or underpayment does not conform with Parliament's intention and is irregular.



## **My consideration of State Pension in my qualification**

**12** In reaching my regularity opinion, I consider the rates of irregularity due to fraud and error across each benefit. DWP estimates that it overpaid 0.1% (£190 million), and underpaid 0.3% (£450 million), of State Pension payments in 2024-25. I continue to regard the combined value of £640 million of irregular payments as immaterial in the context of the £137.4 billion of State Pension expenditure in the accounts. As a result, I exclude State Pension expenditure from my qualified opinion on the account.

## **Removal of unfulfilled eligibility (previously Claimant Error underpayments) from my qualified regularity opinion**

**13** In 2023-24, DWP made representations to me that, in addition to unfulfilled eligibility no longer being reported as fraud and error, it should be removed from the scope of my regularity qualification on legal grounds. I was provided with additional evidence in support of the legal position of unfulfilled eligibility and have evaluated this during 2024-25. I have assessed the evidence provided by DWP and it is my judgment that the legislation requires individuals to provide DWP with full and accurate information when claiming benefits and requires them to keep DWP updated about any change in their circumstances that would impact on the value of the benefits to which they are entitled. I am satisfied that, in view of the additional legal evidence provided, these payments are compliant with the relevant legislation and are in accordance with intentions of Parliament, and therefore regular.

**14** I have carried out sample testing to ensure that I agreed with DWP's classification of cases as unfulfilled eligibility or Official Error and its resulting calculations of both in the National Statistics. Judgement is frequently involved in deciding whether a claimant receiving less than what they were entitled to or eligible for has been caused by Official Error or Claimant Error. While I did not agree with DWP's judgement in every case of unfulfilled eligibility that I reviewed, I did not consider that these disagreements materially impacted on the total value of expenditure that has been classified as unfulfilled eligibility. Therefore, I have removed £3.7 billion of unfulfilled eligibility from my qualified regularity opinion for 2024-25.

**15** Although DWP has removed underpayments resulting from claimant error (now known as unfulfilled eligibility) from its fraud and error statistics, and I have removed unfulfilled eligibility estimates from my qualified regularity opinion, I continue to include these payments in my reporting on the estimated level of fraud and error in benefit expenditure, as I consider that they continue to be relevant to an understanding of the overall performance of the benefits system.

**16** I have previously reported on how Claimant Error – whether overpayments or underpayments – can occur through complexity in the benefit claims process, claimants not realising they need to report changes in their circumstances and claimants failing to report changes correctly. I would expect DWP to develop an understanding of these errors and translate them into changes. Unfulfilled eligibility continues to represent instances where the system is not delivering benefits to claimants of the value to which they are eligible, and so I still consider that the payments form part of the level of error in the system. There are also opportunities for DWP to strengthen its procedures in respect of classifying these cases and I will make recommendations to management to set out the changes I would expect to see in future, which I will follow up in future audits.

**17** I have not removed overpayments due to Claimant Error from my qualified regularity opinion, as these result in irregular payments to which the claimant was not eligible for or entitled to, either in full or in part. This is not in accordance with legislation or Parliament's intent. DWP told me that Claimant Error overpayments will continue to be reported as fraud and error because it is responsible for identifying and recovering the related debt from claimants.

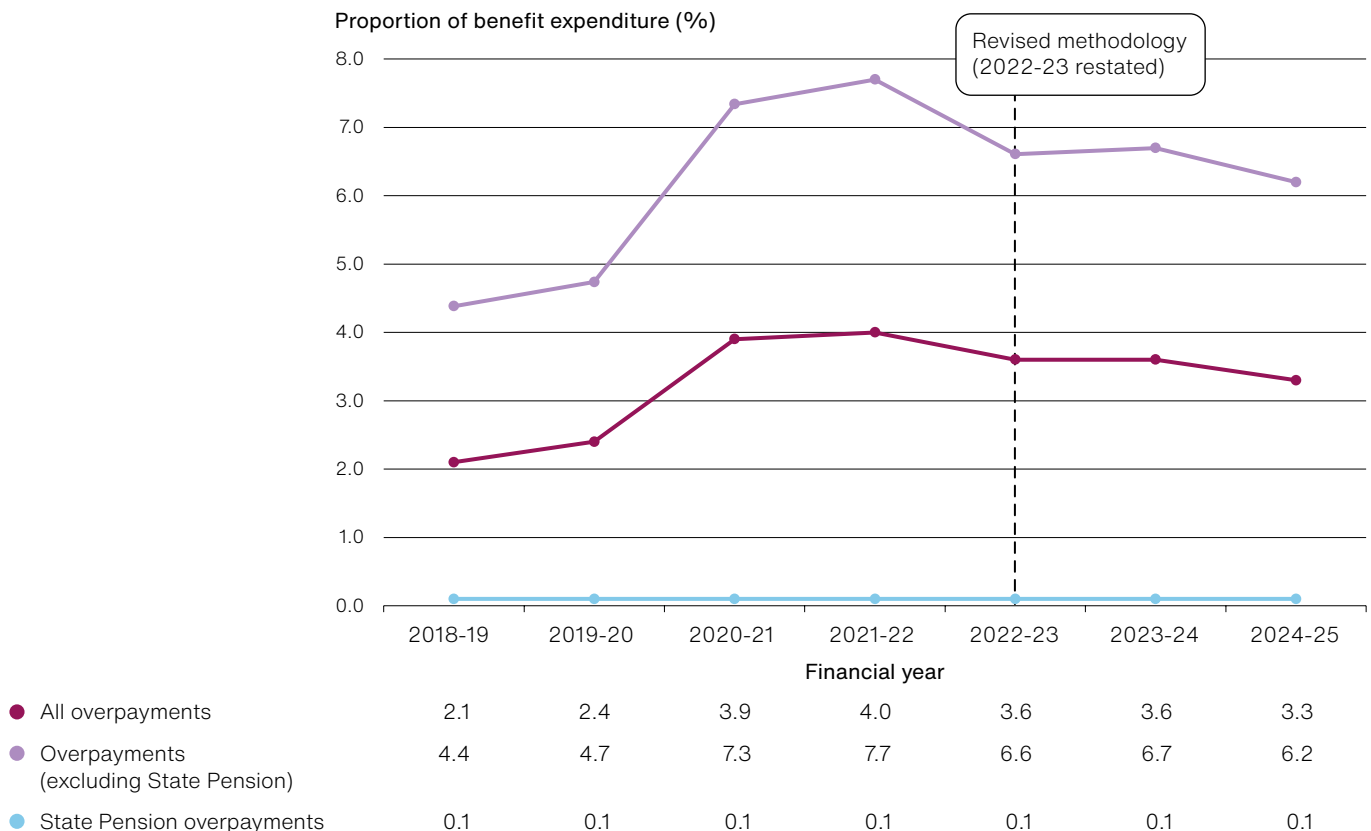
## The estimated level of fraud and error in benefit expenditure

**18** DWP sets out its estimates of the overall level of fraud and error in benefit expenditure on pages 115 to 118 of the Performance Report and note 19 of the financial statements (summarised in **Figure 1**). Because the rate of overpayments from fraud and error in State Pension remains low, I report the level of fraud and error overpayments in benefit expenditure across all DWP benefits both including and excluding State Pension. This helps to show the trend in fraud and error in most benefits more clearly, because it excludes the continuing impact of the increase in State Pension as a share of all benefit payments that can obscure the trends in other benefits.

**Figure 1**

Estimated levels of benefit overpayments as a percentage of total benefit expenditure, 2018-19 to 2024-25

Overpayments of benefit expenditure excluding State Pension decreased in 2024-25 but remain higher than pre-pandemic levels

**Notes**

- 1 All data points are the Department for Work & Pensions' (DWP's) central estimates. DWP publishes its estimates for fraud and error in the benefit system annually as National Statistics. This publication provides full data going back to 2005-06, when DWP first started measuring fraud and error in this way.
- 2 DWP's 2023-24 estimates restated some figures slightly from what had been published in previous reports. For example, it changed its methodology in 2023-24 to remove Claimant Error underpayments and reclassify these as unfulfilled eligibility. DWP restated its results for 2022-23 and the data above shows the restated results for 2022-23 with the vertical line signifying the change in the methodology.
- 3 There have been changes to the benefits measured each year since 2018-19.
- 4 Data relate to benefit expenditure in Great Britain, excluding expenditure that has been devolved to the Scottish Government. Benefit expenditure in Northern Ireland is the responsibility of the Northern Ireland Executive.
- 5 During the period covered by this figure, Universal Credit replaced tax credits for people of working age, and there was a gradual migration of claimants from Tax Credits (administered by HM Revenue and Customs) to Universal Credit (administered by DWP). We note that DWP use a blended overpayment rate as a result, which takes into account fraud and error recorded in both DWP-administered benefits and Tax Credits. These rates are shown on page 119 of the Performance Report.

Source: National Audit Office analysis of the Department for Work & Pensions' fraud and error statistical data

## Overpayments

**19** Excluding State Pension, DWP estimates that it overpaid a total of 6.2% (£9.3 billion) of benefit expenditure, which has decreased from 6.7% (£9.5 billion) in 2023-24 (Figure 1). DWP has said that its ambition is to reduce overpayments resulting from fraud and error to pre-pandemic levels and that, based on its current plans, this will be achieved by 2028-29.

**20** DWP categorises benefit overpayments into Fraud, Claimant Error, and Official Error per the definitions set out in paragraph 6. The estimated 6.2% (£9.3 billion) (2023-24 6.7%, £9.5 billion) of expenditure that was overpaid across all benefits (excluding State Pension) comprised the following.<sup>2</sup>

- Fraud accounted for 4.3% (£6.5 billion) (2023-24 5.1%, £7.3 billion).
- Claimant Error accounted for 1.2% (£1.8 billion) (2023-24 1.1%, £1.5 billion).
- Official Error accounted for 0.6% (£890 million) (2023-24 0.5%, £780 million).

**21** I have previously reported my disagreement with DWP's classification of some types of error as being the responsibility of claimants. Since 2018-19 I have reported that in some instances DWP classifies improperly declared income from other benefits as Claimant Error, even though it knows what other benefits a claimant is receiving from its internal records. It remains my view that these should be classified as Official Error. Across the benefits it measured in 2024-25, DWP estimated it overpaid £73 million due to a failure to consider income from other benefits. More integrated use of DWP's data could significantly reduce the level of overpayments due to mis-reported benefit income.

## Overpayments of Universal Credit

**22** Two-thirds of all overpayments by value in 2024-25 relate to Universal Credit (**Figure 2**). DWP sets out in the fraud and error statistics its categorisation of Universal Credit overpayments, which fell to 9.7% of expenditure on this benefit in 2024-25 from 12.4% in the previous year. The value of Universal Credit expenditure as reported in the National Statistics increased from £51.9 billion to £65.3 billion over the same period. Most of the fall in overpayments was due to reductions in claimants not engaging with the review process. Overall, Universal Credit overpayments due to fraud decreased from 10.8% to 8.0%.

**23** Levels of Universal Credit overpayments have decreased in 2024-25 but not yet to the levels seen before the COVID-19 pandemic. In 2019-20, the overpayment rate for Universal Credit was 9.4%, of which 7.6% was due to fraud. Further reductions will be required if DWP is to achieve its aims of reducing overpayments to pre-pandemic levels by 2028-29 as set out in the 2025 Spring Budget forecast. The rate DWP is aiming to return to is a 3.1% overpayment rate for all benefits as shown on page 119 of the Performance Report.

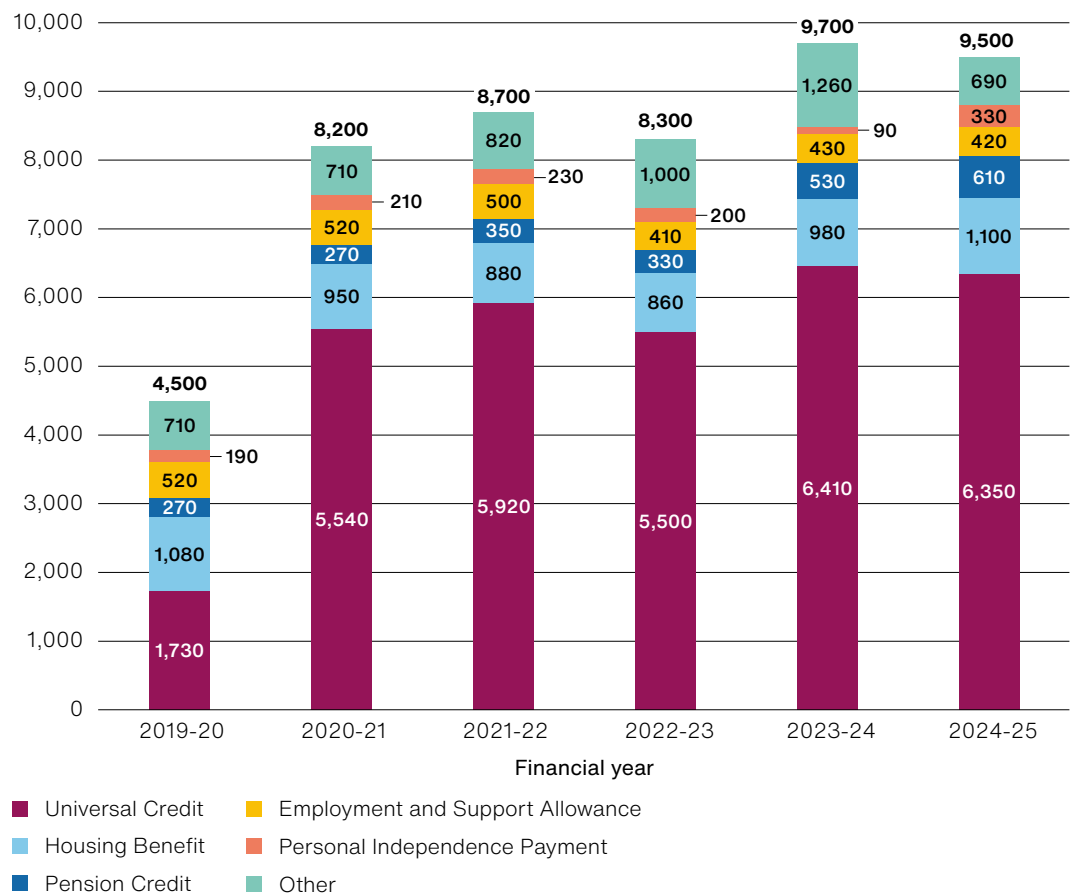
<sup>2</sup> Figures may not sum due to rounding.

**Figure 2**

Estimated benefit overpayments due to fraud and error by type of benefit, 2019-20 to 2024-25

**Universal Credit accounted for £6.4 billion (67%) of overpayments by value in 2024-25 (£6.4 billion, 66% in 2023-24)**

Overpayment of benefit expenditure (£mn)

**Notes**

- 1 The 'Other' category contains (in order of largest to smallest overpayment in 2024-25): State Pension, Attendance Allowance, Carer's Allowance, Disability Living Allowance, Income Support, Jobseeker's Allowance, and a number of unreviewed benefits.
- 2 The 'Other' category includes different benefits in different years. In 2022-23 and 2023-24 it included Cost of Living Payments for which there was £410 million and £550 million of overpayments, respectively. This payment stream has been discontinued in 2024-25, which has contributed to the reduction in Other Benefit Overpayments.
- 3 Data relate to benefit expenditure in Great Britain, excluding expenditure that has been devolved to the Scottish Government. Benefit expenditure in Northern Ireland is the responsibility of the Northern Ireland Executive.
- 4 During the period covered by this figure, Universal Credit replaced tax credits for people of working age, and there was a gradual migration of claimants from Tax Credits (administered by HM Revenue and Customs) to Universal Credit (administered by The Department for Work and Pensions (DWP)). We note that DWP use a blended overpayment rate as a result, which takes into account fraud and error recorded in both DWP-administered benefits and Tax Credits. These rates are shown on page 119 of the Performance Report.

Source: National Audit Office analysis of the Department for Work & Pensions' fraud and error statistical data

### Overpayments of other benefits

**24** Pension Credit now has the highest overpayment rate, at 10.3% of expenditure on this benefit (9.7% in 2023-24). Over half of the overpayments in Pension Credit were caused by under-declaration of capital, or claimants remaining abroad for longer than permitted.<sup>3</sup>

**25** Overpayment of PIP increased from 0.4% to 1.3%. The main reason for the increase was an increase in claimants not reporting an improvement in their needs, which increased from 0.3% to 0.8%.

**26** Housing Benefit overpayments increased from 6.4% to 7.2%. The main reason for the increase was an increase in the under-declaration of capital.

### Underpayments and unfulfilled eligibility

**27** DWP estimates that claimants received 1.7% (£4.9 billion) less than they were eligible for in 2024-25, up from 1.6% (£4.2 billion) in 2023-24 (**Figure 3**).<sup>4</sup> This comprised the following.

- Official Error accounted for £1.2 billion.
- Unfulfilled eligibility accounted for £3.7 billion. Unfulfilled eligibility was referred to as Claimant Error by DWP until 2023-24.

### Unfulfilled eligibility of disability benefits

**28** The highest rates of unfulfilled eligibility are for PIP and Disability Living Allowance (DLA). DWP's estimate of unfulfilled eligibility was 4.1% (£1.06 billion) and 11.1% (£0.85 billion), respectively.

- For PIP, unfulfilled eligibility was due to claimants failing to inform DWP they needed more help, or their condition had deteriorated.
- For DLA, the unfulfilled eligibility monetary value has been calculated from the previous rate of 11.1% measured in 2023-24. This rate was also due to claimants failing to inform DWP of the worsening of their condition.

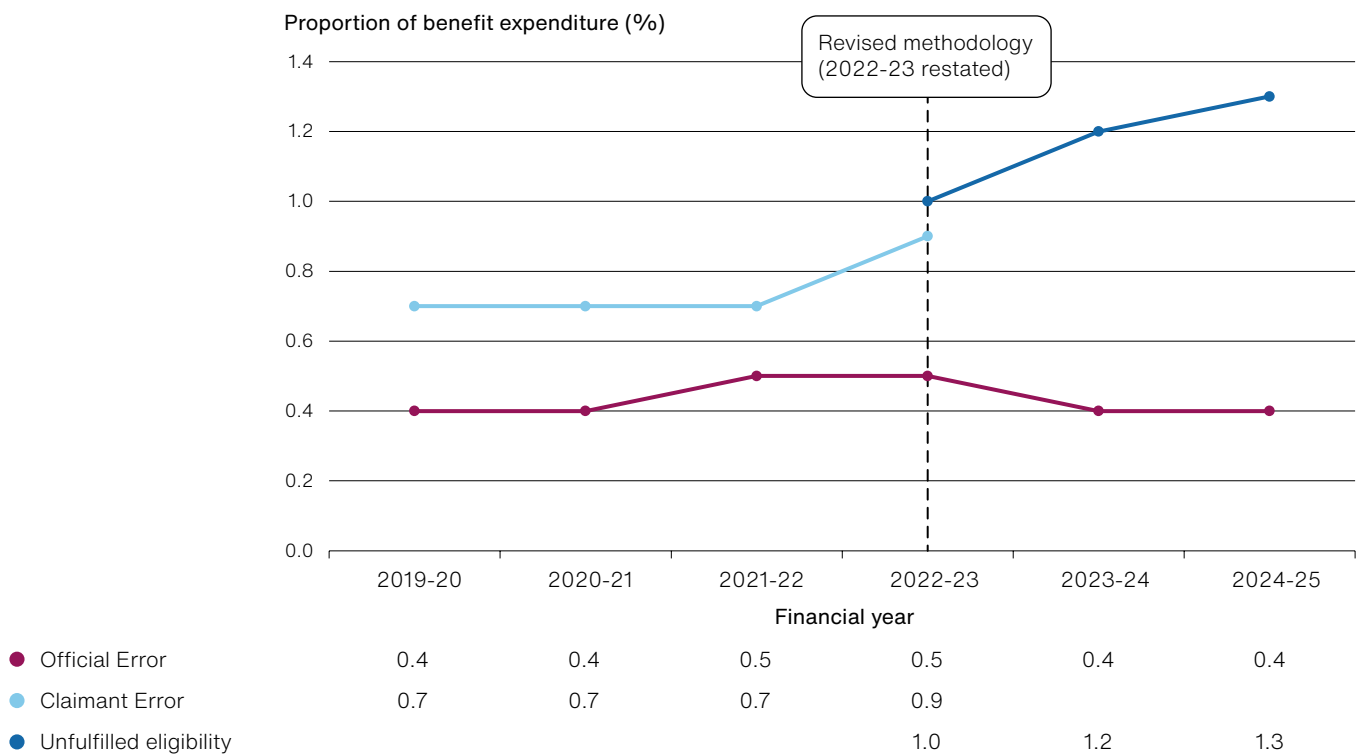
<sup>3</sup> For means-tested benefits, claimants are allowed a specified level of capital – savings and other assets – above which the amount of benefit they are entitled to is reduced.

<sup>4</sup> DWP no longer includes unfulfilled eligibility in the fraud and error statistics; consequently, cases with both unfulfilled eligibility and another error will no longer have these amounts netted off or capped. This introduces the possibility that these figures, when combined, may include a very small amount of double-counting.

**Figure 3**

Estimated levels of benefit underpayments and Unfulfilled Eligibility as a percentage of total benefit expenditure, 2019-20 to 2024-25

**Claimants are increasingly receiving less benefit than their circumstances suggest they are entitled to**

**Notes**

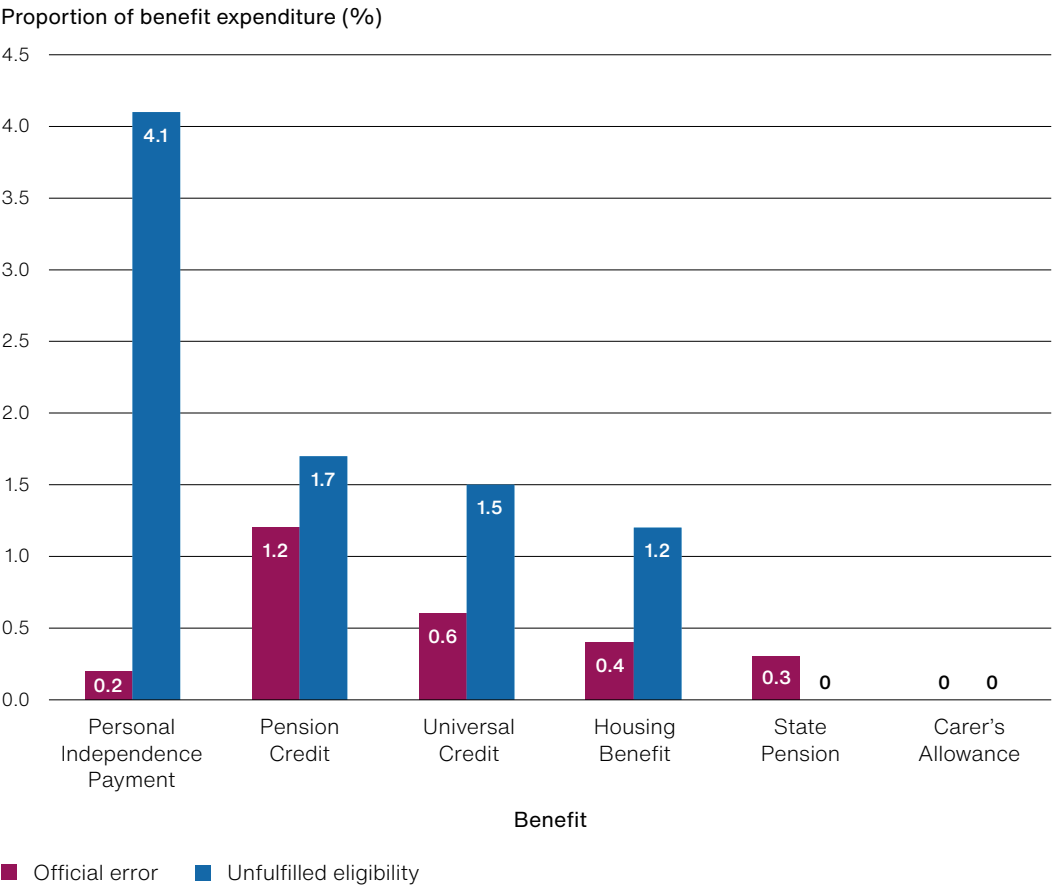
- 1 All data points are the Department for Work & Pensions' (DWP's) central estimates. DWP publishes its estimates for fraud and error in the benefit system annually as National Statistics. This publication provides full data going back to 2005-06, when DWP first started measuring fraud and error in this way.
- 2 DWP's 2023-24 estimates restated some figures slightly from what had been published in previous reports. For example, it changed its methodology in 2023-24 to remove Claimant Error underpayments and reclassify these as unfulfilled eligibility. DWP restated its results for 2022-23 and the data above show both the original and restated results for 2022-23, with the vertical line signifying the change in the methodology.
- 3 There have been changes to the benefits measured each year since 2019-20.
- 4 Rates shown are the estimated underpayment of each benefit expressed as a proportion of total expenditure on that benefit.
- 5 Data relate to benefit expenditure in Great Britain, excluding expenditure that has been devolved to the Scottish Government. Benefit expenditure in Northern Ireland is the responsibility of the Northern Ireland Executive.
- 6 Estimates of unfulfilled eligibility before 2024-25 are not directly comparable with previous estimates of Claimant Error underpayments published in the fraud and error statistics, though the two calculation methodologies are very similar

Source: National Audit Office analysis of the Department for Work & Pensions' fraud and error statistical data

**29** DWP’s statistics suggest that over one-tenth of PIP claimants and over one-quarter of DLA claimants are receiving less benefit than they are eligible for. As shown in **Figure 4**, levels of unfulfilled eligibility are significantly higher for the disability benefit measured in 2024-25 (PIP) than for working-age or retirement benefits.

**Figure 4**  
Estimated levels of Official Error underpayments and unfulfilled eligibility as a percentage of total benefit expenditure, for benefits measured in 2024-25

**Personal Independence Payment had the highest level of unfulfilled eligibility of the benefits measured in 2024-25**



- Notes**
- 1 All data points are the Department for Work & Pensions' (DWP's) central estimates. DWP publishes its estimates for fraud and error in the benefit system annually as National Statistics. Unfulfilled eligibility figures are now published in a separate statistical release.
  - 2 Rates shown are the estimated underpayment of each benefit expressed as a proportion of total expenditure on that benefit.
  - 3 Underpayments of Carer's Allowance would not be expected to occur, as the benefit is paid at a single fixed rate. A test of Carer's Allowance cases that are in payment is therefore extremely unlikely to identify an eligible claimant who was receiving less than they were entitled to.
  - 4 Data relate to benefit expenditure in Great Britain, excluding expenditure that has been devolved to the Scottish Government. Benefit expenditure in Northern Ireland is the responsibility of the Northern Ireland Executive.

Source: National Audit Office analysis of the Department for Work & Pensions' fraud and error statistical data







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