



REPORT

Tackling benefit overpayments due to fraud and error

Department for Work & Pensions

Key facts

3.3%

estimated proportion of benefit expenditure overpaid by the Department for Work & Pensions (DWP) in 2024-25, down from 3.6% in 2023-24

67%

proportion of estimated overpayments by value that related to Universal Credit in 2024-25

£4.5bn

estimated value of Annually Managed Expenditure (AME) saved by DWP through counter-fraud activities from April 2022 to March 2025

£9.5 billion

estimated amount of benefit expenditure overpaid in 2024-25, down from £9.7 billion in 2023-24

2.7 percentage points

decrease in the estimated overpayment rate for Universal Credit, down from 12.4% in 2023-24 to 9.7% in 2024-25

£6.7 billion

earmarked funding for fraud and error activity awarded to DWP in fiscal events, covering the period 2020-21 to 2028-29

1

number of machine learning models that DWP has deployed, with four others in development and testing

£581 million

estimated AME savings achieved through Targeted Case Review from 2022-23 to 2024-25, 11% more than DWP's expectation of £525 million

20%

proportion of claims reviewed under Targeted Case Review found to be incorrect in 2024-25, below DWP's expectation of 24%

37

number of years that successive Comptroller and Auditor Generals have qualified their audit opinions on the regularity of DWP's accounts (excluding State Pension) due to material fraud and error

Summary

1 The Department for Work & Pensions (DWP) makes welfare payments to more than 23 million people across Great Britain. In 2024-25, it paid £290.8 billion in benefits (including State Pension) and spent £7.3 billion on running costs. Some of DWP's customers are vulnerable or have complex needs, for example due to poverty, age, health problems or disabilities.

2 DWP is required to pay benefits and State Pension to claimants and pensioners on time, in full and in accordance with legislation and the related regulations. 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.

3 For the past 37 years, successive Comptroller and Auditor Generals have qualified their audit opinions on the regularity of DWP's accounts due to the material level of fraud and error in benefit expenditure. State Pension is excluded from the qualification because it has a significantly lower level of fraud and error.

4 Fraud and error in benefit expenditure is one of DWP's most persistent and pressing risks. In its annual report and accounts for 2024-25, DWP rated as 'red' the risk that its plans to reduce fraud and error are not successfully executed and/or cannot mitigate the increased propensity for fraud in society.

Focus of our report

5 This report examines whether DWP has an effective approach to tackling overpayments in the welfare system. Our work did not cover benefit underpayments. The evaluative criteria we used to assess value for money included whether DWP:

- has made the progress it expected in reducing overpayments due to fraud and error, including whether it has achieved its objectives and implemented effectively key initiatives to tackle overpayments; and
- is well placed to reduce overpayments due to fraud and error going forwards, including whether it has set out a clear strategy and specified what success will look like.

6 The report covers: information about benefit overpayments (Part One); DWP's approach to tackling overpayments (Part Two); and DWP's key initiatives for tackling overpayments (Part Three). Details of our audit approach are set out in Appendix One.

Key findings

Benefit overpayments

7 The estimated proportion of benefit expenditure overpaid fell from 3.6% (£9.7 billion) in 2023-24 to 3.3% (£9.5 billion) in 2024-25, but has not yet returned to pre-pandemic levels. DWP estimates the monetary value of fraud and error in the benefit system annually. The overpayment rate has been generally declining after rising substantially during the COVID-19 pandemic. In 2019-20, the estimated overpayment rate was 2.4% using the National Statistic for fraud and error in the benefit system, and 3.1% using DWP's cross-welfare rate, which includes Tax Credit overpayments. DWP regards the latter as a fairer comparator because it considers that many of the overpayments previously observed in Tax Credits can now be expected to occur within Universal Credit (UC). It should be noted that the cross-welfare rate goes wider than irregular expenditure and includes in-year overpayments that were part of the design of the Tax Credit system (paragraphs 1.2, 1.5, 1.7 and 1.8 and Figure 1).

8 The estimated UC overpayment rate dropped significantly from 12.4% in 2023-24 to 9.7% in 2024-25. The rate is now considerably lower than during the COVID-19 pandemic when, to cope with the rapid increase in UC claims, DWP suspended some controls in order to process cases quickly and provide people with prompt support. With the reintroduction of controls and enhanced counter-fraud activity, the overpayment rate for UC has fallen. The main reasons for UC overpayments in 2024-25 were claimants (mainly self-employed claimants) not declaring in full the income they received from work, claimants failing to declare that they lived with a partner, and claimants not declaring all their financial assets. Although UC continued to account for most overpayments by value in 2024-25, for the first time since it was rolled out nationally in 2018, it did not have the highest overpayment rate across all benefit lines. Pension Credit had the highest estimated rate at 10.3% (paragraphs 1.9 to 1.11 and Figure 2).

DWP's approach to tackling overpayments

9 From 2018 to 2024, DWP produced a series of outputs outlining its high-level approach to tackling fraud and error. In 2018, DWP produced a strategy, setting out its vision to improve the prevention and detection of fraud and error. It later acknowledged this document set out objectives that were principles rather than deliverables. In 2021, DWP supplemented the strategy with a document that set out its approach in more detail and sought to improve accountability for delivery. It had intended to develop a delivery plan for its strategy but did not do so because of the COVID-19 pandemic. In 2022, DWP published a plan for fighting fraud in the welfare system. The plan focused on investing in counter-fraud professionals and data analytics, and creating new legal powers to investigate potential fraud and punish fraudsters. In 2024, DWP published an update on the progress it had made against the commitments in the plan (paragraphs 2.6 to 2.10 and Figures 3 and 4).

10 DWP's current strategy places a greater focus on prevention, alongside continuing its efforts to detect fraud and error. DWP took a two-stage approach to developing a new strategy. It first assessed its fraud and error commitments, progress made and operating model. It then used the findings to develop a refreshed strategy, which was approved in November 2024. It has set five strategic objectives that focus on preventing inaccurate payments through improvements in areas such as accountability, decision-making and use of customer data. At the time of our work, DWP had started to develop implementation and evaluation plans to support delivery of the strategy and measure its success. Its current prevention activities focus on UC and Pension Credit, such as its UC continuous improvement initiatives which seek to tackle the main causes of overpayments. DWP is also in the early stages of assessing its strategic controls framework, with a view to evaluating cost-effectiveness and taking action to strengthen controls where necessary (paragraphs 2.11 to 2.16).

11 DWP faces digital and data challenges that could hamper successful implementation of its fraud and error strategy. DWP's IT systems are not fully integrated and do not allow staff to view all the information that DWP holds about a claimant, making it less likely that incorrect payments will be prevented or detected. The lack of common data standards, within DWP and across government, also makes it more difficult to identify fraud and error. The success of DWP's strategy will partly depend on its ongoing Service Modernisation Programme. Relevant parts of the programme include developing an application to provide DWP staff with a single view of customer data from multiple benefit systems. DWP told us it is looking to the centre of government to provide leadership on setting cross-government data standards that will support data sharing between departments. It is also working to learn lessons from other countries. It points to Denmark where interoperable IT systems and government-wide data standards have been important in allowing counter-fraud initiatives to be rolled out at scale (paragraphs 2.26 to 2.30).

12 The government has awarded DWP £6.7 billion of dedicated funding for fraud and error activity over the nine years from 2020-21 to 2028-29.

The earmarked funding was given on the basis that the related activity would reduce fraud and error and lead to savings in benefit expenditure, which was reflected in the Office for Budget Responsibility's forecasting. Since April 2022, DWP has mainly used the funding to: scale up its programme of Targeted Case Review of UC claims; increase its counter-fraud resource; and expand its use of data analytics to tackle fraud and error. The funding is backloaded, with DWP due to receive 52% of the total (£3.5 billion) in the three years from 2026-27 (paragraphs 2.17 to 2.20 and Figure 5).

13 DWP has exceeded its targets for savings from its counter-fraud activities in each of the two years since it first set a target. Estimated savings in Annually Managed Expenditure (AME) is the main metric that DWP uses to assess the impact of its activities to reduce fraud and error. Savings comprise the value of past overpayments identified and an estimate of future overpayments prevented. From April 2022 to March 2025, DWP saved an estimated £4.5 billion in total from its counter-fraud activities. It first set a target for the amount of AME it would like to save in 2023-24. It achieved savings of £1.35 billion in 2023-24 against a target of £1.3 billion, and savings of £2.0 billion in 2024-25 against a target of £1.7 billion (paragraphs 2.22 and 2.23 and Figure 6).

14 DWP has now set an ambition to reduce overpayment rates to pre-pandemic levels, but will need to go further if the longstanding qualification on the regularity of benefit expenditure is to be removed. The National Audit Office and the Committee of Public Accounts (PAC) have previously recommended that DWP should set annual targets for the level of fraud and error, by benefit, against which its progress can be assessed. The ultimate aim should be to get fraud and error down to a level that represents a cost-effective control environment. In its 2024-25 annual report and accounts, DWP set out a multi-year ambition to reduce cross-welfare overpayment rates to pre-pandemic levels. It is using its cross-welfare overpayment measure – which incorporates Tax Credit overpayments – as its baseline of pre-pandemic performance. Using this measure, the Spring Statement 2025 forecast that overpayments would fall to the pre-pandemic level of 3.1% by 2028-29 (paragraphs 1.8, 2.24 and 2.25).

Key initiatives for tackling overpayments

15 DWP is working to expand its innovative use of machine learning to tackle fraud and error. Data analytics, such as machine learning, are a valuable tool in addressing fraud and error and making sure that benefit claimants receive the right amount of money. Since May 2022, DWP has used a machine learning model to flag potentially fraudulent claims for UC advances, saving an estimated £4.4 million. The model is designed to assess the risk in requests for advances and refer those assessed as high risk to a caseworker for review. DWP is also developing and testing four other models. Three of these models target key areas of fraud loss in UC and have been in development since 2022-23. The fourth model is intended to support DWP's activity to detect and correct fraud and error in UC claims. DWP told us it is continuing to develop, test and evaluate these models and expects to make decisions on deploying them into live service in 2025-26 (paragraphs 3.3 to 3.5 and Figure 7).

16 DWP has improved its transparency about its use of machine learning, with the published analysis indicating that claimants in some groups are being over-referred for review. Public bodies must balance transparency about their use of data analytics with the risk of making it easier for fraudsters to take advantage. PAC has repeatedly raised concerns about the potential impact of machine learning, including on vulnerable claimants, and recommended that DWP share the results of its fairness impact assessment to provide reassurance. In July 2025, DWP published, for the first time, detailed information on its fairness analysis. The results for 2024-25 indicate that the model is not working as effectively as would be expected in respect of certain characteristics, with older claimants (in age groups 45 to 54 and above) and non-UK nationals being over-referred for review. DWP could undertake fairness analysis on only one of the nine protected characteristics (age) due to limited data, but also covered certain non-protected characteristics, such as whether a claimant is a UK national or a non-UK national. In terms of performance, DWP found the model to be around three times more effective at identifying fraud risk than a randomised control group sample. In light of its assessment, DWP concluded that it remains reasonable and proportionate to continue operating the UC advances model as a fraud prevention control, and said it would continue to seek to improve the model's effectiveness (paragraphs 3.6 to 3.15).

17 DWP successfully scaled up its Targeted Case Review (TCR) programme to detect and correct fraud and error in existing UC claims. DWP started TCR on a small scale using its own staff. The programme began in February 2022 with seven agents and by April 2024 involved 3,100 DWP staff. In 2023-24, DWP decided to use a contracted-out route to scale up its TCR workforce further and avoid pressure on service delivery, and appointed TP (formerly Teleperformance) to provide additional capacity. By January 2025, TP had around 2,600 full-time equivalent agents undertaking reviews. As well as detecting incorrect payments, TCR provides insights that are helping to inform a range of improvements across UC. For example, DWP is introducing periodic redeclaration of UC claims after TCR helped to identify people failing to regularly report changes of circumstances as a key source of error (paragraphs 3.19 to 3.24).

18 DWP achieved estimated total savings of £581 million from TCR by March 2025, exceeding its expectation by 11%, but has not met its expectation for the proportion of reviewed cases found to be incorrect. DWP's main measure of success for TCR is the estimated level of AME savings achieved. The total that DWP expects to save has increased significantly over time – from an initial target of £2 billion by 2026-27 to £13.6 billion by March 2030. From August 2022 to March 2025, a total of 1.15 million UC claims were reviewed, generating total estimated savings of £581 million (4% of the amount DWP expects to save by March 2030). DWP also uses other metrics to measure TCR performance such as the 'hit rate', which shows the proportion of reviewed cases found to be incorrect. In 2024-25, this was 20%, which was less than DWP's expectation of 24%. The TCR hit rate achieved was lower than the 24% hit rate achieved from DWP's testing of a random sample of cases for its 2024-25 annual fraud and error statistics. DWP told us that these two exercises have different objectives and methods, which limits their comparability. It is seeking to identify higher-value errors through TCR, whereas the threshold for incorrect payments in its random sampling is 10p, meaning more cases are recorded as incorrect (paragraphs 3.26 to 3.29 and Figure 9).

19 The government has introduced legislation to strengthen DWP's powers to tackle fraud and error. DWP considers new legislation to be crucial in allowing it to meet its counter-fraud objectives. The government introduced the Public Authorities (Fraud, Error and Recovery) Bill to Parliament in January 2025, and the Bill is currently towards the end of its Parliamentary passage. The main measures intended to help DWP prevent and detect fraud and error are eligibility verification (whereby banks and other financial institutions could be compelled to provide information to help DWP verify a claimant's eligibility and entitlement) and an extension to existing information-gathering powers (whereby a larger range of third parties could be required to provide information to DWP in support of criminal investigations). The Bill is expected to deliver gross savings of £1.5 billion by 2029-30 (paragraphs 3.33 to 3.36 and Figure 10).

Conclusion on value for money

20 The proportion of benefit expenditure overpaid remains too high, but the figures for 2024-25 suggest that overpayment levels are now going in the right direction, with a particularly welcome drop in the UC overpayment rate. This provides assurance that DWP has started to make headway – it has successfully deployed a range of counter-fraud interventions in recent years, including making use of data analytics. These are generating savings and helping it to detect and correct overpayments. We encourage DWP to continue to test innovative new approaches that make the most of emerging technologies.

21 Improving processes and controls to stop overpayments before they occur and before debt builds up is the best way to secure value for money in this area. DWP has set an ambition to reduce overpayment rates to pre-pandemic levels, but will need to go further if the longstanding qualification on the regularity of benefit expenditure is to be removed. The next few years will be key to its success. The extra funding it has available for fraud and error activity, and lessons from its interventions to date, present DWP with opportunities to increase the scale and impact of its approach. Its new strategy wisely incorporates a greater focus on prevention and an intention to address systemic challenges, including through better use of data and organisation-wide accountability for tackling fraud and error. DWP must now put its high-level vision into practice and develop an effective approach to implementation, which it can use to guide its actions, track progress and manage risks, including the potential for adverse impacts on claimants.

Recommendations

22 To improve its approach to tackling overpayments in the welfare system, DWP should:

- a** finalise its approach to implementing its fraud and error strategy and use cross-departmental governance arrangements to advance delivery and monitor progress. DWP's approach should consider how its main interventions are expected to contribute to achieving its objectives and a timetable for delivery. DWP should update on progress in its 2025-26 annual report and accounts.
- b** progress the work it has started on reviewing its controls framework and use its detailed findings to strengthen the framework, removing or improving ineffective controls and prioritising those which prevent overpayments in the most cost-effective way.
- c** improve data quality by:
 - getting its data about benefit claimants into a common format; and
 - continuing to engage with cross-government data standards and ensuring DWP alignment with these.
- d** build on its existing use of data analytics to explore how emerging technologies may help to detect and prevent fraud and error, taking account of cost-effectiveness.
- e** progress its ambition to reduce the overpayment rate to the pre-pandemic level. Beyond that, DWP should focus on getting the overpayment rate down to a level that represents a cost-effective control environment. DWP should develop its evidence base on cost-effectiveness and target its activities accordingly.
- f** extend those detection and prevention activities which currently focus on UC to encompass other benefits where this is appropriate and cost-effective, in particular building on activity underway in Pension Credit, which had the highest rate of overpayments in 2024-25.