



REPORT

# HMRC's use of travel data to tackle fraud and error in Child Benefit payments

HM Revenue & Customs

## Key facts

---

**23,794**

enquiries opened under HM Revenue & Customs' (HMRC's) Child Benefit compliance intervention using Home Office travel data during the first rollout in 2025 following a pilot in 2024

---

**£366mn**

HMRC's estimate of gross savings from the intervention from 2025-26 to 2029-30

---

**38%**

proportion of matches investigated that HMRC confirmed as ineligible claimants in the first rollout, compared with 54% in the pilot (based on National Audit Office analysis)

---

**2-4 weeks**

time taken by HMRC to make changes to the intervention process following problems emerging in the first rollout

**August-  
October 2025**

period during the first rollout of the intervention when HMRC opened new enquiries before pausing to resolve emerging problems

**14:1**

HMRC's estimated return on investment for the intervention – the Cabinet Office and HM Treasury usually expect a minimum return on investment of 3:1 from fraud and error interventions

**£60 million**

estimated gross savings from the 23,794 enquiries covered in the first rollout, compared with an initial assumption of £128 million for 2025-26

**Over 22,500**

number of calls HMRC handled from claimants in the first rollout of the intervention, between August 2025 and February 2026

**£270 million**

HMRC's estimate of overall level of Child Benefit fraud and error in 2024-25, 2.0% of associated expenditure

# Summary

## Introduction

- 1** Child Benefit is paid to around 6.9 million families and supports around 11.7 million children. In 2024-25, HM Revenue & Customs' (HMRC's) expenditure on Child Benefit was £13.3 billion, making it the largest individual benefit it paid out. Broadly, people can claim Child Benefit if they are UK residents and responsible for a child aged under 16 or a young person aged 16–19 in full-time non-advanced education.
- 2** Given the scale of expenditure, even relatively low percentage levels of fraud and error represent significant losses to the Exchequer. In 2024-25, HMRC estimated the overall level of fraud and error resulting from overpayments of Child Benefit as £270 million or 2.0% of associated expenditure. Most fraud and error in Child Benefit occurs because claimants have not updated HMRC about changes in circumstances that affect their eligibility. Common situations include claimants continuing to claim Child Benefit for 16- to 19-year-olds no longer in full-time non-advanced education, or after a claimant has moved abroad.
- 3** HMRC has long relied on risk-based compliance activity to identify and investigate cases where eligibility may have changed, but it recognised that its existing approach did not reliably identify claimants who had moved abroad without notifying it. This gap created a risk that incorrect payments could persist undetected for long periods, particularly as Child Benefit claimants are only formally required to reconfirm eligibility once a child reaches the age of 16.
- 4** To address this fraud and error risk, HMRC identified an opportunity to use international travel data held by the Home Office to investigate non-residency in Child Benefit claims. In August 2025, HMRC established a new specialist team to track Child Benefit claimants who may have moved overseas and no longer be eligible for the benefit. We have previously reported that data analytics are a vital tool to make sure the right amount of money goes to the right recipient, and to find potentially incorrect transactions.

## Scope of this report

**5** HMRC runs several compliance interventions on Child Benefit to address fraud and error. Typically, it identifies potentially ineligible cases, based on internal or external data sources; makes enquiries; and takes corrective action where necessary, including suspending payments or terminating eligibility. This investigation provides an independent assessment of HMRC's specific compliance intervention for Child Benefit using Home Office travel data. The investigation:

- examines the strategy and governance, design, implementation, management and performance of the intervention; and
- highlights what HMRC has learned from this new intervention that will support continued innovation and better management of the associated risks.

**6** The investigation covers the following main stages of the intervention.

**a** HMRC's **pilot** of the intervention in 2024.

**b** The **first rollout** from August 2025, when HMRC scaled up activities following the pilot, opening an initial 23,794 enquiries.

**c** The **second rollout** from March 2026, which incorporated changes made in response to issues identified during the first rollout and began under a more controlled 'hypercare' approach.

**7** The review does not look at individual claims. It does not cover in detail other compliance interventions that HMRC may undertake for Child Benefit.

## Key findings

Design, planning and testing of the intervention

**8** **HMRC identified an innovative opportunity to use Home Office data to investigate potential fraud and error in Child Benefit from claimants who are ineligible because they reside outside the UK.** One of the most common reasons for fraud and error in Child Benefit payments relates to continuing claims from people who have moved abroad. In 2021, HMRC identified that the Home Office's international travel data could provide insights into potentially ineligible Child Benefit claims due to non-residency. HMRC used powers under the Digital Economy Act (DEA) to enable it to access the data. As required by the DEA, it carried out a pilot to evaluate whether the data being shared helped identify and tackle fraud. The pilot involved matching data from airlines against HMRC's Child Benefit claimant records. The Home Office provided details of those claimants shown as absent from the UK for more than 12 weeks for possible investigation by HMRC (paragraphs 1.7 and 1.11 to 1.13).

**9 HMRC understood that Home Office travel data could not be used in isolation to determine residency and designed the pilot to include additional checks undertaken by experienced HMRC staff.** HMRC was aware of limitations of the travel data. For example, the data record passengers' intentions to travel and may not reflect an actual departure if someone has to cancel a trip. To minimise unnecessary contacts with genuine claimants in the pilot, HMRC carried out some upfront checks to remove claimants from its enquiries prior to any contact. The main upfront check was of HMRC's Pay As You Earn (PAYE) system for evidence that the claimant had ongoing employment in the UK during or after the period Home Office data indicated them as being abroad. In the pilot, HMRC removed 12% of matches from the intervention because of this PAYE check: for such claims, it did not open an enquiry and continued to pay Child Benefit as normal (paragraphs 1.12 to 1.15 and 1.20, and Figure 3).

**10 HMRC's pilot demonstrated the effectiveness of using Home Office travel data to identify potentially ineligible Child Benefit claims.** During the pilot, which took place between March and December 2024, HMRC suspended payments to 3,656 claimants where residency was uncertain until further enquiries were completed. There was a higher rate of ineligible claims in the pilot (61% of enquiries) compared with HMRC's other Child Benefit compliance interventions (50%). It estimated that the pilot prevented around £15 million in incorrect payments. On the basis of the pilot, HMRC estimated a total return on investment of 14:1 from the whole intervention, significantly above what is typically expected from fraud and error interventions. The cross-government Debt and Fraud Information Sharing Review Board (referred to in this report as the DEA Board), co-chaired by the Cabinet Office and HM Treasury, approved HMRC's proposal to roll the pilot out more widely (paragraphs 1.16, 1.19, 1.20 and 1.22).

The first rollout

**11 In August 2025, HMRC moved from the pilot to the first rollout, with three main changes made to the intervention.** The pilot and first rollout followed a similar enquiry process: after early checks to remove some lower-risk claims, HMRC opened an enquiry, suspending Child Benefit payments immediately and sending a letter to claimants to ask for evidence of UK residency. Between the pilot and first rollout, HMRC made two changes to how it administered the process. First, it removed the main upfront check of the PAYE system (retaining the other early checks). Second, it made the letter for claimants travelling to European Economic Area (EEA) countries significantly longer. HMRC agreed these process changes at an operational level. In line with the remit of the DEA Board approval and HMRC's agreement with the Home Office, there were no requirements for HMRC to notify them about process changes following the pilot. A third change related to the data matching undertaken by the Home Office: the first rollout included potential absences identified by the travel data over the previous five years, rather than the last 12 months used in the pilot (paragraphs 1.14, 1.15, 2.1 to 2.3 and 2.7, and Figure 1).

**12 By mid-October 2025, it was clear that many eligible claimants had been adversely affected by the intervention and had their Child Benefit payments suspended.** The first rollout of the intervention started in August and scaled up in September. By October, HMRC had opened enquiries for an initial 23,794 claimants. Calls from claimants included in the intervention increased during October. In media reports, some claimants reported financial and emotional impacts, for example, from the sudden loss of income, repayment demands, or difficulty and stress in trying to prove eligibility. The removal of the PAYE check increased the chance of eligible claimants being included in enquiries and having their Child Benefit payments suspended, with Northern Ireland residents particularly affected. For example, people flying from Northern Ireland and returning via Ireland and the land border were flagged as potentially non-resident by the Home Office data matching. Claimants also reported problems with the length and complexity of the letters and questionnaires to prove eligibility. HMRC could not tell us what proportion of enquiries involved travellers to EEA countries, who received a much longer form, but believes it is the majority. There has been a negative impact on public trust, with widespread media coverage and Parliamentary scrutiny of the problems in the first rollout (paragraphs 2.8, 2.11 to 2.13 and 3.15, and Figure 3).

**13 In October and November 2025, HMRC made changes to its enquiry processes within two to four weeks of problems starting to emerge.** At the end of October, HMRC stopped opening new enquiries, while staff focused on assessing the initial 23,794 cases. It took steps in October and November to improve the existing process, including:

- reintroducing a simplified version of the PAYE check for claimants where it had suspended payments, with automatic reinstatement of some payments;
- allowing claimants to confirm eligibility over the telephone without further documentation;
- issuing apologies to claimants and allowing an additional four weeks for customers to respond to evidence requirements; and
- offering compensation where claimants could show financial loss or distress, in line with its existing redress policy.

By the end of 2025-26, HMRC had completed enquiries for 99% of cases in the first rollout (paragraphs 2.14 and 2.15, and Figure 4).

**14 HMRC accepts there were weaknesses in its oversight of the process and transition between the pilot and the first rollout, which led to shortcomings in its risk assessment and decision-making.** HMRC commissioned an internal audit review, which highlighted several issues in December 2025. HMRC did not appoint a single Senior Responsible Owner for the intervention or establish governance arrangements with clear accountability for approving major changes to the process. Key decisions were made at an operational level without sufficient scrutiny or challenge. There was no due consideration of HMRC's risk appetite or formal risk assessment of the implications of decisions. For example, HMRC told us that staffing was a key driver in its decision to remove the PAYE check. When it was unable to use experienced compliance staff on the rollout as originally planned, it used temporary staff instead. As HMRC assessed that it was too complicated for inexperienced staff to conduct the PAYE check upfront, it moved it to the end of the enquiry process without considering the potential wider implications of its decision (paragraphs 2.2 to 2.4).

**15 HMRC's focus on fraud detection and compliance meant it did not sufficiently consider the impact of its intervention on affected claimants and their experience.** HMRC has responsibilities to both reduce fraud and error, and abide by the standards set out in its Customer Charter. In its initial equality impact assessment, HMRC understood that there would be a negative impact on eligible claimants who were included in the intervention and would have their payments suspended. Its assessment was that they would face a small administrative burden to prove their eligibility, which it considered compared favourably with the alternative of asking all claimants to periodically reconfirm their eligibility. However, some operational changes to the intervention did not adequately consider the impact on claimants. For example, in the first rollout, travellers to EEA countries received a 14-page letter containing over 70 standard questions to establish compliance, compared with a six-page letter used for other destinations. HMRC did not use its own customer service specialists to design letters and minimise the effort for claimants to prove their eligibility (paragraphs 2.2 and 2.4 to 2.6).

## Outcomes and learning from the intervention

**16 Although not straightforward to compare the two stages, our analysis suggests that the proportion of ineligible cases was lower in the first rollout than for the pilot.** Changes to the process, particularly the change to the PAYE check, make it difficult to directly compare outcomes for the first rollout and the pilot. Based on matches investigated by HMRC, we estimated that 38% of cases in the first rollout were confirmed as ineligible (compared with 54% of those investigated in the pilot), while 59% were either confirmed as eligible or removed from the intervention because of PAYE checks (46% in the pilot). HMRC thinks the difference is due to its decision in the first rollout to allow people to confirm their eligibility over the phone without further documentation (paragraphs 3.2 and 3.3, and Figure 5).

**17 HMRC calculated gross savings of £60 million from the first rollout, and it plans to update its longer-term cost and benefit estimates for Autumn Budget 2026.**

Based on the pilot, HMRC projected gross savings of £366 million over the five-year period to 2029-30. It calculated an approximate return on investment of around 14:1. It plans to update its cost and benefit estimates for Autumn Budget 2026. It has estimated gross savings of £60 million from the first rollout, based on the 23,794 enquiries opened. While first-year savings are lower than originally expected, reflecting fewer completed enquiries than planned, HMRC expects the longer-term benefits and savings to remain broadly unchanged. HMRC intends to draw on evidence from the pilot and the subsequent rollouts to assess longer-term savings (paragraphs 3.11 and 3.12).

**18 HMRC made several changes to the intervention in the first rollout to improve claimants' experience, although it has limited data to track how effective these have been.**

When problems emerged, HMRC made changes to improve claimants' experience, including reintroducing the PAYE check and reinstating some payments automatically. Between August 2025 and February 2026, HMRC handled over 22,500 calls from claimants in relation to the first rollout. For claims confirmed as eligible, it completed around 76% of enquiries by mid-November, and 93% by the end of December. However, HMRC's performance metrics, which are more focused on compliance outcomes, provide limited evidence on the extent to which its changes to the process affected claimants' experience. For example, while HMRC told us that around 40% of eligible claimants had their payments automatically reinstated by mid-November 2025, it was unable to provide us with average times for reinstating payments. HMRC highlighted to us that, as regards claimant experience, the overall level of complaints and compensation paid in relation to the intervention had remained low. As of April 2026, HMRC had paid a total of £3,200 of compensation to 51 claimants (paragraphs 2.10, 2.11, 3.4 and 3.5).

**19 HMRC made further adjustments for the second rollout of the intervention from March 2026 and put additional checks in place as it restarted opening new enquiries.**

For the second rollout, HMRC made changes to improve customer experience. This included giving claimants a month to prove eligibility before suspending payments, simplifying evidence requirements and forms, and enabling digital submission of evidence (from April 2026). Further changes to strengthen targeting included reinstating an upfront PAYE check; removing Northern Ireland claimants travelling to Ireland; introducing additional upfront checks to reduce the number of eligible claimants included; and incorporating sea and rail crossing data in addition to flights. The second rollout operated under a 'hypercare' approach initially, which included capping new cases at 50 a week, additional monitoring, internal quality checks, and follow-up calls with claimants. HMRC increased the number of new enquiries to 100 a week from the second half of April 2026, and plans to scale up cases further based on monitoring performance (paragraphs 3.7 to 3.10).

**20 HMRC has learned lessons for data-based compliance interventions about strengthening governance, oversight and risk management, and how it considers the impact on claimants.** HMRC acted quickly to commission an internal audit to review the intervention after problems emerged and has already started to implement its recommendations. For example, HMRC increased its oversight with new governance arrangements to oversee Child Benefit compliance interventions. To improve arrangements for future similar interventions, it is also planning to, for example, undertake formal risk assessments of its use of Home Office data in compliance work and develop a process template for new compliance activities incorporating use of data. HMRC has shared experiences with the DEA Board, Public Sector Fraud Authority, and Department for Work & Pensions. It has said that it will identify any lessons learned for future compliance exercises. HMRC also recognises that it could do further analysis of the intervention to assess fraud and error risks for different customer groups (paragraphs 3.13, 3.14, 3.16 and 3.18).

## **Concluding remarks and recommendations**

**21** Fraud and error represents a persistent and constantly evolving threat for HMRC, and the use of data analytics to identify potential fraudulent activity is an important part of its approach. HMRC's pilot using Home Office travel data identified an innovative opportunity to reduce the impact of a major driver of Child Benefit fraud and error. However, weaknesses in governance and risk management meant that HMRC made changes for the first rollout of the intervention that compromised delivery and performance. The first rollout did not adequately consider the impact on claimants, suspending payments for more eligible claimants than it needed to, combined with more onerous requirements for many of them to prove their eligibility. While HMRC responded to emerging problems, it had to expend significant efforts to reset the process and expedite reinstating payments where necessary. HMRC has still realised significant savings from the first rollout, but involving greater effort than originally planned, and negative impacts on public trust.

**22** HMRC must continue to try new and innovative approaches to tackle fraud and error and should not be deterred by this experience, but it must ensure it manages risks appropriately through its recently increased governance arrangements. It is now learning lessons from the first rollout and responding to issues highlighted by its internal review to adopt a more careful approach as it relaunches the intervention. It should apply those lessons to other new compliance interventions it may be considering.

**23** The following recommendations aim to improve HMRC's approach towards implementing compliance interventions, and how it learns lessons for the future. When designing and planning future interventions, HMRC should take the following actions:

- a** HMRC should clearly identify what staffing an intervention requires, and ensure it identifies and mitigates risks that reflect actual staffing. If it cannot implement an intervention as planned due to a lack of suitable resources, HMRC should reassess the risks, costs and benefits to inform any decision about whether and how it proceeds.
- b** Building on changes it is making to governance arrangements, HMRC should ensure that it articulates the level of risk it is willing to accept in compliance interventions so that this is well understood by staff and can be consistently applied in practice. Its arrangements should ensure there is consideration of using innovation to tackle fraud and error, while also minimising impacts and potential hardship for eligible claimants.
- c** HMRC should ensure its performance metrics, targets and data for compliance interventions allow it to monitor customer experience alongside compliance effectiveness.
- d** HMRC should factor into its compliance intervention design how eligible claimants can prove their eligibility to ensure as efficient and timely a process as possible, which minimises effort for both claimants and HMRC.
- e** Working with the Public Sector Fraud Authority, HMRC should disseminate lessons learned, and seek to share these internally and with the wider fraud and error community in government.
- f** HMRC should analyse how fraud and error risks vary for different groups of claimants in the intervention to improve risking and targeting of future Child Benefit compliance interventions.