




REPORT

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

HM Revenue & Customs



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

HM Revenue & Customs

Report by the Comptroller and Auditor General

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Gareth Davies
Comptroller and Auditor General
National Audit Office

16 June 2026

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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.

Part One

Background, planning and design

1.1 This part of the report provides an overview of Child Benefit and HM Revenue & Customs' (HMRC's) approach to reducing Child Benefit fraud and error. It also covers how HMRC set up, designed and planned its compliance intervention based on Home Office international travel data, and the governance arrangements for the intervention.

Background to Child Benefit

1.2 In addition to collecting taxes, HMRC administers some benefits and payments through the tax system. As of August 2025, HMRC paid Child Benefit to around 6.9 million families, supporting around 11.7 million children. Its expenditure on Child Benefit was £13.3 billion, making it the largest individual benefit HMRC paid out in 2024-25.

1.3 HMRC describes Child Benefit as a "fairly simple" benefit.

- Broadly, claimants are eligible if they are:
 - responsible for a child aged under 16 or a young person aged 16–19 in full-time non-advanced education or approved training;¹ and
 - present and ordinarily resident in the United Kingdom, with a right to reside, either because they are a UK national, or a non-UK national with appropriate immigration status.
- There are some exceptions to UK residency, for example, if the claimant is a crown servant working outside the UK. Other examples include claimants moving to a European country which is covered by the Withdrawal Agreement, or another country with a social security agreement with the UK.
- People in the UK with settled status under the EU Settlement Scheme can claim Child Benefit, as can some groups who have pre-settled status, depending on their income or resources.
- Claimants, or their partners, who earn over a certain threshold (£60,000 as of 2024-25) may have to pay back some or all of any Child Benefit they receive. HMRC recovers this through the tax system via the High Income Child Benefit charge. People can also choose not to claim Child Benefit to avoid the charge.

¹ Specifically, the child or young person must be in full-time non-advanced education or on an unpaid 'approved training' course. Non-advanced education refers to qualifications below higher education level, such as A or T levels, GCSEs, Scottish Highers, and vocational qualifications up to level 3.

1.4 As of 2026-27, claimants received £27.05 per week for the first child they were claiming for, and £17.90 per week for each further child.

Error and fraud in Child Benefit

1.5 HMRC's work to reduce fraud and error in Child Benefit aims to minimise losses to the government, while ensuring the right payment to the right person at the right time. 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. For 2024-25 (and 2023-24), the Comptroller and Auditor General (C&AG) qualified his opinion on the regularity of HMRC's accounts due to the level of fraud and error in Child Benefit.² This followed HMRC adopting a new methodology to estimate Child Benefit fraud and error in 2023-24, which led to a more accurate but higher estimate.

1.6 To help prevent fraud and error in Child Benefit, HMRC checks the eligibility of claimants when they first claim ahead of making any payments. This includes checks using various data sources on births, residency and immigration status. These pre-award checks are an important part of HMRC's compliance approach that aim to prevent fraud and error from entering the system at source.

1.7 HMRC has consistently found that most fraud and error in Child Benefit occurs because claimants have not updated it about changes in circumstances that mean they are no longer eligible. Based on its 2024-25 analysis of claims, HMRC estimates that the most common reasons are:

- 16- to 19-year-olds leaving full-time non-advanced education or training, or working more hours than permitted;
- household changes which mean that claimants are no longer responsible for looking after a child;
- claimants claiming for Child Benefit after they have moved abroad; and
- claimants being ineligible for Child Benefit because of their immigration status.

1.8 For 16- to 19-year-olds, Child Benefit claimants must reconfirm that the young person intends to continue in full-time non-advanced education for the next year, otherwise payments are automatically stopped. Apart from that, claimants do not have to formally confirm their ongoing eligibility for Child Benefit. HMRC could receive a claim for a new-born and not have any further contact with the claimant until the child reaches the age of 16. This means that HMRC is reliant on claimants reporting changes in circumstances and that any fraud and error arising could persist for years if not detected.

² The C&AG also qualified his audit opinion because of material levels of fraud and error in Corporation Tax Research and Development tax reliefs and in personal tax credits.

1.9 To address these kinds of risks, HMRC monitors patterns in the incidence of fraud and error to identify causes and specific risks, and develop targeted interventions. It carries out compliance checks of existing claimants, often using internal HMRC or wider government data.

1.10 HMRC originally estimated annual losses of between £10 million and £30 million from claimants who continue to receive Child Benefit payments but have left the UK.³ Historically, it relied on more limited data to investigate potential fraud and error from claimants leaving the UK, including internal data where claimants had told another part of HMRC about leaving the UK. HMRC recognised that this approach did not capture individuals who failed to notify it of such changes.

Using Home Office travel data

1.11 HMRC identified a new and innovative opportunity to use Home Office international travel data to provide insights which could help it determine claimants' potential ineligibility for Child Benefit from no longer being resident in the UK. We have previously reported that tackling fraud and error requires innovation and some risk taking and the use of data analytics for this purpose has great potential. However, public bodies find it difficult and bureaucratic to share data to help tackle fraud, even when it is permitted under legislation, and agreements can take years to negotiate.⁴

1.12 In 2021, HMRC began discussions with the Home Office about using its travel data to help investigate Child Benefit claims that may be ineligible due to the claimant no longer being resident in the UK. By 2023, the two departments had identified the Digital Economy Act (DEA) as a legal basis for HMRC to use the data. The Home Office advised HMRC that the data could not be used in isolation to determine residency status but provided a starting point for HMRC to make further enquiries. The Home Office travel data, derived mainly from Advance Passenger Information (API), record passengers' information before they travel to or from UK airports, ports and the Channel Tunnel, but may not, for example, reflect an actual departure if someone has to cancel a trip.⁵ Border control data at the point of entry or exit are not currently collected for exits from the UK, while data on entries to the UK are not available on the systems the Home Office uses for data sharing.

³ HMRC told us this was a conservative estimate of losses prevented within a financial year that did not factor in future losses prevented in subsequent years.

⁴ Comptroller and Auditor General, *Using data analytics to tackle fraud and error*, Session 2024-25, HC 988, National Audit Office, July 2025.

⁵ The Immigration Act 1971 requires operators of scheduled international flights, voyages and Channel Tunnel rail services to provide API to the Home Office. API data will include details of people who did travel, as well as those who did not travel because they missed their flight, ferry or train or changed travel plans.

Initial design and planning

1.13 The DEA requires that any fraud and error intervention start with a pilot to evaluate whether the data being shared help identify and tackle public sector fraud. The stages of the pilot process were agreed as follows.

- HMRC would supply details of a random sample of 200,000 Child Benefit claimants to the Home Office, including the claimant's full name, National Insurance number (NINO), date of birth (DOB) and home address.
- The Home Office would match the Child Benefit data to its travel data and provide HMRC with return data of those claimants who had been absent from the UK for 12 weeks or longer. For the pilot, travel data were limited to data from airlines, excluding rail and ferry routes. The number of matches that would be returned could not be estimated in advance.
- HMRC would use the data as part of its compliance processes to investigate the suspected residence change and ultimately to terminate Child Benefit payments where fraud and error was confirmed.

1.14 HMRC applied upfront checks to the matches returned by the Home Office to remove some cases from its enquiries. These upfront checks aimed to address data limitations and reduce unnecessary contact with genuine claimants, although HMRC knew that they did not cover all claimants – for example, the Pay As Your Earn (PAYE) system does not cover self-employed individuals.

- Experienced compliance staff would check the PAYE system to determine whether there was evidence that the claimant had ongoing employment in the UK during or after the period Home Office data indicated them as being abroad.⁶
- HMRC would check whether the claimant was already deceased, no longer receiving Child Benefit, or already subject to another compliance enquiry.

⁶ For the PAYE check, compliance staff checked HMRC's PAYE systems to look for evidence of UK employment, taking account of factors like gaps in payments, occupational pensions, potential international employers and whether the claimant is a director (in which case PAYE data may be a weaker indicator of UK residency).

1.15 HMRC would suspend Child Benefit payments as soon as it opened an enquiry and ask claimants to provide evidence of UK residency. Based on the evidence provided, HMRC would make decisions to either continue or end Child Benefit payments, with non-responders having their payments terminated. Initially, HMRC invited claimants to attend telephone interviews, but attendance was low, so it removed this step during the pilot. Claimants could request a Mandatory Reconsideration or appeal, with some discretion for late submissions due to exceptional circumstances. HMRC told us that its decision to suspend payments immediately – as opposed to starting an enquiry and notifying the claimant, or terminating eligibility upfront – aligned with its approach to similar small-scale interventions. HMRC stated that this approach reflects the discretion available for it to take action under Child Benefit legislation where there appears to be a question over eligibility.

Governance arrangements

1.16 The DEA provided the legal basis for data sharing between HMRC and the Home Office. The cross-government Debt and Fraud Information Sharing Review Board (referred to in this report as the DEA Board) provided oversight of the pilot. The DEA Board is co-chaired by the Cabinet Office and HM Treasury and comprises subject matter experts from inside and outside government. It meets monthly to consider data-sharing agreements between government departments where the DEA debt and fraud powers provide the legal basis to disclose information. The scope of the DEA Board primarily covers data sharing and compliance with legalities, and data protection and safeguarding aspects such as adherence with General Data Protection Regulation (GDPR) principles. The Board clarified that its remit does not cover detailed oversight of any compliance processes using the data, which remains the responsibility of the relevant department.

1.17 In November 2023, the DEA Board reviewed HMRC's business case, noting that there were measures in place to address the risks identified and that HMRC and the Home Office would accept any residual risks. The DEA Board recommended that the Cabinet Office approve the pilot, which it did in January 2024. Its subsequent role was to monitor the pilot's performance and review evidence in support of implementing the data share on a wider scale.

1.18 HMRC monitored performance as part of reviewing similar performance data on other Child Benefit interventions. This included operational and performance information such as:

- the number of claimants received from the Home Office;
- the number of claimants identified as suspected fraud;
- measures of losses prevented; and
- the number of confirmed fraudulent cases as a percentage of cases opened.

The pilot results

1.19 HMRC conducted its pilot between March and December 2024 with the aim of understanding how well the Home Office's travel data could target the risk of non-residency, how claimants experienced the process, and what operational changes might be needed before any wider rollout.

1.20 The pilot demonstrated strong results in identifying ineligible claims.

- HMRC's upfront checks (as described in paragraph 1.16) excluded 14% of the original matched cases returned by the Home Office, with 12% attributable to the PAYE check.
- HMRC opened 3,656 enquiries, equating to less than 2% of the records shared with the Home Office.
- It assessed 61% of the cases where it opened an enquiry as ineligible.⁷ HMRC told us that this compared favourably with its other Child Benefit compliance enquiries, for which it found 50% to be related to fraud or error, and with its previous personal tax credits compliance enquiries, which stood at around 40%.⁸ The relatively high proportion of ineligible claims confirmed its rationale to suspend payments immediately for this intervention.
- HMRC estimated that the pilot prevented around £15 million in incorrect payments.
- On the basis of the pilot, HMRC estimated a five-year return on investment for the whole intervention of around 14:1.⁹ The Cabinet Office and HM Treasury usually expect a minimum return of 3:1 from fraud and error interventions.¹⁰

1.21 HMRC recognised that it would need additional resources to use this new data source on an ongoing basis. Based on interim pilot results, it secured additional funding from HM Treasury at the Autumn Budget 2024 to recruit staff for rolling out the intervention from April 2025.

1.22 HMRC evaluated and presented the results of the pilot to the DEA Board in April 2025. In June 2025, HMRC proposed to the DEA Board that the pilot move into business as usual. HMRC's overall assessment was that the pilot had over-achieved against its objectives and substantially proved the worth of the data share. The DEA Board reviewed the proposal, in line with its function to ensure data shares are necessary and proportionate to achieve their objective, and support data security and privacy. It recommended to Cabinet Office that the pilot be rolled out more widely.

⁷ This analysis is based on enquiries opened following the removal of cases via upfront PAYE and other checks, so percentages will differ from those shown in Part Three.

⁸ Personal tax credits closed on 5 April 2025, with remaining eligible claimants moving to Universal Credit, administered by the Department for Work & Pensions.

⁹ In the context of fraud and error, return on investment refers to the amount of fraud and error prevented for every £1 spent on counter-fraud activities.

¹⁰ House of Commons Committee of Public Accounts, *Tackling fraud and corruption against government*, Sixty-ninth Report of Session 2022-23, HC 1230, September 2023.

Part Two

The first rollout

2.1 This part of the report examines how HM Revenue & Customs (HMRC) implemented the first rollout of its Child Benefit fraud and error intervention from August 2025. It explains how HMRC responded to operational issues that emerged in this rollout.

Changes between the pilot and first rollout

2.2 HMRC told us there were three main changes between the pilot and the first rollout of the intervention, which affected different stages of its enquiry process (**Figure 1** on page 21).

- **HMRC moved the upfront check of Pay As You Earn (PAYE) systems to the end of the enquiry process:** The PAYE check took people out of the intervention if there was evidence of ongoing employment in the UK. HMRC told us that the key driver in moving the PAYE check was because of staffing. It originally planned to deploy tax credits staff, who are experienced in compliance work, on the intervention. But when there were delays in these staff being available for the first rollout, it used temporary staff instead. It told us that the check of PAYE systems requires a degree of judgement to establish legitimate UK employment from the available records and was too complicated for inexperienced staff to carry out upfront.
- **For all travellers to European Economic Area (EEA) countries included in the intervention, HMRC changed the opening letter and form that it sent when it opened an enquiry and suspended payments:** This followed learning from the pilot, that HMRC needed more information to confirm eligible claims under the Withdrawal Agreement. The revised form was longer and more complex, consisting of a 14-page letter containing over 70 standard questions to establish compliance, compared with a six-page letter previously. This was sent to all claimants travelling to EEA countries, regardless of nationality and immigration status.

- **The Home Office data used for matching against Child Benefit records in the first rollout covered potential absences over the previous five years, a change from the last 12 months used for the pilot:** HMRC told us that this was not a planned decision, although it remained consistent with the data-sharing agreement: it only identified the change retrospectively after the first rollout had begun. HMRC said the rate of cases matched in the Home Office data was consistent between the pilot and first rollout, so it did not initially detect that the time period had extended.

2.3 HMRC explained that the decisions to remove the upfront PAYE checks and change the form for EEA travellers were made in May 2025 during a workshop involving operations staff, operational analysts and policy staff working on the intervention. HMRC told us that staff had felt empowered to make these decisions at a working level.

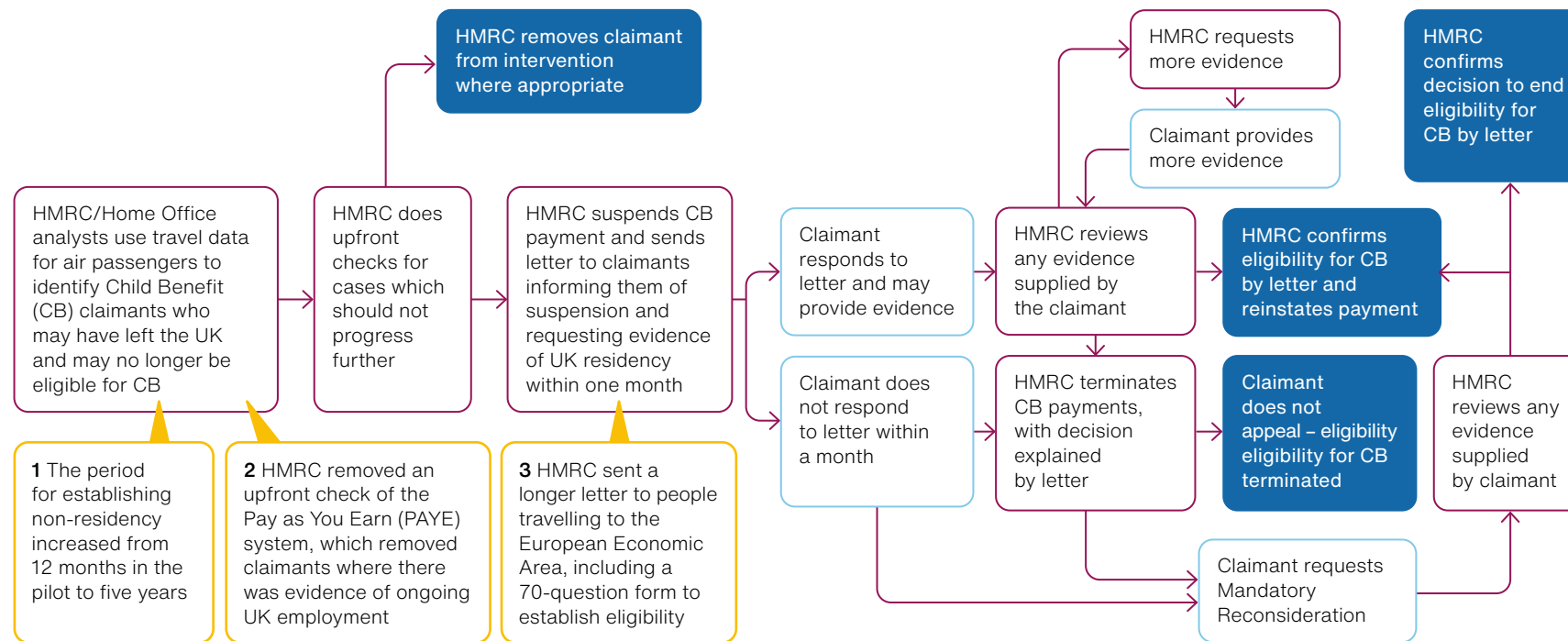
2.4 An internal audit review in December 2025 – which HMRC was quick to commission following implementation problems – found weaknesses in risk management and oversight of both the intervention and transition to the first rollout, including the following.

- There was no Senior Responsible Owner for the intervention, or governance forum with responsibility for approving the move to business-as-usual, which adversely impacted HMRC's risk assessment and decision-making.
- Key decisions, such as the removal of the upfront PAYE check, were made at inappropriate levels without sufficient oversight, scrutiny and challenge. There was no due consideration of HMRC's risk appetite or formal risk assessment of the implications of decisions.
- The intervention was focused on fraud detection and compliance, and did not sufficiently consider claimants' experience or assess risks related to claimants. HMRC staff running the intervention did not consult with specialists in its Customer Experience Directorate in designing letters to communicate with claimants in the pilot or first rollout. The internal audit highlighted that Child Benefit compliance was not overseen by HMRC's Operational Excellence Directorate, which supports customer service improvements.

Figure 1

Process for the first rollout of HM Revenue & Customs' (HMRC's) Child Benefit compliance intervention using Home Office travel data, and main changes from the pilot

There were three main changes to how HMRC administered the intervention after the pilot before scaling up to the first rollout



- ◻ HMRC/department action
- ◻ Claimant action
- Outcome of intervention
- ◻ Main changes from the pilot
- ➔ Compliance enquiry process

Notes

- 1 The figure is a high-level summary of the process. It does not include all operational steps or variations applied in individual cases, or claimant appeals which can take place following a Mandatory Reconsideration decision.
- 2 The upfront checks included: crown servants working abroad, deceased customers, those no longer in receipt of Child Benefit, and existing compliance queries.
- 3 Customers were asked to provide four pieces of evidence to prove UK residency: return journey tickets; a school letter; bank statements; and a GP Patient Summary Letter.

Source: National Audit Office analysis of HM Revenue & Customs documentation

2.5 HMRC has responsibilities to both reduce fraud and error and abide by the standards set out in its Customer Charter. Prior to the first rollout, HMRC had analysed equality considerations and potential impacts on Child Benefit claimants from the intervention.

- HMRC assessed that the measure was risk-based, with enquiries restricted to those with an identified risk. While it was not targeted at protected groups, some groups are over-represented among Child Benefit claimants. This includes women, minority ethnic groups, and non-UK nationals.
- HMRC understood that some eligible claimants would be included as this was a standard consequence of any risk-based compliance intervention. It estimated this would affect a small proportion of Child Benefit recipients overall, less than 1%. It assessed that there would be a negative impact on such customers, with a “small additional administrative burden” for any eligible claimants included in the intervention who would have to confirm their entitlement. HMRC considered this approach compared favourably with the alternative of asking all claimants to periodically reconfirm their eligibility.

2.6 The lack of involvement of customer specialists in the intervention meant that HMRC made decisions and changes that did not adequately consider the impact on claimants. For example, the decision to introduce a 70-question Child Benefit reinstatement form increased the administrative effort for most claimants to demonstrate eligibility, which was inconsistent with HMRC's Customer Charter commitment of simplicity.

2.7 In line with the remit of the DEA Board approval and HMRC's agreement with the Home Office, there was no requirement for HMRC to notify them about process changes applied after the pilot.¹¹ Under the Code of Practice governing the data share, HMRC had a responsibility to notify the DEA Board of variations used during the pilot. Variations could include changes to methodology that might affect individuals, for example receiving letters or having payments suspended. HMRC did not alert the DEA Board to the post-pilot changes it was planning before final approval for the data share to move to business-as-usual in July 2025. HMRC's view was that changes such as the upfront PAYE check were specific to its internal operational processes, which take place after data sharing has occurred. As a result, HMRC did not consider these changes to fall within the scope of the DEA approval process. The DEA Board told us that it would expect bodies to notify it of major changes in process between a pilot and main rollout, although in its experience such changes are uncommon. It has since introduced an annual check on bodies operating data-sharing agreements to monitor compliance, which includes declaring any variations.

¹¹ As set out in paragraph 1.22, the cross-government DEA Board, or Debt and Fraud Information Sharing Review Board, approved HMRC's use of the Home Office data under the Digital Economy Act.

Implementation and emerging issues

2.8 HMRC began implementing the first rollout from August 2025, scaling up operations from the middle of September. It used an amended process from the pilot to open enquiries with claimants with immediate suspension of Child Benefit payments, as set out in Figure 1. By October, it had opened enquiries and suspended Child Benefit payments for an initial 23,794 claimants.

2.9 HMRC told us that it did not use automated decision-making to open enquiries, suspend payments or terminate eligibility for Child Benefit. The decision to suspend payments relied on a manual intervention by HMRC staff, using guidance and taking into account other circumstances, for example claimants requesting an extension. In determining eligibility, HMRC staff interpreted evidence provided by claimants before making final decisions.

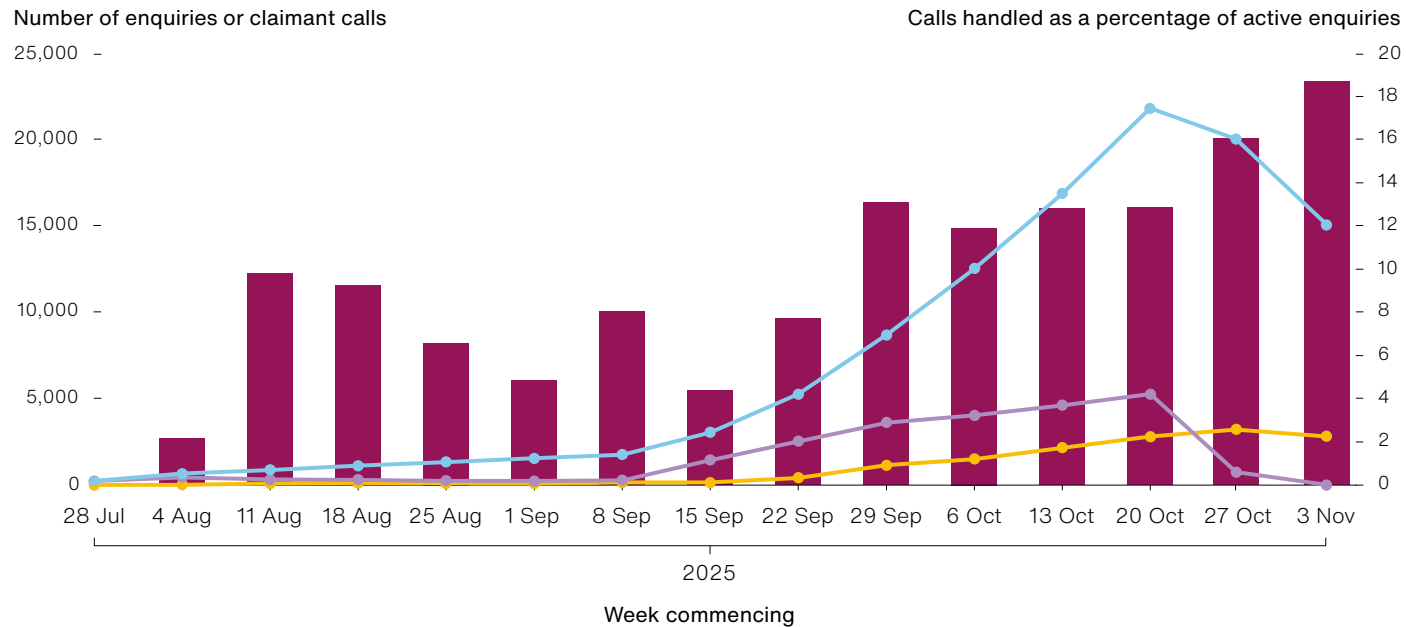
2.10 During the first rollout, HMRC monitored performance through indicators such as the number of compliant and non-compliant claims, and losses prevented. While it did not have direct metrics and targets on customer experience, it tracked the number of calls from claimants and received feedback via telephone, and it could also track appeals and complaints for Child Benefit compliance interventions as a whole.

2.11 HMRC told us that, as it scaled up operations in September 2025, it expected an increase in calls from claimants included in the intervention. Our analysis shows that calls from claimants as a proportion of active enquiries increased from early October, remaining at a higher level even after HMRC stopped opening new enquiries at the end of October (**Figure 2** overleaf). HMRC became aware of the need to take action around mid-October as the number of calls increased. HMRC noted that other indicators such as the number of complaints for Child Benefit claims overall (not just related to this intervention) did not show any increase in numbers. From mid-October 2025, media reports and the Treasury Select Committee also raised concerns about the number of eligible claimants having their Child Benefit suspended. In November 2025, HMRC's Accounting Officer wrote to the Chair of the Treasury Committee acknowledging the impact of the intervention on affected claimants and setting out the steps HMRC was undertaking to strengthen its processes.

Figure 2

New enquiries opened, active enquiries and claimant calls handled for HM Revenue & Customs' (HMRC's) Child Benefit compliance intervention using Home Office travel data, August to November 2025

National Audit Office analysis shows that calls from claimants as a proportion of active enquiries increased from early October



	28 Jul	4 Aug	11 Aug	18 Aug	25 Aug	1 Sep	8 Sep	15 Sep	22 Sep	29 Sep	6 Oct	13 Oct	20 Oct	27 Oct	3 Nov
■ Calls handled as a percentage of active enquiries (%)	0	2	10	9	7	5	8	4	8	13	12	13	13	16	19
● Active enquiries	219	646	871	1,107	1,325	1,534	1,755	3,038	5,252	8,668	12,507	16,850	21,769	20,004	15,015
● New enquiries opened	219	431	312	300	240	229	268	1,438	2,520	3,607	4,024	4,599	5,240	743	0
● Claimant calls handled	1	14	85	102	87	74	141	132	403	1,131	1,486	2,156	2,798	3,205	2,803

Notes

- The figure shows on a weekly basis, the new enquiry openings, active enquiries and claimant calls handled related to HMRC's Child Benefit compliance intervention using Home Office travel data, from August to November 2025.
- Active enquiries include new enquiries opened in the same week.
- The figure includes a first week commencing date in July, but the intervention began in August 2025.
- In addition to the 23,794 cases in the first rollout, the data in this figure also include around 370 enquiries that HMRC opened at the end of October without suspending payments upfront. For these cases, it included a basic PAYE check upfront, and a shorter initial letter for claimants.
- Figures are based on HMRC management information and have not been audited.

Source: National Audit Office analysis of HM Revenue & Customs data

2.12 By mid-October, problems had emerged reflecting changes HMRC had made between the pilot and first rollout, and new issues that had not been detected in the pilot (**Figure 3** overleaf).

- Compared with the pilot, more eligible claimants were included in HMRC's enquiries and had payments suspended: HMRC's decision to remove the upfront PAYE check increased reliance on the travel data matching, which had known limitations. Examples of claimants subject to enquiries in the first rollout included people cancelling trips shortly before travelling, or returning via rail or ferry.
- There were particular issues with Northern Ireland: Eligible claimants were more likely to be flagged as potentially non-resident by the travel data matching, for example because they returned to the UK across the land border from Ireland.
- Claimants reported problems with the length and complexity of the letters requesting evidence of eligibility: HMRC had not tested the longer form it used for travellers to EEA countries, which may have been the majority of claimants, and accepts that it was not an appropriate approach.

2.13 HMRC's first rollout created distress for some claimants. In media articles, some claimants reported financial and emotional impacts from the sudden loss of income, repayment demands, and the uncertainty, difficulty and stress in trying to prove eligibility. Some claimants considered the large volumes of evidence required during the enquiry process as intrusive and distressing, particularly where the claimant was in a vulnerable situation.

Figure 3

Examples of problems in the first rollout of HM Revenue & Customs' (HMRC's) Child Benefit compliance intervention

Problems emerged in the first rollout reflecting changes HMRC had made between the pilot and first rollout and new issues that had not been detected in the pilot

Problem	Details
Greater reliance on Home Office travel data, without the check of Pay As You Earn (PAYE) systems, meant more eligible claimants were included in HMRC enquiries.	<p>Travel data matching had known limitations in how well it would identify non-residency.</p> <ul style="list-style-type: none"> ● Data included intended, as well as actual, departures:¹ Where individuals cancelled a trip shortly before travelling due to illness or other personal circumstances, they could therefore be identified as leaving the UK, even though they had not travelled. ● Documented data gaps affected the Common Travel Area including Northern Ireland travel routes:² This made residency assessment more complex, for example, people flying from Northern Ireland and returning via Ireland and the land border would have been flagged as potentially non-resident by the Home Office data matching. In the first rollout, around 800 claimants were Northern Ireland residents. ● Restriction to flight data: As only flight data were used for the pilot, people leaving the UK by plane and returning by ferry and Channel Tunnel rail services could be flagged as potentially non-resident. <p>There were other anomalies in the first rollout that the PAYE check might have identified.</p> <ul style="list-style-type: none"> ● Incorrect or misattributed travel records in the data. ● Inclusion of claims for children born after the identified period of non-residency. The extension of the travel period examined (from the previous 12 months in the pilot to five years in the first rollout) increased the risk of this happening.
Longer letters and forms used for travellers to European Economic Area (EEA) countries created problems for claimants to supply evidence of eligibility.	<p>Claimants described having to respond within a short timeframe and provide extensive and sensitive evidence (such as large volumes of bank statements or medical records).</p> <p>HMRC could not tell us how many claimants in the first rollout travelled to EEA countries and would therefore have received the longer 14-page form. It told us that the data were in a format that could not be easily extracted. However, HMRC believes this group represents the majority of claimants. Although the 70 questions used in the form for EEA travellers are standard ones used to establish compliance, HMRC did not test use of the longer form.</p>

Notes

- 1 The Home Office travel data used were derived mainly from Advance Passenger Information (API). API data will include details of people who did travel, as well as those who did not travel because they missed their flight, ferry or train or changed travel plans. For the first rollout, only flight data were used.
- 2 Under the Common Travel Area, British and Irish citizens can move freely and reside in either jurisdiction with associated rights and privileges, such as the right to work, and access to social welfare benefits and health services.

Source: National Audit Office analysis of media sources and HM Revenue & Customs documentation

HMRC's response to issues in the first rollout

2.14 To improve claimants' experience, HMRC made several changes to the intervention for the initial 23,794 claimants in response to the emerging issues within two to four weeks of identifying problems (**Figure 4** on pages 28 and 29).¹²

- It reintroduced a simplified version of the PAYE check, which verified ongoing employment in the UK, by the end of October 2025. HMRC trained up the new staff to conduct the check, with automatic reinstatement of 5,327 payments by the middle of November.
- It introduced a dedicated team to answer calls from claimants. HMRC allowed an expedited process for confirming eligibility, whereby claimants whose payments were suspended could confirm this over the telephone without providing documentation.
- HMRC issued apologies to claimants and allowed an additional four weeks for customers to respond to evidence requirements.
- It offered compensation where claimants could show financial loss or distress, in line with its existing redress policy.

2.15 At the end of October 2025, HMRC stopped opening new enquiries to focus on reviewing and completing enquiries for the cases already issued. Based on HMRC information as at April 2026:

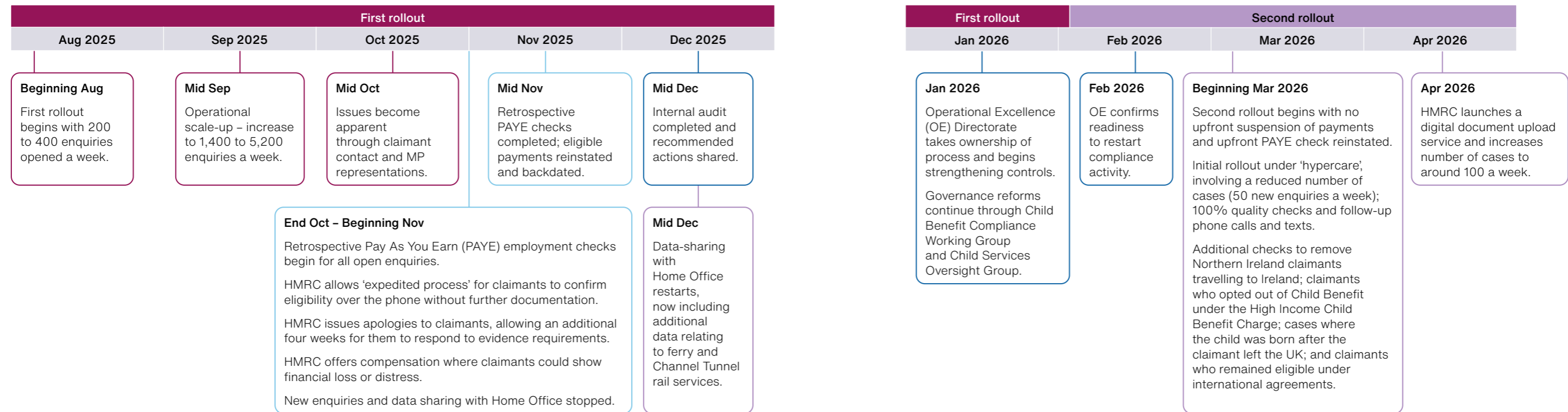
- Of the 23,794 claims initially suspended, HMRC had confirmed 59% as eligible and 38% as fraudulent or incorrect.¹³
- For claims confirmed as eligible, HMRC completed enquiries for 76% of these by mid-November, and 93% by the end of December.
- Ineligible claims generally took longer to confirm, with most enquiries completed in January and February 2026. For claims confirmed as ineligible, HMRC completed enquiries for 10% by the end of December and 86% by the end of February.
- HMRC had completed enquiries on 99% of the 23,794 claims in the first rollout by the end of the 2025-26 financial year.

¹² In addition to the 23,794 cases in the first rollout, HMRC also opened around 370 enquiries at the end of October without suspending payments upfront. For these cases, it included a basic PAYE check upfront, and a shorter initial letter for claimants.

¹³ Around 3% of enquiries were still open. This includes claims that HMRC initially determined as ineligible but for which it subsequently reopened enquiries under the Mandatory Reconsideration or appeals process.

Figure 4
Timeline of main events for first and second rollout of HM Revenue & Customs' (HMRC's) Child Benefit compliance intervention using Home Office travel data, August 2025 to April 2026

In October and November 2025, HMRC made several changes to the first rollout to address operational and customer service issues



- Implementation
- Changes to first rollout
- Governance changes
- Changes to second rollout

Notes
1 The figure summarises the main operational and process changes HMRC made following issues identified during the first rollout of the Child Benefit compliance intervention.
2 Dates indicate when actions were introduced or announced and may not reflect full implementation across all cases.

Part Three

Outcomes and learning from the intervention

3.1 This part covers the overall performance, costs and benefits of the intervention at different stages, changes made for the future rollout of the intervention, lessons learned and potential future developments.

Performance of the intervention

3.2 **Figure 5** compares outcomes for the pilot with those for the first rollout of the intervention.¹⁴ Owing to the changes made to the process, we compare outcomes based on the overall number of matches investigated by HM Revenue & Customs (HMRC), including cases removed due to Pay As You Earn (PAYE) system checks.¹⁵

- There was a higher percentage of confirmed ineligible claims in the pilot (54% of matches) compared with the first rollout (38%).
- In the pilot, the PAYE check was done upfront before an enquiry was opened; in the first rollout, a simplified PAYE check was reintroduced later in the process, following the initial problems. We calculated the total percentage of claims that were either confirmed as eligible or removed from the intervention by checks of the PAYE system. For the pilot, this was 46% of matches investigated, lower than the 59% found in the first rollout.
- The PAYE check removed a higher proportion of matches in the first rollout (22%) compared with the pilot (13%).

3.3 HMRC's initial assessment of the reasons for these differences was that they were due to the expedited process used in the first rollout, which allowed people to confirm their eligibility over the telephone. In practice, it seems likely that this change lowered the evidence threshold and made it easier for claimants to confirm their eligibility. HMRC also noted that the PAYE check used in the first rollout was not as robust as that undertaken in the pilot, and would act in the claimant's favour.

¹⁴ Owing to differences in when the PAYE check was conducted, it is not straightforward to compare outcomes for the pilot and first rollout. For example, HMRC's calculation of the compliance rate for the first rollout was affected by the inclusion of claimants where the PAYE check was done later, compared to the pilot where PAYE check cases were removed upfront and not included in the calculation.

¹⁵ To enable a like-for-like comparison, we did this comparative analysis on the basis of matches investigated. Our figures and percentages will therefore differ from published figures by HMRC, which are largely based on enquiries opened. See Figure 5 and Appendix One for further details.

Figure 5

Comparison of eligibility outcomes for the pilot and the first rollout stages of HM Revenue & Customs' (HMRC's) Child Benefit compliance intervention using Home Office travel data, as of April 2026

National Audit Office analysis shows that there was a higher percentage of confirmed ineligible claims for Child Benefit in the pilot (54% of matches) compared with the first rollout (38%)

	Pilot		First rollout	
	Number	Percentage of matches investigated (%)	Number	Percentage of matches investigated (%)
Matches investigated by HMRC, of which: ^{1,2,3}	4,183	100	23,794	100
● confirmed ineligible for Child Benefit	2,245	54	9,010	38
● confirmed eligible for Child Benefit	1,411	34	8,829	37
● eligibility status not yet confirmed (in progress) ⁴	0	0	628	3
● removed due to Pay As You Earn (PAYE) system checks ⁵	527	13	5,327	22
● total matches either confirmed as eligible or removed due to PAYE system checks	1,938	46	14,156	59

Notes

- 1 A match is a case where HMRC Child Benefit claimant data is linked to Home Office data, and the Home Office data indicate that the claimant was outside the UK for 12 weeks or more, which is then returned to HMRC.
- 2 Owing to differences in when the PAYE check was conducted, it is not straightforward to compare outcomes for the pilot and first rollout. To enable a like-for-like comparison, we did this comparative analysis on the basis of matches investigated: this includes cases removed by PAYE checks, but excludes those removed by non-PAYE checks, e.g. crown servants working abroad. For this reason, figures and percentages in this report will differ from published figures by HMRC, which are largely based on enquiries opened.
- 3 For the first rollout, HMRC initially received 40,537 matches, removing 2,077 cases (5%) in upfront non-PAYE checks. By October 2025, HMRC had opened 23,794 enquiries under the first rollout; as problems emerged, it decided to defer cases it had not yet started to the second rollout. For the pilot, HMRC removed 79 cases (2%) out of 4,262 initial matches.
- 4 The 628 in-progress enquiries in the first rollout include 507 where HMRC made an initial assessment that a claim was ineligible but subsequently reopened enquiries where claimants requested a Mandatory Reconsideration (MR).
- 5 For the pilot, the PAYE check was done upfront to remove claimants from the intervention. For the first rollout, a simplified version of the PAYE check was reinstated for enquiries after they had been opened.
- 6 Analysis is based on management and operational data provided by HMRC, which have not been audited. Figures are correct as of April 2026, but may change as claimants complete MR and appeals processes. The 1,411 eligible cases in the pilot include one late MR case, which was confirmed eligible in May 2026.
- 7 Percentages may not sum due to rounding.

Source: National Audit Office analysis of HM Revenue & Customs data

Impact on claimants

3.4 As set out in paragraph 2.14, HMRC made several changes to the intervention to improve claimants' experience, although it has limited data to quantify and track how effective these have been.

- **Speed of reinstatement of claims:** While HMRC told us that around 40% of eligible claimants had payments automatically reinstated by mid-November, it was unable to calculate and track average times for reinstatement. This is because cases are opened and closed on a rolling basis and data on time taken to reinstate payments are not available. For the second rollout, HMRC expects payments would only be suspended for claimants who do not respond to a request for evidence, typically for up to five weeks before any termination.
- **Level of burden to prove eligibility:** **Figure 6** gives an indication of the length and complexity of initial contact letters and evidence requirements across different stages of the intervention. The initial form for European Economic Area (EEA) travellers during the first rollout was significantly longer than for other groups. HMRC told us it relied on feedback via phone calls, letters and MP representations to identify that this was causing problems for claimants. It has since simplified forms and evidence requirements for the second rollout (see paragraph 3.7).
- **Quality of support for claimants:** Between August 2025 and February 2026, HMRC had handled over 22,500 telephone calls from claimants included in the first rollout of the intervention. It did not track other indicators of service quality.

3.5 In terms of claimants' experience, HMRC highlighted that the level of complaints (for Child Benefit compliance interventions as a whole) has remained low. It also noted a relatively low level of compensation payments. As of April 2026, it had paid a total of £3,200 of compensation to 51 claimants. HMRC told us it does not expect the level of compensation to increase much further, given that there were no outstanding complaints, which is a main factor associated with compensation. It is not anticipating compensation payments for claims investigated in the second rollout under the revised process.

3.6 HMRC has acknowledged that it must pursue fraud and error but "with more care". In January 2026, HMRC's Professional Standards Committee highlighted the importance of clear communications and of recognising the human impact of HMRC's processes.

Figure 6

Length of form and evidence requirements in initial contact letters for HM Revenue & Customs' (HMRC's) Child Benefit compliance intervention using Home Office travel data

The initial form for travellers to European Economic Area (EEA) countries during the first rollout was significantly longer than for other groups, but this was simplified for the second rollout

	Pilot	First rollout		Second rollout
		EEA destinations	Other destinations	
Length of form	5 pages	14 pages	7 pages	6 pages
Total number of questions	14	73	18, filtered for groups as below. Individuals leaving the UK for less than eight weeks sign a declaration with no further questions	15, filtered for groups as below. Individuals leaving the UK for less than eight weeks or not travelling as planned sign a declaration and are then required to provide evidence for their residency
Questions	8 questions for claimant/child, e.g. names, addresses and financial/other support given 6 questions about partner, e.g. names, nationality, receipt of Child Benefit	32 questions for claimant/child, e.g. nationality, residency, employment, child support and other benefits 27 questions for partner, e.g. nationality, employment, residency 14 questions to establish 'habitual residency'	5 questions for people leaving the UK permanently 7 questions for people leaving the UK temporarily 3 questions for crown servants posted outside the UK Bank details for future benefits payments (3 questions)	4 questions for people leaving the UK permanently 7 questions for people leaving the UK temporarily 3 questions for crown servants posted outside the UK 1 question about changes in circumstances
Evidence required	<ul style="list-style-type: none"> • Passports or other documents confirming residency status for claimant, partner, and/or children • Children's birth certificate • Employer letter and payslips • Letter from child's nursery/school/college/ approved training provider • GP letter • If relevant, details of children's employment 	<ul style="list-style-type: none"> • Three months' bank statements • Copies of booking confirmations, travel tickets and schedules that show the dates of leaving and re-entering the UK • Letter from children's nursery/school/college • Recent patient summary from NHS doctor or health visitor, children's immunisation records or hospital appointment letter 	<ul style="list-style-type: none"> • Three months' bank statements • Copies of booking confirmations, travel tickets and schedules that show the dates of leaving and re-entering the UK 	

Note

1 In the second rollout, HMRC sends the longer 70-question form as a follow-up letter to claimants whose response to the initial letter indicates that they may be eligible under the Withdrawal Agreement.

Source: National Audit Office analysis of HM Revenue & Customs documentation

Changes for the second rollout

3.7 From March 2026, HMRC began the second rollout of the intervention and restarted opening new enquiries. As set out in **Figure 7** on pages 36 and 37, it made several changes to the process which aimed to improve customer experience, in particular the following.

- **No longer suspending payments upfront at the start of an enquiry:** Instead, claimants have at least a month to provide the information requested before benefits are suspended. Claimants whose benefits are suspended have a further month to provide evidence, before HMRC makes a final decision about eligibility.
- **Simplifying forms and evidence requirements (Figure 6):** In consultation with internal specialists and external stakeholders, HMRC redesigned letters to claimants to simplify and clarify language. It simplified evidence requirements, for example claimants no longer had to obtain letters from GPs or schools to prove children's residency. HMRC also introduced a two-step process for claimants potentially in scope of the Withdrawal Agreement, so that fewer claimants had to fill out a longer questionnaire, which was sent as a follow-up letter.
- **Digital submission of evidence of eligibility:** The internal audit review recommended that HMRC enable online completion and submission of evidence for claimants to make the process as straightforward and accessible as possible. HMRC put this in place from April 2026.

3.8 Further changes to the process, which aimed to improve targeting and reduce the number of eligible claimants included in the intervention, included the following.

- **Reinstating an upfront check of PAYE systems:** This removes claimants with evidence of ongoing UK employment.
- **Removing any Northern Ireland claimants travelling to Ireland from the intervention:** Northern Ireland claimants travelling to other destinations were also excluded initially in the second rollout but were re-included from April 2026, as their non-compliance rates were comparable with those of claimants from the rest of the UK.
- **Additional upfront checks to remove groups from the intervention:** These checks remove claimants who opted out of Child Benefit payments under the High Income Child Benefit Charge; where HMRC had sources that claimants were eligible under international agreements; or where the child had not been born at the time the claimant was out of the UK.
- **Travel data on sea and rail tunnel crossings now incorporated in the Home Office criteria for matching Child Benefit records, in addition to flights data:** This means the Home Office is less likely to identify claimants for HMRC who have left the UK by air and returned through non-air routes.

3.9 HMRC began the second rollout in March 2026 using a more controlled 'hypercare' approach up to the end of June. This included capping the number of new enquiries to 50 a week; additional monitoring of performance and outcomes; and independent quality checking of all case handling by a separate team. HMRC also used additional follow-up calls and texts to assess the effectiveness of revised forms, offer help, and understand how well claimants understood the process.

3.10 HMRC increased opening new enquiries to 100 a week from the second half of April 2026. It told us that it is gradually introducing experienced compliance officers to scale up operations when it is confident in its processes. HMRC explained that any decisions on increasing case volumes will be made by its new Child Benefit Working Compliance Group based on performance during 'hypercare'.

Costs and benefits

3.11 HMRC has produced estimates of the costs and benefits as the intervention has progressed.

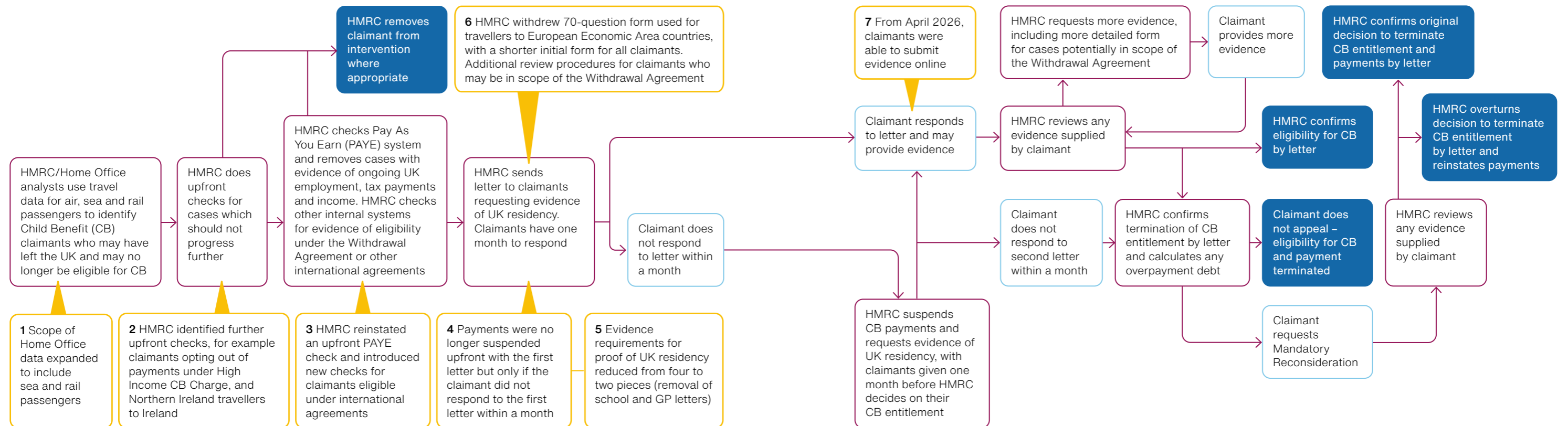
- Using data from the pilot in 2024, HMRC estimated gross savings of £366 million over 2025-26 to 2029-30. This assumed that HMRC would identify around 75,000 non-compliant claims over this period. In combination with some smaller-scale compliance interventions, HMRC calculated a return on investment for the intervention of around 14:1.¹⁶
- HMRC has calculated gross savings of £60 million, based solely on the 23,794 cases involved in the first rollout. As there have been fewer enquiries and a lower number of estimated ineligible claims (around 9,500) than originally planned, projected benefits from the first year are lower than originally expected. HMRC's initial assumption was that it would save around £128 million from activities in the first year, based on identifying 20,475 ineligible claims in 2025-26.

3.12 HMRC has not yet updated its estimates of longer-term benefits and savings for the intervention, but plans to do so for Autumn Budget 2026, drawing on evidence from the pilot and the subsequent rollouts. Assuming no further delays, it expects to scale up the number of enquiries so that the benefits over time remain broadly unchanged. It still has to produce revised costs for running the intervention and for any additional actions taken to resolve problems.

¹⁶ The 14:1 return on investment largely relates to savings from the Home Office travel data intervention, but it does include some savings from other Child Benefit compliance work. For these, combined, HMRC estimated gross savings of £389 million at a cost of £28 million, giving net savings of around £360 million. Because of rounding in the calculation, this differs slightly from the £355 million estimate of net savings presented in published Autumn Budget 2024 documentation.

Figure 7
 Process for the second rollout of HM Revenue & Customs' (HMRC's) Child Benefit compliance intervention using Home Office travel data, and main changes made from initial process used for the first rollout

HMRC has made extensive changes to the enquiry process for the second rollout to address the problems encountered in the first rollout



- HMRC/department action
- Claimant action
- Outcome of intervention
- Main changes from initial process used in the first rollout
- Compliance enquiry process

Notes

- 1 Process applied for all enquiries in the second rollout when it started in March 2026, unless otherwise indicated.
- 2 The figure is illustrative and does not show all detailed operational steps or variations applied in individual cases.
- 3 Customers were asked to provide two pieces of evidence to prove UK residency: return journey tickets and bank statements.
- 4 Existing upfront checks included: crown servants working abroad, deceased customers, those no longer in receipt of Child Benefit, and existing compliance queries. Added checks included the following: claimants opting out of payments under the High Income Child Benefit Charge; travellers from Northern Ireland who left the UK via Ireland; and children born after the period the claimant was out of the UK.

Evaluation and lessons learned

3.13 In addition to direct changes to the intervention, an internal audit review recommended wider improvements HMRC should make for similar initiatives in the future. These included:

- changes to ownership and governance of Child Benefit compliance interventions, to provide better oversight and challenge, and include more customer and operational service expertise;
- a wider review of ownership of key HMRC processes to ensure consistency;
- formal risk assessment of use of Home Office data in compliance work;
- taking steps to better integrate risk appetite into decision-making; and
- developing a reusable high-level process for any new compliance activity incorporating use of data.

3.14 In response to the internal audit review, HMRC is implementing recommendations to strengthen accountability. It has set up a new governance forum in the form of a director-led Child Benefit Compliance Working Group to oversee performance of operational compliance activity and escalate risks and issues as appropriate.

3.15 HMRC acknowledges there has been a negative impact on its reputation and public trust, with widespread media and Parliamentary coverage of problems in the first rollout. In its March 2026 report on the government's use of data analytics on error and fraud, the Public Accounts Committee noted its concerns that the government is not doing enough to assure the public that its use of data analytics to tackle fraud is appropriate.¹⁷

3.16 HMRC has shared its experiences using the Home Office data with the Department for Work & Pensions (DWP), which is also reviewing how it could use such data to identify potentially ineligible benefit claimants. It has also discussed further data sharing with the DWP that could limit the number of future HMRC compliance enquiries. HMRC has also shared experiences and plans with the cross-government Debt and Fraud Information Sharing Review Board (the DEA Board) and Public Sector Fraud Authority. HMRC has said that it will identify any further lessons to be learned for future compliance exercises.

¹⁷ Committee of Public Accounts, *Government use of data analytics on error and fraud*, Seventy-fifth Report of Session 2024–26, HC 891, March 2026.

Future developments

3.17 HMRC has tested or is reviewing other data sources, to assess whether they could help it better target its Child Benefit compliance activity. These include Home Office border entry data, HMRC's own Self-Assessment information, DWP data, and credit reference agency data. Most of this work is still exploratory, and HMRC has not yet identified any other sources that reliably improve residency assessment. It expects that any future use of additional data would take time to develop.

3.18 HMRC also recognises that it could do further analysis of data from the intervention to assess how fraud and error risks vary for different customer groups and better target future interventions.

Appendix One

Our audit approach

Our scope

1 We undertook a factual review of HM Revenue & Customs' (HMRC's) use of data analytics to tackle fraud and error in Child Benefit claims. Our work focused on HMRC's pilot and subsequent rollout of a compliance intervention that used Home Office travel data to identify potentially ineligible claims due to non-residency in the UK. We conducted our fieldwork between February and May 2026.

2 We examined the lessons and outcomes arising from HMRC's compliance intervention using Home Office travel data to tackle fraud and error in Child Benefit, specifically:

- how HMRC planned and designed the intervention, including governance, legal compliance, use of data and risk management;
- how HMRC managed and ran the intervention, including the pilot, and changes made for rollout and operational delivery; and
- what outcomes HMRC achieved and what it learned from the intervention, including performance of the intervention, impacts on claimants, costs, benefits, and use of lessons learned.

3 The review did not examine individual claims or other Child Benefit fraud and error interventions in depth, such as those relating to 16- to 19-year-olds not in full-time non-advanced education. Our work did not assess the completeness or quality of Home Office travel data itself, although we did examine how HMRC understood and considered data limitations when designing and operating its intervention.

Our evidence base

4 In forming our findings, we drew on a range of evidence sources. We reviewed and triangulated evidence across these sources to ensure consistency and robustness.

HMRC documents

5 We reviewed published and unpublished documentation from HMRC covering the design, governance, operation and outcomes of the intervention. This included:

- HMRC's overall approach to tackling fraud and error and its assessment of risks relating to Child Benefit;
- business cases, project initiation documentation and approval papers for the intervention;
- data-sharing agreements and supporting documentation with the Home Office;
- governance papers, including roles, responsibilities and escalation arrangements;
- performance monitoring and evaluation material for the pilot and initial rollout;
- letters, forms and guidance issued to claimants at different stages of the intervention; and
- an after-action review commissioned by HMRC's Accounting Officer.

Interviews and walkthroughs

6 We carried out a series of interviews, teach-ins and process walkthroughs with HMRC officials involved in designing, planning and operating the intervention. This included officials responsible for Child Benefit policy and operations; fraud and error strategy and analysis; data access and management; analytics and forecasting; and compliance operations.

7 These sessions helped us to understand how the intervention operated in practice; decision-making and governance; and overall performance, costs and benefits. We also covered in detail HMRC's response to operational problems in the first rollout and its preparations for the second rollout.

8 We conducted a site visit to observe HMRC's risking procedures and how compliance teams processed cases returned from the Home Office. This provided insight into how staff triaged, reviewed and progressed enquiries.

Quantitative data

9 We analysed quantitative management and operational data and information provided by HMRC to review or calculate estimates. These data have not been audited. They related to:

- case outcomes, including suspensions, reinstatements and confirmed fraud or error;
- performance metrics, including caseloads, calls from claimants, and losses prevented;
- actual and forecast costs and resourcing of the intervention; and
- expected and actual benefits, including savings and fraud prevented.

10 Our comparative analysis of outcomes for the pilot and first rollout was not straightforward, owing to differences in when the PAYE check was conducted. To enable a like-for-like comparison, we did this comparative analysis on the basis of matches investigated: this includes cases removed by PAYE checks but excludes those removed by non-PAYE checks. For this reason, figures and percentages in this report differ from published figures from HMRC, which are largely based on enquiries opened.

National Audit Office frameworks and prior work

11 We drew on relevant National Audit Office publications and frameworks to inform our work and provide context for HMRC's approach.

- *Using data analytics to tackle fraud and error* (July 2025), to understand common challenges and good practice in the use of data analytics across government.
- *Good practice guidance: Framework to review models* (January 2022), to inform our consideration of HMRC's approach to developing and applying data-driven interventions.

International evidence

12 We reviewed relevant international publications to understand how other tax administrations have approached similar challenges.

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