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# Taxpayers set to lose tens of £billions in Government's Covid-19 support schemes

30 June 2021

Image representing news article



In its report published today the Public Accounts Committee warns that Government “significantly increased” taxpayer exposure to fraud and error by its twin decisions to drop basic fraud and error checks in paying out Covid19 loans, and to support people and businesses that it had no prior relationship with.

- The Department for Business (BEIS) estimates the Bounce Back Loan Scheme could cost the taxpayer £27 billion in fraud or credit losses, with the 100% taxpayer guarantee leaving the Department “reliant on banks that it admits lack incentives given it is not their money on the line”.
- Local authorities are responsible for delivering several government support schemes, but their budgets and services are already under pressure and they have variable capacity to handle fraud. Concurrently, the Committee has recently heard worrying evidence of increasing issues in the timeliness and quality of local authority audits.
- Universal Credit fraud and error rose by £3.8 billion to an all-time high of £5.5 billion between April 2020 and March 2021.

- [Read the report summary](#)
- [Read the conclusions and recommendations](#)

- [Read the full report: Fraud and Error \[PDF 315.26 KB\]](#)
- [Public Accounts Committee](#)

Fraud accounts for 40% of all crime across the UK, and the Cabinet Office estimates that fraud and error cost the public purse up to £51.8 billion every year. Around £26.8 billion of this loss is attributable to fraud and error in the tax and benefits system, but for many areas of public spending outside the tax and benefits system there is no formal measurement, and the Cabinet Office estimates that undetected fraud and error could cost the taxpayer up to £25 billion a year - before any losses to Covid19 schemes are taken into account.

The Committee says it is essential the Government recovers monies paid out in fraud or error, to allow taxpayers' money to be spent on those that need it most, but warns on the inconsistency in departments' approaches to dealing with the consequences of fraud, and error, that can make enforcement appear unfair to the public.

## Dame Meg Hillier MP, Chair of the Committee, said:

"The Government knows it is losing over £26 billion a year to fraud and error in the tax and benefits systems, but admits to another £25 billion it can't even detect. That's over £50 billion worth of public services a year given away to fraudsters and by mistakes in payments - before the frightening losses racking up in our Covid19 spending so far, and against the backdrop of a massive surge in need.

Fraud is never acceptable and when so many were suffering as a result of Covid the government needs to tackle fraudsters robustly. The committee has long been concerned about the impact of departments' own errors – including overpayments which need to be clawed back - which leads to further hardship for the already vulnerable.

If BEIS is worried that 100% taxpayer loan guarantees mean the lending banks don't have enough skin in the game, departments across Government show a worrying, similar lack of urgency. The Covid emergency masks a more worrying underlying approach to managing risk and taxpayers' money."

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