

Association of Accounting Technicians response to the HMRC Charter consultation

Association of Accounting Technicians (AAT) believes that the HMRC Charter is both a helpful and necessary addition to its customer service provision and that the proposed revision is a positive development. However, the Charter should be enforceable and some form of penalty/reward for HMRC failures or successes in meeting Charter obligations should be considered to ensure greater accountability and increased effectiveness.

Standard setting

AAT believes that the draft charter sets the right standards for HMRC's service to customers.

AAT is particularly pleased that HMRC has publicly acknowledged the recommendations made by the Loan Charge Review in December 2019 i.e. that HMRC's Charter be reviewed *"...to set higher expectations of performance during interactions with members of the public and ensure that staff are offered training on how to deliver it."* This review highlighted the breakdown of trust that had occurred between HMRC and many of its customers and raised serious concerns about the way in which loan charge cases were being handled. A strengthened Charter, properly enforced, would certainly help to address this.

Similarly, AAT is pleased that the recommendations of the House of Lords Economic Affairs Committee that *"...the Charter is amended to clarify HMRC's responsibilities towards unrepresented taxpayers including that issues are clearly set out, legislation is explained and rights to review and appeals are made accessible"*¹ has also been acknowledged.

Both recommendations are eminently sensible and largely in line with what most neutral observers would expect any good department to be doing anyway.

Similarly, the three areas of revision - that it is short and direct with simple, accessible language, embodies HMRC's values and is more focussed on HMRC's commitments to customers - are again eminently sensible and represent what most members of the public, including the accountancy profession, would expect from an organisation like HMRC.

Covering the right areas

An AAT survey of its licensed members in February 2018 asked what change they would most like to see, offering a diverse range of options including on Making Tax Digital, the apprenticeship levy and business rates. However, most (55%) said that the number one change they would like to see was an, *"increase in the skills, training and number of HMRC tax inspectors and call centre staff to enable HMRC to provide a more efficient and effective service."*

This is arguably recognised by Charter commitments to be responsive; get things right and make things easy.

HMRC has recently made considerable efforts in seeking to establish the areas which are most important to customers when interacting with HMRC e.g. by reviewing existing insight, researching other customer charters and holding face-to-face round table events as well as consulting with internal forums and external stakeholder forums, some of which AAT has been represented on.

As a result of AAT member views being incorporated and the lengths to which HMRC has gone to engage a variety of stakeholders, AAT is confident that the Charter covers the right areas.

Monitoring and evaluation

This is perhaps the most important area for review. Even the very best Charter is of little value if its effectiveness is not sufficiently monitored and evaluated but even reliable evaluations that highlight problems do not result in any obvious form of enforcement, penalty or fine or conversely, a reward if all aspects of the Charter are evidenced as being largely met.

This seriously undermines not only the effectiveness of the Charter but the customer perception of its value.

Whilst AAT recognises that there are differences between public and private sectors, it is worth considering other organisations' approaches to the importance of treating customers appropriately.

¹ House of Lords Economic Affairs Committee, 4 December 2018:
<https://publications.parliament.uk/pa/ld201719/ldselect/ldeconaf/242/24203.htm>

Take for example, the actions of regulators such as the FCA and its approach to its key principle of “Treating Customers Fairly”. In 2019, the FCA imposed over £50m of fines on financial services companies that failed to treat their customers fairly. This included a £23m fine for Prudential, £1.8m for Henderson Investment Funds Ltd. and £30m for Standard Life.²

Such fines are far from limited to the financial sector. Consider the energy market where regulator Ofgem has imposed substantial fines on companies for failing their customers. In 2020 this has already included a £650,000 fine for Utility Warehouse³ and a £1.5m fine for iSupply⁴ with many millions more imposed in fines over the last decade for customer service failings whether wilful, accidental or technical in nature⁵.

In contrast, no such fines have ever been imposed on HMRC for failing its customers, notwithstanding the narrowly defined activities of the adjudicator’s office. AAT accepts that to fine the organisation would be very problematical given it is taxpayer funded and so this would effectively amount to fining the taxpayer but the principle is sound.

Given the problematical nature of imposing fines on HMRC, an alternative solution would therefore be to replicate what happens in many other organisations and ensure that any staff bonus payments are based on organisational as well as personal performance and very explicitly link these to meeting Charter obligations. Thousands of HMRC staff receive a bonus every year⁶; explicitly linking a significant portion of these payments to meeting Charter obligations would certainly concentrate the minds of many staff as to the importance of the Charter and consequently meeting the needs of HMRC’s customers.

On the issue of feedback, whilst customer feedback can be very useful, it is important to note that a satisfied customer is not necessarily one who has been treated in accordance with the Charter.

About AAT

AAT is a professional accountancy body with approximately 50,000 full and fellow members and over 80,000 student and affiliate members worldwide. Of the full and fellow members, there are approximately 4,250 licensed accountants who provide accountancy and taxation services to over 400,000 British businesses.

AAT is a registered charity whose objectives are to advance public education and promote the study of the practice, theory and techniques of accountancy and the prevention of crime and promotion of the sound administration of the law.

Further information

If you have any queries, require any further information or would like to discuss any of the above points in more detail, please contact Phil Hall, AAT Head of Public Affairs & Public Policy:

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CHARTER:**



² FCA 2019 fines data:

<https://www.fca.org.uk/news/news-stories/2019-fines>

³ Ofgem 2020, Utility Warehouse:

<https://www.ofgem.gov.uk/publications-and-updates/utility-warehouse-pay-650000-price-cap-overcharging>

⁴ Ofgem, 2020: iSupply:

<https://www.ofgem.gov.uk/publications-and-updates/isupply-pay-15-million-failing-treat-customers-fairly-and-price-cap-overcharging>

⁵ Ofgem enforcement and fines data 2010-2020:

<https://www.ofgem.gov.uk/investigations/investigations-and-enforcement-data>

⁶ Daily Express, July 2018:

<https://www.express.co.uk/news/uk/992480/HMRC-staff-bonus-payments-telephone-calls>