

# Annual Report 2014

Learning is paramount!



“By three methods we may learn wisdom: first, by reflection, which is noblest; second, by imitation, which is easiest; and third by experience, which is the bitterest.”  
(Confucius)

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# Our Purpose, Vision and Aim

## Our Purpose

We investigate complaints from individuals and businesses unhappy about the handling of their complaints by HM Revenue & Customs, the Valuation Office Agency or The Insolvency Service.

Through constructive feedback we help these organisations achieve a better understanding of customer needs and improve complaint handling.

## Our Vision

We are recognised as experts in our field who act professionally, efficiently and add true value to the complaints handling process.

## Our Aim

To provide a service that is:

- accessible
- clear to customers
- flexible
- open and transparent
- proportionate
- efficient, and
- delivering quality outcomes.

I am very pleased to present my annual report for the year 1 April 2013 to 31 March 2014. This is the sixth report I have presented about our work, and the 21st in the history of the Adjudicator's Office.

# The Adjudicator's foreword

This year has been very demanding indeed. At the start of 2013-14 my office had nearly 2,700 cases on hand. This was the legacy from the exceptional workload received in 2012-13, from HM Revenue & Customs (HMRC) customers. In response we embarked on a Two-Year Recovery Plan that will take us through to March 2015.

My goal is always to provide the high standards of service our customers have the right to expect, and this has been at the heart of our work **resulting in a new record in the 21 year history of this office for cases closed in a single year. We successfully resolved 2,350 complaints in the first year of our Recovery Plan**, nearly 1,000 more than 2012-13. This is a fantastic achievement by all my staff across five locations, and made all the more remarkable as I have not and will not ask them to compromise on our high quality standards. I am also very happy to report at the close of 2013-14 we are down to 1,479 cases on hand, with the aim of reducing this figure much lower during the coming year.

Throughout the year, the number of complaints referred by customers of the Valuation Office Agency and

The Insolvency Service remained stable and total numbers were low.

From September the number of complaints referred by HMRC customers began to fall to a more manageable level, with an average of 70 cases per month. This reduction is particularly welcome as it is the result of a number of factors, not least the investment by HMRC Director General Ruth Owen and her senior team, in response to our feedback, for a nationwide complaints transformation programme. This new focus on learning from complaints has also been used very effectively in other areas of HMRC, such as Benefits & Credits led by Director General Nick Lodge and his Director Paul Gerrard. I can report that the number of complaints referred to me is now at its lowest volume since 2010-11.

I am grateful for the leadership shown by Lin Homer, HMRC Chief Executive, and Edward Troup, Tax Assurance Commissioner and Second Permanent Secretary, backed by the HMRC Board. I feel my constructive criticism has been listened to and acted upon. I am particularly encouraged that the Parliamentary Ombudsman, Dame

Julie Mellor, has recognised this recent work by HMRC.

During the year we also hosted a visit from senior officials of the Tanzanian Tax Authority looking into methods of dispute resolution. It was interesting to explore the similarities and differences in approach and the exchange highlighted the importance of openness and transparency in complaints handling.

My challenge for HMRC is to continue to build on the work so far and demonstrate a consolidated customer focused approach to learning. The statistics from the work of my office are a stark reminder there is no place for complacency, particularly when this year 90% of HMRC customer complaints have been upheld. My case studies also reflect this and I am again disappointed to see HMRC staff still overlooking the needs of some vulnerable customers.

We have successfully mediated 55% of cases received this year. I hope to see a significant reduction in mediated cases next year if all three departments continue to develop effective use of discretion and empower their front line staff to resolve issues at first point of contact,



so that customers feel the complaints process is timely and adds value. I want the feedback and learning from complaints to be an integral part of service improvement.

For me this brings to the fore a major point for learning and reflection. If my office can mediate a complaint, then the department should have been able to resolve that complaint without the customer feeling the need to refer the matter to me. Customers often compliment the direct personal discussion my staff have with them during the mediation of cases. I feel certain this is the sort of tailored response customers can and should expect from all the departments.

However, I have real concerns that some areas of departments that are not customer-facing may now be in danger of being left behind in their understanding of complaints handling and customer service. I have seen a number of cases and situations this year where Policy functions have shown limited comprehension of customer focused resolution, have no sense of urgency when making decisions on customer issues, and do not appreciate the impact matters may have on individual customers.

You will see that this year I have introduced a new section to my report entitled "Listening and Learning". I am determined to help departments learn lessons from complaints and improve their customer service still further over the coming years. In this context, I was happy to accept the offer to extend my contract for a further two years.

For my own office we still have several months before we will have recovered our work state and are in a position to drive down waiting times in line with my strategic aims. I would like all three departments to continue to focus on the customer experience as a way of pushing learning right down to the frontline.

Judy Clements OBE  
**The Adjudicator**

# 12,074

**enquiries handled  
this year**

# 2,350

**complaints  
resolved this year**

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“ I would like to thank you very much for your investigation on my behalf, and for bringing my claim to successful and speedy close. It would not have been successful without your help, and I was very heartened by your professionalism and exemplary customer service.”

Customer

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The Adjudicator provides a free, impartial and independent service and investigates all complaints within her remit.

# The role of The Adjudicator

The role of The Adjudicator was created because HM Revenue & Customs (HMRC), the Valuation Office Agency (VOA) and The Insolvency Service (The IS) decided that they would like to introduce an independent tier of complaints handling, providing customers with a higher level of service and giving departments the opportunity to learn lessons and make improvements. There are no targets for the number of cases upheld and all final decisions on cases are made by The Adjudicator herself.

While there are some areas that The Adjudicator cannot consider, such as disputes about aspects of departmental policy and matters of law, she can look at complaints about:

- mistakes
- unreasonable delays
- poor and misleading advice
- inappropriate staff behaviour, or
- the use of discretion.

To support The Adjudicator there are 134 staff in five locations: London, Derby, Nottingham, Newcastle and Liverpool. The majority of our staff are specialist investigators who review each complaint and the evidence in detail.

**During our investigation of a complaint, we have no authority to ask a department to suspend any action such as pursuing debt or calculating interest.**

## Listening and Learning

Resolving complaints is only part of my work. Three of the most important aspects of my role are to listen, learn and provide feedback. I do this in a number of ways:

Every time I uphold any aspect of a complaint, I write a personal letter to the senior manager responsible for that particular work area. I explain my findings and make recommendations on the action that needs to be taken to put things right, and I ask them to notify me in writing after they have taken the corrective action. This provides a clear audit trail that serves as a sound measuring tool for accountability and improvement, as well as providing the departments with the opportunity to address common trends.

I ensure we keep up to date with changes in policies and processes that could have an impact on our customers. This includes attending meetings of professional bodies, policy experts, staff and stakeholders. For example, I was invited to attend a HMRC Board meeting and to present to a senior management conference about complaints.

I look for recurring themes to identify systemic failures. Two of

the main themes from my work in the past year centre on use of discretion and challenging departmental staff to put themselves in the customer's shoes.

## Discretion

One of the most important parts of my remit is to encourage and challenge departments on the use of discretion, and I feel this will remain one of the most complex areas for customers to understand. Areas of discretion, such as Extra Statutory Concessions, are important tools to ensure the impact of legislation is not disproportionately heavy for particular individuals. It is important discretion is considered early and applied fairly and proportionately in all cases.

## The Customer Perspective

Often at the heart of a complaint is a simple failure to explain the detail surrounding decisions. It is critical that staff take time to understand the customer's perspective and to consider how circumstances affect the situation. This is of increasing importance for situations where customers face challenges such as mental health concerns or disabilities. I still see far too many cases where a conversation with the customer early on would have enabled a straightforward resolution to the issue.



## Equality monitoring survey

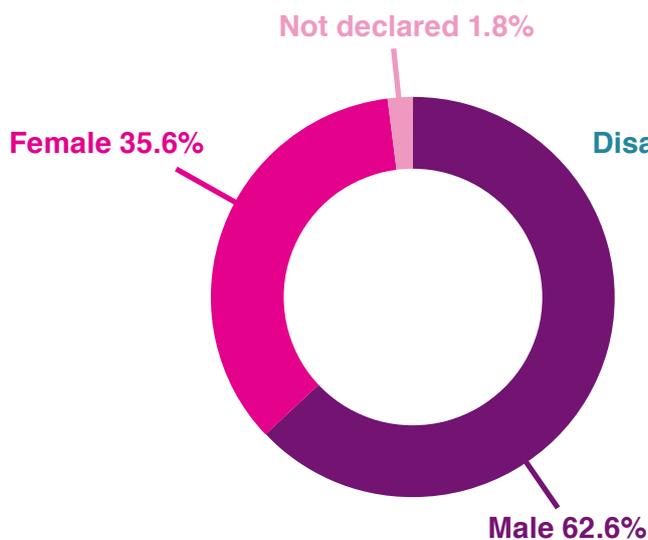
We continue to monitor our customer base following the introduction of the Equality Act in October 2010.

From the responses received we can see:

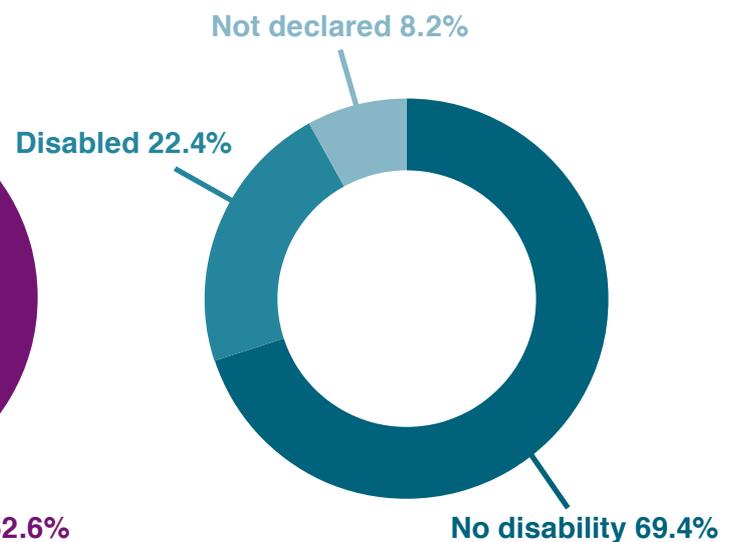
### Age\*



### Gender



### Disability



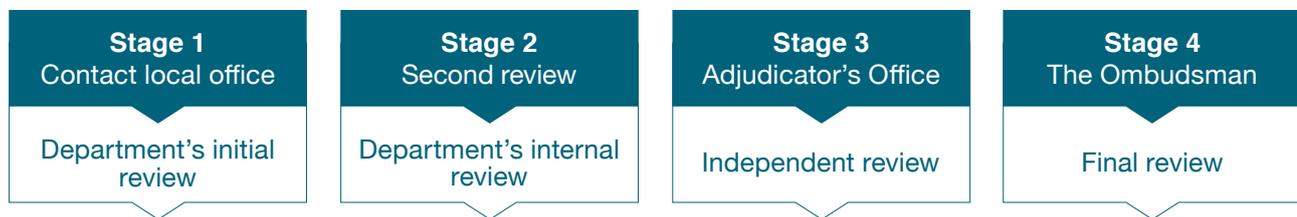
Our sample of responses is small. However we continue to monitor the findings closely to ensure that no specific groups are disadvantaged.

\* Percentages have been rounded.

# The complaints process

## How to make a complaint

The Adjudicator's Office cannot consider a complaint until the customer has completed stages 1 and 2 of the department's own complaints process.



If customers are unhappy with the service they have received they may ask for a formal review of their complaint.

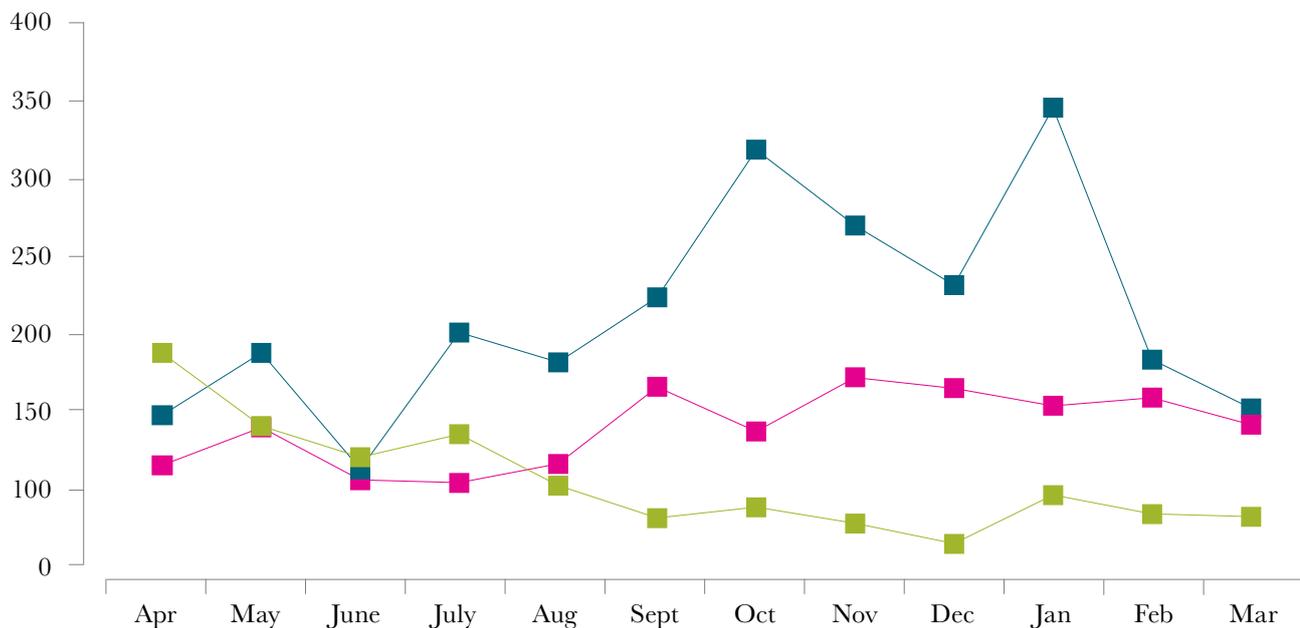
If the complaint is still not resolved, the customer may ask for a second review, which is a fresh look at their complaint and gives them the department's final response.

If the customer remains unhappy, then they may approach the Adjudicator's Office. The complaint will be investigated to draw together a full and impartial summary of details from the customer and the department. The Adjudicator provides an independent review of the details and makes her recommendation.

Customers who remain unhappy can ask an MP to refer their complaint to the Parliamentary Ombudsman. The Ombudsman will decide whether to investigate the complaint and, if she decides to do so, her investigation may also look at the way in which the Adjudicator's Office has reviewed the complaint.

## Cases received

2011-12 2012-13 2013-14



## The process in the Adjudicator's Office

### First contact

At this stage our staff give help, support and guidance on complaint issues relating to the departments and the role of our office. We assess the complaint to see if it is ready for us to accept.

# 12,074

enquiries received  
in 2013-14

### Cases ready for investigation

We ask the relevant department to provide a report about their handling of the complaint and the reasons for their decisions. We review the customer's complaint and all the relevant evidence alongside the department's papers, guidelines and procedures.

# 1,131

new complaints for  
investigation in 2013-14

### Resolution by mediation

Mediation is the process whereby both parties reach an agreement on how a case may be settled. Our investigator reviews the complaint and if there is scope to propose a mediated settlement they will work with the customer and the department to achieve this on behalf of The Adjudicator.

# 55%

of all complaints were  
mediated in 2013-14

### Resolution by recommendation

Where there is little scope for mediation, the investigated case will be presented to The Adjudicator. The Adjudicator will review the case in detail. She will write to the customer and the department outlining her views together with any recommendations.

# 2,350

complaints were resolved  
in 2013-14

### Further review

A few customers may remain dissatisfied with the outcome of their case. The Adjudicator will only reconsider an earlier decision if new evidence, fundamental to the complaint, is provided.

### The Ombudsman

If a customer remains unhappy they can ask an MP to refer their complaint to the Parliamentary Ombudsman.

# Workload 2013-14

■ 2011-12 ■ 2012-13 ■ 2013-14

Cases awaiting investigation 1 April	New cases for investigation	Cases resolved	Cases awaiting investigation 31 March
2,698	1,131	2,350	1,479
1,465	2,612	1,379	2,698
992	1,606	1,133	1,465

## New cases for investigation by department

HM Revenue & Customs	The Insolvency Service	Valuation Office Agency	Total
1,087	17	27	1,131

## Outcomes

	Not upheld	Partially upheld	Substantially upheld	Withdrawn	Reconsidered	Total
HMRC	173	844	1,229	65	0	2,311
The IS	10	3	3	0	0	16
VOA	18	5	0	0	0	23
<b>Total</b>	<b>201</b>	<b>852</b>	<b>1,232</b>	<b>65</b>	<b>0</b>	<b>2,350</b>

## Methods of settlement

	Reconsidered	Recommendation	Mediation	Withdrawn	Total
HMRC	0	949	1,297 (56%)	65	2,311
The IS	0	13	3 (19%)	0	16
VOA	0	22	1 (4%)	0	23
<b>Total</b>	<b>0</b>	<b>984</b>	<b>1,301 (55%)</b>	<b>65</b>	<b>2,350</b>

## Redress (£)

	Worry and distress	Poor complaints handling	Liability given up	Costs	Total
HMRC	103,498	142,596	3,942,549	180,615	4,369,258
The IS	325	175	0	42,287	42,787
VOA	50	275	0	14,291	14,616
<b>Total</b>	<b>103,873</b>	<b>143,046</b>	<b>3,942,549</b>	<b>237,193</b>	<b>4,426,661</b>

Note: percentages have been rounded.

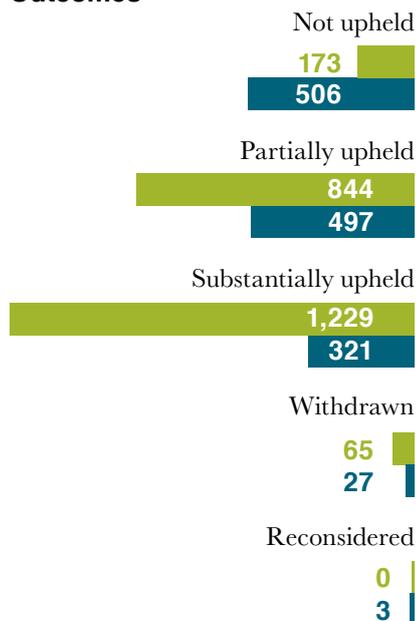
HM Revenue & Customs (HMRC) makes sure that the money is available to fund the UK's public services and it helps families and individuals with targeted financial support.

# HM Revenue & Customs

For this year's report we have decided to bring together all of the details relating to HMRC customer complaints in one section.

During 2013-14 we received 1,087 new complaints. This is a noticeable reduction, back to the volumes received in 2010-11. We resolved 2,311, upholding 90% either partially or substantially. Our investigators mediated 56% of cases directly with customers and the department.

## Outcomes



**2013-14 Total 2,311**  
**2012-13 Total 1,354**

The majority of cases reviewed related to PAYE, and were considered under the provisions of HMRC's Extra Statutory Concession A19 (ESC A19), or related to Tax Credits and issues around Code of Practice 26 (COP 26).

When The Adjudicator agrees to investigate a complaint, she asks HMRC to provide her with a report. She sends a copy of this to the customer before starting her investigation to enable the customer to comment and to provide any additional evidence or information to support their complaint.

During the year The Adjudicator resolved over 2,000 complaints from HMRC customers. The number of PAYE complaints upheld increased to 94% and for Tax Credits the upheld rate was 88.5%.

Customers referred these complaints to The Adjudicator prior to the recent complaints transformation work undertaken in HMRC and learning from these cases was fed back to help the department improve.

The case studies highlight the variety of issues The Adjudicator reviewed in the complaints resolved. In particular, she is critical that she still sees a number of complaints where HMRC staff failed to consider the circumstances of vulnerable customers and where communication was poor. Case studies 1, 7 and 9 are examples of these types of issues. The other case

studies reflect the wider breadth of areas The Adjudicator investigates, including cases where complaints were not upheld.

HMRC accepted all The Adjudicator's recommendations.

On occasion, The Adjudicator may recommend that HMRC pay a monetary sum to customers in recognition of the poor level of service they received, and other relevant costs. The graph below shows the sums recommended this year.

## Redress paid 2013-14 (£)





## Case study 1 – Failure to provide clear advice

### Issues

Mrs A was unhappy because HMRC changed her tax code for the start of the tax year from BR (basic rate) to D0 (higher rate). She did not agree she needed to pay tax at the higher rate. HMRC also told her that her tax affairs were up to date, after which she received a request to repay an amount that HMRC had previously paid to her. Mrs A asked HMRC to send her a numeric analysis of her tax position, but this was not provided.

### Outcome

#### **The Adjudicator upheld this complaint.**

Although Mrs A was liable to tax at the higher rate, HMRC accepted they had not explained themselves as well as they should have and failed to provide her with clear advice. They recognised that they had not provided her with the numerical response she requested, which would have enabled her to check the position for herself. HMRC also recognised that the legal deadline for recovering the over repaid tax had passed and they made a refund to Mrs A in respect of this.

### Learning

HMRC accepted that Mrs A's tax codes were not as accurate as they should have been and they had not handled Mrs A's tax affairs well.

The Adjudicator reminded HMRC of the importance of clearly explaining the reasons for their decisions and actions so that customers can understand and check them. She felt this was particularly important, as HMRC expects customers to take responsibility for their own tax affairs and to take steps to make sure they are accurate.

## Case study 2 – Recovery of tax by overseas tax authority

### Issues

Mr B who was resident abroad complained that HMRC would not accept his SA Tax Return because it was submitted late. He was unhappy because HMRC raised a ‘determination’ for the year, which left Mr B owing HMRC a large amount of tax. As he was out of time, Mr B could have made an application for Special Relief which is appealable, so this was not something The Adjudicator could consider.

However, Mr B also complained to The Adjudicator because HMRC referred his debt to the Spanish Tax Authorities to recover the tax underpaid, and he believed the action to seize money from his Spanish bank account was unwarranted.

### Outcome

#### The Adjudicator did not uphold this complaint.

MARD (Mutual Assistance in the Recovery of Debt) is an arrangement which allows an EU member state to ask a fellow EU member state for assistance in:

- obtaining information
- serving legal documents or
- recovering a tax or duty debt.

The Mutual Assistance Recovery Directive is the legal basis for the EU arrangements and dates back to 1976. It has expanded over the years to cover numerous taxes and the geographical scope has broadened to include new countries joining the European Union.

The EU legislation is EU Council Directive 2008/55/EC

The Adjudicator found that HMRC correctly followed their procedures and guidance relating to the tax on the ‘determination’ and the referral of Mr B’s debt. Once Mr B’s debt was passed to the Spanish Tax Authorities, they were entitled to use whatever powers they have at their disposal to collect the tax.

### Learning

In this instance the learning was for the customer. The Adjudicator explained to Mr B that HMRC are entitled to take legal steps to recover unpaid tax, and this includes asking fellow EU member states for assistance.

### Case study 3 – Incorrect completion of a tax return

#### Issues

Mr C visited an HMRC Enquiry Centre for help in completing his tax return.

An officer advised him on completion but in doing so duplicated the tax free element from a redundancy payment Mr C had received. When the return was processed Mr C received a large repayment.

After an investigation by HMRC the error was noticed and Mr C was notified of the underpayment and asked to pay it back. Mr C had spent his redundancy money on his property so he was unable to fund the tax due. While arranging a remortgage Mr C incurred costs including a surcharge and interest.

#### Outcome

##### The Adjudicator upheld this complaint.

The Adjudicator was concerned that HMRC's mistake caused Mr C financial difficulty.

HMRC agreed to put Mr C in the position he would have been in without their mistake. They agreed to meet the costs of arranging the remortgage and pay interest on this amount, providing Mr C met his tax liability. HMRC also agreed to write off the accrued interest on the tax liability and paid redress to Mr C for his costs and their poor complaint handling.

#### Learning

It is reasonable for customers to expect HMRC to be the experts in completion of their own forms. The Adjudicator was concerned that this error occurred due to poor advice given by HMRC at their Enquiry Centre and she reminded HMRC to ensure their staff follow their own guidance correctly. She was critical of HMRC for not putting themselves in the customer's shoes at an earlier stage and highlighted they needed to be more aware of the direct impact their actions can have on a customer.

## Case study 4 – Multiple sources of income

### Issues

Miss D wrote to The Adjudicator because HMRC were pursuing an underpayment of tax and had refused to give this up under the provisions of Extra Statutory Concession A19 (ESC A19).

### Outcome

#### **The Adjudicator upheld this complaint.**

Miss D was employed by three organisations during the course of the tax year. The problems Miss D experienced were due to the confusion which surrounded the three employments. HMRC said they did not have enough information to determine which of her employments were primary and secondary sources of income. Consequently HMRC did not review her record or allocate her tax codes correctly and her personal allowance was duplicated. This caused an underpayment of tax at the year end.

In general HMRC allocate an individual's personal tax allowance to their main job or pension. HMRC call this the primary source of income. Any other sources of income are secondary and tax is paid on these at the appropriate rate.

A taxpayer can ask HMRC to allocate their personal allowance to any of their sources of income, for example someone who has two jobs may want to split their allowance over the two employments.

The Adjudicator identified that HMRC had received sufficient information from Miss D in order for them to ensure that the correct tax code was in place. The conditions of ESC A19 had also been met, therefore the tax underpayment should have been given up. HMRC agreed to write off the underpayment of tax and pay appropriate redress for their failings.

### Learning

HMRC accepted that they had made errors by failing to use information provided by Miss D. They had also failed to correctly apply the concession ESC A19. HMRC recognised that they did not handle Miss D's complaint well and they could have put matters right much sooner. The Adjudicator reminded HMRC of the correct application of ESC A19.

## Case study 5 – Incorrect guidance to staff

### Issues

Mr E was unhappy because HMRC deducted court fees from a tax refund they paid to him.

Mr E was adamant that the deduction for fees was incorrect.

### Outcome

#### The Adjudicator upheld this complaint.

The Adjudicator asked HMRC to provide the legal basis for their action in deducting court fees from the tax refund they made to Mr E.

When pressed to examine the issue HMRC agreed Mr E was right and they should not have made the deduction. Their guidance was incorrect.

HMRC agreed to reimburse the court fees incorrectly deducted from the refund they paid to Mr E and included repayment supplement on the amount. The Adjudicator recommended that HMRC pay redress to recognise the inconvenience caused to Mr E because of their incorrect guidance.

### Learning

The Adjudicator was pleased that once HMRC realised their error, they acted very quickly to amend their guidance and notify staff. The Adjudicator also asked HMRC to inform her of the action they intended to take in relation to other customers who may have been affected by HMRC's application of their incorrect guidance.

HMRC subsequently identified a number of other customers and took action to refund the wrongly deducted court fees in recognition of their mistake.

The Adjudicator highlighted the importance of HMRC getting their guidance right and the impact that incorrect guidance can have on customers, and on HMRC's decisions, as well as having major implications for her own investigations.

## Case study 6 – Debt recovery action

### Issues

Company F submitted a large claim for VAT input tax. HMRC made several requests to the company for information to support the claim. As this was not provided, HMRC disallowed the input tax and raised an assessment.

The assessment was not paid so HMRC started enforcement proceedings culminating with a warning of distraint action. Although company F asked for more time to provide information HMRC told them the assessment would stand and the enforcement action would continue until the matter was satisfactorily explained.

The company eventually supplied the outstanding information and the assessment was withdrawn. The company complained to The Adjudicator about the way the matter was handled by HMRC.

### Outcome

#### **The Adjudicator did not uphold the complaint.**

During her review, The Adjudicator found that HMRC acted fully within legislation and their guidance when they issued the assessment (in accordance with Schedule 36 Finance Act 2008). The enforcement process taken by HMRC was appropriate in the circumstances.

### Learning

The Adjudicator cannot ask HMRC to act outside the provisions of legislation or their departmental guidance. It is important for customers to provide relevant evidence in support of their claims at the earliest opportunity. It is also reasonable for HMRC to act on the information they have available to them at the time.

## Case study 7 – Making reasonable adjustments for customers

### Issues

Ms G complained about HMRC's handling of her tax credit affairs. She believed HMRC did not make any reasonable adjustments to take into account her disability. She also believed that HMRC had deliberately misled her about information she had provided to the Department for Work and Pensions in its capacity as an "appropriate office" for tax credit purposes.

### Outcome

#### **The Adjudicator partially upheld this complaint.**

She did not find that HMRC had deliberately misled Ms G, but could have written off her overpayment sooner than they did.

HMRC accepted that they did not take into account Ms G's Asperger Syndrome when they handled her complaint. The Adjudicator was critical of HMRC for this. Ms G had told HMRC she found their investigation distressing and that her medical condition made her very anxious when talking to people. The Equality Act 2010 requires HMRC to take reasonable steps to ensure vulnerable customers have access to their services and their own guidance to staff reflects this. HMRC staff receive training to help them meet this requirement, but Ms G was not asked whether she needed any help in order to comply. Instead she was told it was difficult to train all HMRC staff to handle customers with her medical condition. HMRC wrote to Ms G to apologise for their poor handling and the worry and distress this caused.

### Learning

The Adjudicator found HMRC did not follow their own training and guidance when responding to Ms G's needs. She was concerned that HMRC had not given any consideration to what was reasonable and proportionate in the circumstances.

## Case study 8 – Withheld tax credits

### Issues

Mr H was unhappy with the way HMRC had dealt with his tax credit claim, and the poor level of customer service he received. He had asked HMRC to confirm he had received all the payments due to him for the year in question and that his claim had been closed.

### Outcome

#### The Adjudicator upheld this complaint.

The Adjudicator reviewed HMRC's investigation of Mr H's claim. She was concerned they had not confirmed his claim was closed. HMRC explained to The Adjudicator they held unpaid tax credits for Mr H because his nominated bank account to receive the payments had been closed.

HMRC failed to tell Mr H the reason why his claim remained open, and did not offer an alternative method of payment so his claim could be closed. This led to an unnecessary delay in closing his claim and ensuring Mr H received the correct entitlement. HMRC agreed to issue a cheque to Mr H to cover the underpayment of tax credit, and apologised for their poor complaints handling.

### Learning

The Adjudicator was critical that HMRC had not recognised the need to clearly explain the reasons for their decisions sooner. Had they done so Mr H would have had a speedier response.

## Case study 9 – Impact on vulnerable customer

### Issues

Miss I complained about HMRC's handling of her tax credit affairs. She was overpaid tax credits because she did not notify HMRC she had finished work and they continued to make tax credit payments to her. HMRC concluded that because Miss I did not notify them that she had finished working, she did not meet her responsibilities under Code of Practice 26 (COP 26) and asked for the overpayment to be repaid.

### Outcome

#### The Adjudicator upheld this complaint.

HMRC told The Adjudicator there was no evidence that Miss I contacted them until eight months after she finished work. However, they accepted that they failed to take Miss I's personal circumstances into account when deciding to collect the overpayment.

Miss I is disabled and had been ill during part of the time the overpayment built up. She is a vulnerable customer who had previously had an appointee acting for her, and there was no evidence HMRC had considered these issues. They recognised their mistake. They agreed to give up the overpayment and paid redress to Miss I for the worry and distress caused.

### Learning

When considering responsibilities under COP 26 it is vital HMRC take into account the customer's circumstances and ability to comply. The Adjudicator emphasised HMRC need to be mindful of the direct impact their actions can have on customers, particularly vulnerable ones.

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“ We fully recognise the pressures that our past performance has put on Judy Clements and her team and are very appreciative both of the work she has done over the last year and for her constructive feedback and challenge. Judy’s presentations at our annual conferences on complaints and Board level meetings over the last year have helped develop the relationship between HMRC and The Adjudicator and build a shared vision of the standards of customer service we should aspire to. Many of the improvements we have put in place have arisen from her input and we are confident that this strong foundation will enable us to deliver a better experience for customers and as well as make our business more efficient.”

Edward Troup, Tax Assurance Commissioner and Second Permanent Secretary, HM Revenue & Customs

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“ We aim to provide a high standard of service to all our customers, delivering our business in a professional and courteous way. We accept that there will be times where we have been unable to resolve a complaint to our customers’ satisfaction and we therefore welcome The Adjudicator’s independent scrutiny of our internal investigations. The lessons we learn from The Adjudicator gives us a vital insight into how we can deliver a better service in the future to all our customers.”

Penny Ciniewicz, Chief Executive, Valuation Office Agency

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“ The Insolvency Service aims to provide our customers with a high level of service and confidence in how we deal with complaints. We recognise that on occasion complaints may not be resolved to the satisfaction of our customers and in such cases value The Adjudicator’s impartial review of our complaints handling. We welcome The Adjudicator’s recommendations and use her feedback to further consider our approach to complaint handling and how we deliver our services, learn lessons and help drive service improvements.”

Dr Richard Judge, Inspector General and Chief Executive, The Insolvency Service

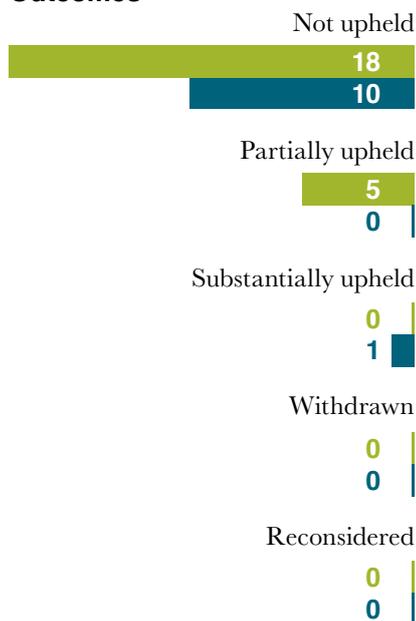
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The Valuation Office Agency (VOA) is an executive agency of HMRC. The VOA provides the Government with the valuations and property advice required to support taxation and benefits.

# Valuation Office Agency

During 2013-14 we received 27 new complaints. We resolved 23, partially upholding only 5 cases. Our investigators mediated 1 case directly with the customer and the department.

## Outcomes



**2013-14 Total 23**  
**2012-13 Total 11**

Of the cases we closed the majority were about council tax. Many of these included reference to decisions made by the VOA or the Valuation Tribunal about council tax bandings. The Adjudicator is unable to consider these elements of customers' complaints because they are outside her remit. Case studies 10 and 11 highlight the issues that The Adjudicator can and cannot consider when reviewing such cases.

The number of complaints about the VOA is small and the VOA remain receptive to feedback.

The VOA accepted all of The Adjudicator's recommendations.

On occasion, The Adjudicator may recommend that the VOA pay a monetary sum to customers in recognition of the poor level of service they received, and other relevant costs. The graph shows the sums recommended this year.

## Redress paid 2013-14 (£)





## Case study 10 – Underpaid rates

### Issues

Mrs J complained that the VOA failed to inform her in a timely manner that she was underpaying non-domestic business rates. Mrs J had a back-dated tax liability of over £4,000.

### Outcome

#### The Adjudicator partially upheld the complaint.

Prior to Mrs J contacting The Adjudicator, the VOA accepted making a mistake when they failed to increase the rateable value attributed to the property. The rateable value had been correctly temporarily decreased but was not increased again at the correct time due to an oversight by the VOA.

Mrs J paid less in non-domestic rates during the period of her occupation than she should have paid otherwise. If it had not been for the mistake, the property's rateable value would have been at the appropriate level before Mrs J took possession, and she would have paid over £4,000 more in non-domestic rates.

However, by receiving a backdated bill, she was put in a more difficult financial position than if she had been paying the higher amount year on year.

The VOA had already offered to consider reimbursing any administrative costs in Mrs J taking out a loan to pay the liability, plus a redress payment for the worry and distress caused. However, they had not fully considered all the additional costs that Mrs J had incurred as a result of their mistake. The Adjudicator recommended that the VOA pay Mrs J those costs which were directly attributable to their error.

Mrs J also told The Adjudicator that if she had known the correct rating liability, she would not have taken on the property.

The VOA is an executive Agency of HM Revenue & Customs (HMRC) and as such, must have regard to HMRC's Complaints and Remedy Guidance (CRG), which states:

"We will also consider payments for demonstrable financial loss, but not for any loss which is hypothetical, speculative or insubstantial. In the context of our policy on remedy, the term 'demonstrable' should be understood to mean 'evidenced beyond reasonable doubt'. This is a higher standard of proof than a balance of probability, reflecting the need for us to ensure that we do not compensate for what might have happened or could have happened."

The Adjudicator established that

Mrs J ran a shop from the property. When Mrs J opened the shop she had not prepared a written business plan. The business was not as successful as she would have wished and she attributed this to being unable to compete with large business chains. The Adjudicator noted that Mrs J closed her business before finding out about the VOA's mistake. The Adjudicator therefore concluded that there was insufficient evidence to support this aspect of the complaint.

### Learning

The Adjudicator reminded the VOA that it is important to take into account the full impact of a mistake when considering appropriate redress.

## Case study 11 – Council tax banding

### Issues

Mr K complained that the VOA did not show tangible evidence or explain which valuation method they used when they placed his property in council tax band G.

### Outcome

#### The Adjudicator did not uphold this complaint.

The Adjudicator recognised that property valuation is a matter of expert opinion rather than a calculation, which means that there is scope for disagreements about value between different parties. The statutory route for settling disputes for council tax bandings is the Valuation Tribunal and The Adjudicator has no jurisdiction over this.

The VOA's website lists the limited circumstances in which customers can formally challenge the banding by making a proposal. If a customer disagrees with the VOA's response to their proposal, they can appeal the decision to the Valuation Tribunal.

If none of the circumstances apply, the VOA may still carry out an informal band review. There is no right of appeal against decisions from such reviews, but as the outcome of these reviews are valuation decisions by the Listing Officer, they are not within The Adjudicator's remit to consider. However, she can consider whether the VOA have acted appropriately and in accordance with their own policies and guidance.

The Adjudicator considered whether the VOA had provided evidence and reasoning for their decision. She noted that they had explained to

Mr K that the council tax band of a property is based on the amount that a property might have fetched if it had been sold on the open market on 1 April 1991. Existing legislation only allows disclosure of sales information in connection with formal appeal proceedings. As the VOA's review was not the result of formal proceedings, they were unable to supply Mr K with specific sales evidence. The VOA clearly explained that this is because they have a duty of confidentiality to the taxpayer under sections 18 (1) to 23 of the Commissioners for Revenue and Customs Act 2005. Section 19 of the Act actually makes it a criminal offence for information to be released if an individual can be deduced from that information. The Freedom of information Act 2000 does not override this provision.

The VOA had provided Mr K with some details about the information they held which did not identify a particular property. This included approximate sale prices, dates of sale and general indications of the location. They explained to Mr K that this was as much information as the law allowed in these circumstances.

Mr K did not agree that the sales evidence provided by the VOA justified placing his property in band G. However, as it is not The Adjudicator's role to form a view about a property's value or its level of banding, she could not comment on the evidence that the Listing Officer relied on.

She noted that the VOA provided Mr K with an explanation of how properties are valued for council tax purposes, and had provided as much information as legislation allows for the sales evidence.

### Learning

The Adjudicator cannot make decisions on disputes regarding property valuations and she ensured Mr K was aware of this. Her role is to ensure that the administration of such disputes is undertaken in accordance with published policies, legislation and guidance.



The Adjudicator welcomed senior officials from the Tanzanian Tax Authority

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“ I would like the opportunity to express how grateful I am that the ordinary person in the street has a mechanism such as your service in place to challenge the power and processes such as HMRC and other large organisations.”

Customer

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“ I really appreciate all the hard work you have done, it must have taken hours to work through. Once again, thank you, and all the best for the future.”

Customer

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“ Best wishes, keep up the good work, you are appreciated.”

Customer

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The Insolvency Service (The IS) is an executive agency of the Department for Business, Innovation and Skills. The IS exists to provide the framework and the means for dealing with financial failure and misconduct.

# The Insolvency Service

During 2013-14 we received 17 new complaints. We resolved 16, partially upholding 3 cases and substantially upholding 3. Our investigators mediated 3 cases directly with the customer and the department.

## Outcomes



**2013-14 Total 16**  
**2012-13 Total 14**

The number of complaints received by The Adjudicator about The IS remains small.

Official receivers are statutory office holders and as such they are directly accountable to the courts for a considerable portion of their actions. The Adjudicator therefore examines complaints about The IS very carefully to ensure she only investigates matters that are within her remit.

The relationship between The IS and The Adjudicator remains positive and The IS accepted all of The Adjudicator's recommendations.

Case studies 12 and 13 both refer to disagreements about ownership of assets and highlight the importance of ensuring The IS are provided with as much information as possible at the earliest possible time.

On occasion, The Adjudicator may recommend that The IS pay a monetary sum to customers in recognition of the poor level of service they received, and other relevant costs. The graph shows the sums recommended this year.

## Redress paid 2013-14 (£)





## Case study 12 – Asset ownership

### Issues

Mrs L complained on behalf of her son about The IS's handling of his bankruptcy case. This included concerns that a laptop her son passed to The IS was destroyed without checks on ownership.

### Outcome

#### **The Adjudicator did not uphold this complaint.**

The IS dealt with the laptop as an asset within the bankruptcy and had done so in compliance with their policy on dealing with computer equipment.

The Adjudicator considered whether it was reasonable for The IS to have made the assumption that the laptop belonged to Mrs L's son and concluded that it was.

She considered the references made to the laptop and established that The IS were not made aware that anyone, other than Mrs L's son, had a claim until after some significant time had elapsed. The Adjudicator also found (given the correspondence, paperwork and interviews that had previously taken place) it was reasonable for The IS to assume if anyone else had a claim to the laptop they would have raised the issue considerably earlier.

Whilst she agreed that the paperwork subsequently supplied to The IS suggested that the laptop belonged to a third party, The IS were not in possession of this paperwork until too late.

### Learning

The Adjudicator explained to Mrs L that The IS had taken into account all of the information available to them at that time, which suggested the laptop was the property of Mrs L's son. Although Mrs L provided information which suggested that the laptop did not belong to her son, this was too late to be taken into account. As a result The Adjudicator found that The IS had taken reasonable action.

## Case study 13 – Asset realisation following bankruptcy

### Issues

Following bankruptcy, Mr M complained that The IS sent him a letter stating they were not going to realise any further assets or take further monies from assets already realised. Subsequently The IS then corresponded with him about a further undisclosed pension policy he held, and attempted to realise it for the benefit of creditors. He believed The IS should stand by their earlier letter, despite the existence of the pension policy not being known at the time the letter was issued.

### Outcome

#### The Adjudicator partly upheld this complaint.

Although she did not uphold the main aspect, she did identify areas for improvement.

She explained that any decisions the official receiver makes when acting as trustee are not within her remit to review and she explained how Mr M could take these forward through the courts. She then considered whether The IS had made mistakes in carrying out their duties.

The Adjudicator did not recommend that The IS stand by their earlier letter. She noted that The IS accepted that they had made a mistake in the letter and they acknowledged this prior to The Adjudicator's involvement. However, The Adjudicator found that they had not apologised to the customer, nor considered the matter of redress for this mistake.

When considering the impact of the mistake, The Adjudicator took the view that Mr M had sufficient information to recognise that the initial letter made reference to just one pension policy and clearly stated the details. The Adjudicator did not accept that Mr M was now having his pension rights removed as a direct result of The IS's mistake. At the point he was made bankrupt by the court, all of Mr M's pension rights and benefits were vested in his bankruptcy estate. Although Mr M later purchased the trustee's interest in one of the pension policies, the undisclosed policy remained vested in the bankruptcy estate, for the trustee to deal with.

She recognised that it was unfortunate that neither Mr M nor The IS knew that there was a second pension policy at the time the letter was written, but this did not alter the fact that this was included in the earlier bankruptcy.

### Learning

When a mistake is identified, The Adjudicator expects the department to apologise, and consider whether redress is appropriate. She does not always expect that redress to include financial compensation, quite often an apology will suffice. However in this case, she believed the fact that The IS missed the opportunity to apologise at both Tier One and Tier Two of their complaints process, coupled with the worry and distress that was caused to Mr M, meant that The IS offering an apology now would not suffice.

When considering what level of financial compensation the department should pay The Adjudicator is bound by The IS's complaints policy. Having considered this, a compensation payment was recommended and paid to Mr M, along with a clear apology for the mistake.

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“ I would like to thank you very much for your investigation on my behalf, and for bringing my claim to successful and speedy close. It would not have been successful without your help, and I was very heartened by your professionalism and exemplary customer service.”

Customer

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“ Words cannot express how I have been feeling since this problem arose and to learn that the Extra Statutory Concession A19 has been allowed for years 2008/09 and 2009/10 is fantastic. I feel that at last I can sleep a little better at night without having this huge debt hanging over my head.”

Customer

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“ Without the involvement of the Adjudicator's Office and their impartial service, I would not have been successful. The success of my complaint has been a great weight off both the shoulders of my wife and myself and that means a lot to us.”

Customer

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“ Thank you for your letter dated 3 December 2013. I was immensely pleased at the result of your mediation with the Tax Credit Office on my behalf.”

Customer

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2013-14 saw the highest number of case closures ever in a single year for the Adjudicator's Office.

# Office organisation

As Head of Office my role is to manage the Adjudicator's Office and provide effective support for The Adjudicator in her work. I am accountable for all office functions, performance, productivity, staffing and budget. The Adjudicator's Office is a busy environment with a strong management team and enthusiastic staff.

We started the year with an extremely heavy workload and I would like to record my thanks to all our staff for their hard work and dedication in consolidating the intensive training, alongside achieving detailed and thorough investigations. We commenced a Two-Year Recovery Plan and the high volume of complaint closures achieved means we are well placed as we start the second year.

However, 2013-14 was also a time of loss with the unexpected death of one of our managers, Howard Paul. Everyone was affected by Howard's untimely passing and it was good to see colleagues from different locations come together to support each other, and most importantly support Howard's family. He is greatly missed.

During the year we worked closely with the complaints teams in the departments and it is important to recognise the departmental investment in using our feedback to drive learning. For example, I shared complaints handling

experience from the Adjudicator's Office at HMRC Complaints Transformation Events around the UK and these events have led to noticeable improvements for HMRC customers. The volumes of complaints being referred to The Adjudicator have now fallen to the levels we last saw in 2010 -11 and this is enabling us to achieve The Adjudicator's strategic aim of reducing waiting times, without compromising the depth and quality of our work.

Feedback from customers continues to be very positive about our interventions and the personal care given by our staff. It is gratifying to see the large number of unsolicited compliments we receive praising our work. We have a lot to do to reduce waiting times still further and I am confident that our staff will rise to the challenge for the coming year. In addition, I am very grateful for the feedback from customers which has helped us identify useful changes. For example, feedback about our publications has enabled us to develop our range of leaflets and improve the options for large print versions.

Alongside this we have also undertaken a detailed review of the general accessibility of our website, in line with the International W3C Web Accessibility Initiative to make web content more accessible to people with disabilities. Our

web content now meets the testable success criteria to AA level for the Web Content Accessibility Guidelines (WCAG) 2.0.

I am also an active member of the Cross Government Complaints Forum on behalf of the office and it is useful to share ideas, and good practice, with other departments at the regular meetings. Good practice in complaints handling continues to evolve and to ensure we remain at the forefront of this we are also active members of the Ombudsman Association. In addition to the intensive training and mentoring for new staff, we continued to invest in professional development in complaints handling. Five staff successfully completed Professional Certificates and Awards in Ombudsman and Complaint Handling Practice. This is a real credit to our staff and shows their appetite for ensuring our work continues to develop and improve.

2014-15 is the second year of our Two-Year Recovery Plan and although the complaints on hand are complex we will continue to drive down waiting times and the number of cases on hand. The delay this pressure of work creates for our customers is a real concern to them and to us. We aim for 2014-15 to be the start of a smoother, faster and more responsive customer service.

Margaret Allcock  
**Head of Office**




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“Your response is really thorough and has taken a great deal of time and effort. I do appreciate that and have also now received a letter of apology from HMRC. It has taken a great weight off my mind to think that the tax office now agree that my tax affairs are in order.”

Customer

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“We would like to thank you for taking the time to investigate our claim and evidence against the TCO. We only pursued this case as we didn't want this to happen to any other people that are genuine individuals and through no fault of their own are caught up in the TC system.”

Customer

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## Feedback about the Adjudicator's Office

We always welcome feedback from customers as it helps us to review our service and look for improvements. We separate feedback into two specific areas:

### Complaints about our service

During the year we received 63 complaints about the level of service that we provide. The majority of these were about the length of time taken to begin our investigations. In the last Annual Report we explained that we had taken on a number of additional staff. During the early part of this year they were completing and consolidating their training. As anticipated, this led to an increase in customer waiting time. However, we are pleased to report that in the latter part of the year we made significant inroads into the work on hand and are confident that the time it takes for us to start our investigations will continue to reduce in the coming year.

Acting on customer feedback led us to introduce a new “Complaints about our service” leaflet. This tells our customers how to raise their concerns. We also used feedback to make changes to our third party authority form. Both of these leaflets are available on our website.

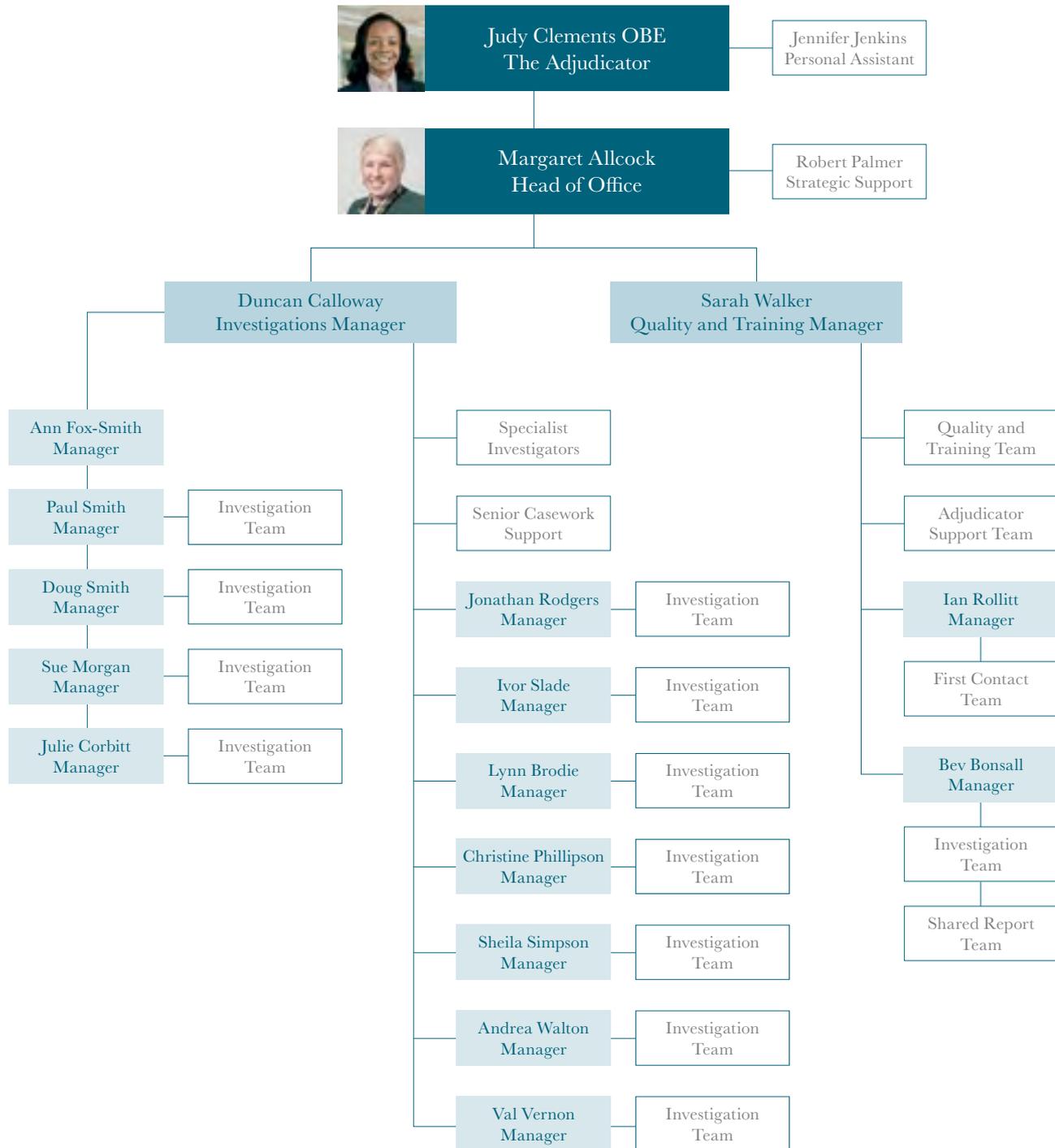
### Queries about The Adjudicator's recommendation

The Adjudicator will usually only reconsider a case when the customer provides new, relevant information or where inaccuracies are highlighted.

The vast majority of the queries received did not meet these criteria. However, in some of these cases The Adjudicator decided to provide a further response when it appeared the customer may not have fully understood her recommendations.

The Adjudicator will not reconsider cases solely on the basis that the customer does not agree with her decision. In such cases it is for the customer to decide their next course of action. All of The Adjudicator's recommendation letters clearly explain the process for referring a case to the Parliamentary Ombudsman.

# How we are organised



Structure at 31 March 2014

# Finance 2013-14

HMRC customers form the largest group of users of The Adjudicator's services. The Service Level Agreement between HMRC and The Adjudicator ensures staff, accommodation, equipment and materials are supplied to enable her to provide an independent review of unresolved complaints.

The Adjudicator is an independent appointment agreed by the three organisations for which she adjudicates.

Budget	Actual	Overspend
£2,228,500	£2,233,753	£5,253

The Adjudicator's salary is set by reference to the Ministry of Justice pay scales. There was a 1% pay rise in 2013-14 for judicial salaries Group 6.2. The salary range remains £120,000-125,000.

# How to contact us

## Post

Adjudicator's Office  
PO Box 10280  
Nottingham  
NG2 9PF

## Telephone

**0300 057 1111** between 9am and 5pm, Monday to Friday  
(except Bank Holidays). Typetalk facilities are available.

## Fax

**0300 057 1212**

We aim to reply to your initial contact within ten working days.

## Online

**[www.adjudicatorsoffice.gov.uk](http://www.adjudicatorsoffice.gov.uk)**

Please note that we are only able to help with complaints about  
HM Revenue & Customs, the Valuation Office Agency and  
The Insolvency Service.



