Title: Post-implementation review of The Child Support (Miscellaneous Amendments) Regulations 2018	Post Implementation Review
PIR No: **DWP_PIR_003_23**	**Date: 30/11/2023**
Original IA/RPC No: N/A	**Type of regulation: Domestic**
Lead department or agency: Department for Work and Pensions	**Type of review: Statutory**
Other departments or agencies: None	**Date measure came into force:** 13/12/2018
	Recommendation: Keep
Contact for enquiries: **Oliver Gojke, oliver.gojke2@dwp.gov.uk**	**RPC Opinion:** Choose an item.

1. What were the policy objectives of the measure? (Maximum 5 lines) The new measures extended Child Maintenance Service (CMS) deduction powers to include regular deduction orders (RDOs) and lump sum deduction orders (LSDOs) from joint accounts and unlimited partnership business accounts and to extend the application of LSDOs to sole trader business accounts. This was intended to increase the amount of child maintenance secured to support children, and to close loopholes where paying parents directed money into these accounts to avoid paying the child maintenance they owe.
2. What evidence has informed the PIR? (Maximum 5 lines) This Post Implementation Review (PIR) has been informed by published statistics[1], administrative data held by the Department for Work & Pensions (DWP), and feedback from external stakeholders.

[1] Child Maintenance Service Statistics

https://www.gov.uk/government/collections/statistics-on-the-2012-statutory-child-maintenance-scheme

3. To what extent have the policy objectives been achieved? (Maximum 5 lines)

Internal analysis of administrative data from February 2022 to January 2023 shows that 5% of regular deduction orders were made against joint or unlimited partnership business accounts, and there has been an increase in the amount of child maintenance secured as a result of these powers.

As the policy objective was to close a loophole where paying parents could divert money into accounts that were inaccessible to the CMS, the policy objective has been achieved.

Sign-off for Post Implementation Review: Chief economist/Head of Analysis and Minister

I have read the PIR and I am satisfied that it represents a fair and proportionate assessment of the impact of the measure.

Signed: ***Elaine Squires*** ***30/11/23***
Viscount Younger of Leckie *14/12/2023*

Further information sheet

4. What were the original assumptions?(Maximum 5 lines) Making deductions from bank accounts requires certain financial institutions to take action on a deduction order issued by the CMS, and therefore we assumed the new power could potentially impose new costs on these businesses, but that these would be minimal given the low expected volumes. The Department estimated a total 10-year costs to business of £92,900 (£0.1m). We also assumed there would be a small increase in the number of children who would receive maintenance payments. • 140 successful RDOs would collect £800 of additional child maintenance. This totals around £237,400 annually in additional maintenance collected. With, on average, 300 additional children benefitting per year. • 60 successful RDOs from unlimited partnership business joint accounts would result in additional child maintenance collections of around £112,600 annually, with around 150 additional children benefitting per year.
5. Were there any unintended consequences? (Maximum 5 lines) The DWP is not aware of any unintended consequences as a result of these regulations. Stakeholders have not expressed any concerns or dissatisfaction with the additional requirements to make deductions from these accounts.
6. Has the evidence identified any opportunities for reducing the burden on business? (Maximum 5 lines) The evidence has not identified any opportunities to reduce the burden on business, but it also shows that businesses have not reported any additional burden as a result of these powers.
7. How does the UK approach compare with the implementation of similar measures internationally, including how EU member states implemented EU requirements that are comparable or now form part of retained EU law, or how other countries have implemented international agreements? (Maximum 5 lines) This is a UK specific law. It is not implementing an EU measure and therefore there is no relevant comparison to be made with other member states in terms of costs to business. We are not aware of any comparable in other countries.

Please provide additional evidence in subsequent sheets, as required.

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INTRODUCTION AND BACKGROUND

1. It is a longstanding principle that parents should continue to support children that they no longer live with to ensure they have the best start in life. Child maintenance refers to the financial (and non-financial) support that Paying Parents (PPs) provide to Receiving Parents (RPs) following separation. Wherever possible, separated parents are encouraged to make their own family-based child maintenance arrangements without state intervention, as this is generally better for children. Where this is not possible, the Child Maintenance Service (CMS) administers a statutory scheme to calculate the child maintenance amount and where necessary, arrange payment.

2. Where a maintenance liability is not paid voluntarily, the CMS can enforce payments by deducting directly from earnings, benefits and bank accounts. The CMS also has a range of stronger actions (known as sanctions) for those parents who consistently refuse to meet their obligations to support their children, such as forcing the sale of a property, confiscating a driving licence or UK passport and committal to prison.

3. The Department is continuously reviewing its enforcement processes to ensure that they remain effective at securing money for children. A loophole was identified which allowed PPs to avoid payment of child maintenance by placing all their funds into joint or business accounts rendering them inaccessible to the CMS. Following two public consultations[2], the Child Support (Miscellaneous Amendments) Regulations 2018 made amendments to The Child Support (Collection and Enforcement) Regulations 1992[3]. These amendments brought into force legislation to close this loophole by enabling arrears to be recovered from a wider range of bank accounts to include joint accounts and unlimited partnership business accounts through a Regular Deduction Order (RDO) or Lump Sum Deduction Order (LSDO).

4. The Department is required to review the impact of the changes to the RDO provisions that were introduced in 2018 to consider if the policy objectives it set out have been achieved, and whether the measures have placed a significant burden on the businesses who are required to administer the deductions.

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[2] Public consultations in 2016 and 2017/18.

Consultation to recover CM arrears from joint accounts of NRPs – 30 June '16 - 25 August '16
https://assets.publishing.service.gov.uk/media/5a80932ce5274a2e87dba977/consultation-on-deduction-orders-against-joint-accounts.pdf

Child Maintenance: a new compliance and arrears strategy – 14 Dec '17 to 8 Feb '18
https://assets.publishing.service.gov.uk/media/5a81fa1a40f0b62305b91d1f/child-maintenance-compliance-arrears-consultation.pdf

[3] Amendment of the Child Support (Collection and Enforcement) Regulations 1992

https://www.legislation.gov.uk/uksi/2018/1279/made

5. For this review, the Department has considered whether and to what extent the changes to provisions 25A to 25AD of the Child Support (Collection and Enforcement) Regulations 1992:

    - Have achieved their original objectives;
    - Whether the objectives remain appropriate; and
    - Could be achieved in another way which involves less onerous regulatory provision (regulatory provision has the meaning given by section 32(4) of the Small Business, Enterprise and Employment Act 2015).

REVIEWING THE REGULATIONS

6. In conducting this review, the Department has looked at the trend in the use of RDOs and money they secured for children in 2022 (the latest full year that data is held) compared with 2017 (before the deductions powers were extended to include joint accounts and unlimited partnership business accounts). The Department has utilised a number of available data sources:

    - Published CMS statistics[4];
    - Stat Xplore data; and
    - Internal DWP administrative data.

7. Administrative data on the volumes of RDOs issued was not amended to differentiate joint accounts and unlimited partnership business accounts from those orders made against sole personal accounts when the change was introduced. The ability to differentiate by account type was only added from February 2022.

8. Furthermore, internal resource redeployments in Autumn 2018, as well as temporary redeployments due to Covid-19, both had an impact on volumes of RDOs being imposed.

9. The Department has also engaged with external stakeholder UK Finance who represent banking and financial institutions and CMS operational staff who administer the deduction order process in the Department.

The increase in RDOs

10. There has been an increase in the number of RDOs since the introduction of the legislation, and a total of £8.7m was collected from RDOs in 2022, compared with £2.2m in 2017. However, DWP data shows that this cannot be attributed to the measures introduced in 2018 relating to deductions from joint

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[4] Child Maintenance Service Statistics

https://www.gov.uk/government/collections/statistics-on-the-2012-statutory-child-maintenance-scheme

accounts and unlimited partnership business accounts. The increase was mainly due to an increase in CMS resources assigned to deal with deduction orders in 2018 which significantly increased the CMS capacity to investigate and impose new deduction orders.

Year	Money collected via Regular Deduction Orders (£ millions)
2017	2.2
2018	3.5
2019	5.3
2020	4.6
2021	7.2
2022	8.7

Source: CMS Published Statistics[5]

11. In determining the specific impact of the extended range of bank accounts, the Department was unable to identify whether a RDO was requested from a particular type of account until early 2022 when a digital change was introduced which enabled the CMS to more easily identify a deduction made against a joint account. In the first 12 months that this data was available, around 450 joint account RDOs were commenced, which is 5% of the total number of RDOs (excluding a small number launched in error).

Qualitative Feedback

12. Banks are legally obliged to comply with a deduction order issued by the Department. The Department reached out to UK Finance who represent the banking and finance industry for their input into the review. Although limited, overarching feedback of the legislative changes was broadly positive, some specific feedback included:

- A notable increase in RDOs since 2018, however, some financial institutions reported similar issues to that of the Department and could not easily identify whether the deductions related to a sole, joint or unlimited partnership business accounts.
- Some additional resource and administrative costs have been incurred to handle the additional volumes of RDOs since 2018.
- Given that there are additional requirements when processing RDOs which targets a joint / business partnership account, (for example the

[5] Child Maintenance Service Statistics

https://www.gov.uk/government/collections/statistics-on-the-2012-statutory-child-maintenance-scheme

requirement to issue correspondence to multiple parties), processing time for these types of deduction orders has increased.

- RDOs often run much longer than the four-month average, and some running into several years is not uncommon.

REVIEW OF ORIGINAL IMPACT ASSESSMENT ASSUMPTIONS

Original business impact estimate

13. The Department acknowledged there would be some costs to business as a result of the new regulations, and the impact on business is considered appropriate given the policy intent to ensure children get the maintenance they are owed.

14. The original impact assessment set the appraisal period for the policy changes at 10 years over which the likely financial impacts on business (banks and building societies) would be quantified:
    - For personal joint accounts the equivalent annual net direct cost to business (EANDCB in 2016 prices) is estimated to be around £7,300 per year; and
    - For unlimited partnership business accounts, the equivalent EANDCB is estimated to be around £3,500 per year.

15. The Department estimates a total 10-year costs to business of £92,900 (£0.1m) which was based on the estimated volume of deduction orders expected to be issued against personal and business joint accounts and applying estimated success rates and cost to business assumptions to these volumes.

Original estimate of the impact and benefits to children

16. The original impact assessment estimated that there would be a small increase in the number of children who would receive maintenance following the extension of RDOs to joint and business accounts. Annually:
    - 140 successful RDOs would collect £800 of additional child maintenance. This totals around £237,400 annually in additional maintenance collected. With, on average, 300 additional children benefitting per year.
    - 60 successful RDOs from unlimited partnership business joint accounts would result in additional child maintenance collections of around £112,600 annually, with around 150 additional children benefitting per year.

Reviewing the original business impact

17. The Department set the appraisal period for the changes at 10 years, and therefore it is too soon to determine if the estimated financial impact on banks and building societies has been realised.

18. No monetary values in relation to administering deduction orders were provided to the Department from businesses, and while some business reported a significant increase in the number of RDOs since 2018, internal DWP data suggests that only a small number of RDOs are as a result of the policy changes and therefore the impact on business is likely to be limited and considered to be proportionate.

Reviewing the estimate of the impacts and benefits to children

19. It has only been possible to identify RDOs made specifically from joint accounts since early 2022 when a system update was implemented. Our most recent data shows between February 2022 and December 2022, 150 children benefitted from maintenance through deductions from joint accounts. While this figure is lower than originally estimated, these children would have otherwise not received any maintenance payments if the legislation was not brought in.

HAVE THE POLICY OBJECTIVES BEEN ACHIEVED?

20. The overall aims of the policy changes were to close a loophole which allowed PPs to place money into joint and business accounts and therefore avoid paying the maintenance they owe. This loophole has now been closed and makes it more difficult for non-compliant parents to make their funds inaccessible to the CMS.
21. While the number of deductions from the expanded range of accounts is lower than anticipated, a number of children have benefitted from maintenance payments who would not have received anything if these regulations were not in place.

ARE THERE OPPORTUNITIES TO REDUCE THE BURDEN ON BUSINESS?

22. While there has been a significant increase in RDOs in the five years since 2018, this increase cannot be attributed to the measures in these regulations. Only 5% of the total number of RDOs completed in 2022 related to joint and business accounts and therefore the regulations to extend deductions to joint and unlimited partnership business accounts has had a limited impact on business.

CONCLUSIONS

23. The policy intent remains appropriate, and the Department is committed to closing loopholes that allow parents to avoid paying to support their children. We recognise that any increase in deductions from bank accounts could have administrative implications for financial institutions, however, the lower than expected volumes of deductions from these accounts suggest that the impact

on has been limited. These regulations therefore remain the best way to ensure this loophole remains closed and the administrative requirement considered proportionate given the aim of securing more money for children.

24. The Department will continue to monitor the impact of the regulations on business as required under the regulations.

Data Caveats

All service request data pertaining to RDOs was identified, and clearance times were calculated based on the start and end times of each service request. Figures in this document pertain to the volumes of these service requests; this is not the same as cases, casegroups, or volume of PPs, as although they are launched for a specific casegroup and NRP multiple service requests can be launched. For example, if an RDO is unsuccessful on a selected account, caseworkers will attempt an additional RDO on any other accounts listed during disclosure action. Also, if RDO action led to re-establishing compliance, we would consider a further RDO if compliance broke down again at a later date.

The Child Maintenance System does not record the instrument of payment for any monies received, therefore we are unable to identify the source of any transactions. However, we previously designed an internal management information report to use logic rules to assign transactions received during times when either an RDO or LSDO was open, and we have replicated that methodology here, and expanded it to cover a greater period of time.

This process involves identifying transactions on each casegroup during the period the RDO and/or LSDO service request was open (minus a set-up period) and deciding if it counts as an LSDO payment or RDO payment.

For clarity and ease of interpretation, data has been rounded either to the nearest 100, or for cash amounts, the nearest £100,000. This means totals may not balance, as they are themselves rounded, and are not a summation of the rounded individual values.