



3 AUG 2021

Tēnā koe

On 25 May 2021, you emailed the Ministry of Social Development (the Ministry) requesting, under the Official Information Act 1982 (the Act), the following information:

1. *Gross value of debt by financial year, from 2014/15 to 2020/21 (March years, if possible).*
2. *Total debt owed to MSD by current and former clients, broken down by debt reason, for the financial years from 2014/15 to 2020/21.*
3. *Ten largest debt amounts owed to MSD.*

On 13 June 2021, your request was extended due to consultations necessary to make a decision on your request.

Recoverable assistance provides clients with interest free loans to help them meet an immediate need for essential items or services, like paying late utility bills or rent, buying essential household appliances, or meeting other urgent needs. The Ministry grants this assistance to eligible people who are not able to meet the cost from their own resources, or other sources. Repayment arrangements are agreed with the clients at the time assistance is granted, taking their individual circumstances and financial situation into account.

The Ministry aims to ensure that clients make the best decisions regarding recoverable assistance to avoid creating unnecessary debt, and considers a range of factors, including:

- the circumstances of the clients and their dependents
- the ability of the client to meet their needs and the needs of their dependents
- the amount of existing MSD debts and existing recovery rates
- the effect the rate of recovery will have on the client's ability to support themselves
- whether the rate of recovery would cause undue hardship to the client or their dependents
- the effect the rate of recovery would have on the client's ability to fulfil their work and social obligations
- the ability to gain access to further advances and recoverable assistance in the future.

There is a range of reasons people might owe the Ministry money. A debt may be established as a result of recoverable assistance, an overpayment or fraud. An overpayment is established when a person has received benefit payments to which they were not entitled. Additionally, in some cases, overpayments are established as a result of receiving new client information from other Crown agencies or following a fraud investigation. If a client has been overpaid, Ministry staff will discuss this with them on a case-by-case basis. There is no interest charge on an overpayment.

When the Ministry establishes a debt, it is checked to determine if the debt is recoverable. The matters Ministry staff take into account when making this decision are set out in regulation 208 of the Social Security Regulations 2018. You can find a copy of this legislation at the following link:

www.legislation.govt.nz/regulation/public/2018/0202/latest/LMS96210.html.

From 2018, the Ministry introduced a three-tier graduated model to respond to allegations of benefit fraud:

- early intervention – a light touch response to discuss any integrity issues raised, confirm obligations, and adjust entitlements where appropriate.
- facilitation – working more intensively with a client to assess their situation against their entitlements and adjust these entitlements where necessary. This could mean an overpayment for a client in some situations.
- investigation – gathering information and acting on serious client integrity issues, which could result in an overpayment and in the most serious cases prosecution. Prosecutions are considered in line with the Solicitor General’s guidelines, taking into account the full circumstances of each individual case.

Overall, the number of cases responded to across the Ministry’s three-tier model has remained stable over the last five years. A greater proportion, however, are now responded to without investigation or prosecution.

Over the 2019/20 and 2020/21 financial years, investigation and prosecution numbers have also been impacted by responding to the Privacy Commissioner’s inquiry, which meant pausing and reassessing investigations and prosecutions underway in light of the inquiry’s findings, and by the need to support the COVID-19 response, which includes Wage Subsidy investigations.

For the sake of clarity, the Ministry will respond to your questions in turn.

1. *Gross value of debt by financial year, from 2014/15 to 2020/21 (March years, if possible).*
2. *Total debt owed to MSD by current and former clients, broken down by debt reason, for the financial years from 2014/15 to 2020/21.*

Please see attached **Appendix A** which contains:

- **Table One:** The amount of debt balances, broken down by fraud, overpayment, recoverable assistance for the financial years 2015-2020.
- **Table Two:** The amount of debt established, broken down by fraud, overpayment, recoverable assistance for the financial years 2015-2020.

Note, overpayment and fraud debts are established at the net amount, and recoverable assistance is non-taxable.

3. *Ten largest debt amounts owed to MSD.*

Please see overleaf **Table Three** which shows the 10 largest debts owed to the Ministry as at 31 May 2021. In all cases, the debts involve fraud or alleged fraud.

Table Three: The 10 largest debts owed to the Ministry as at 31 May 2021

Rank	Debt Total
1	\$893,438
2	\$687,773
3	\$613,608
4	\$466,665
5	\$435,775
6	\$391,315
7	\$390,805
8	\$387,227
9	\$382,307
10	\$364,904

Notes:

- Debt balances are subject to change over time
- This table includes debts established as a result of fraud

The principles and purposes of the Official Information Act 1982 under which you made your request are:

- to create greater openness and transparency about the plans, work and activities of the Government,
- to increase the ability of the public to participate in the making and administration of our laws and policies and
- to lead to greater accountability in the conduct of public affairs.

This Ministry fully supports those principles and purposes. The Ministry therefore intends to make the information contained in this letter and any attached documents available to the wider public. The Ministry will do this by publishing this letter on the Ministry of Social Development's website. Your personal details will be deleted, and the Ministry will not publish any information that would identify you as the person who requested the information.

If you wish to discuss this response with us, please feel free to contact OIA_Requests@msd.govt.nz.

If you are not satisfied with this response regarding information relating to debt, you have the right to seek an investigation and review by the Ombudsman. Information about how to make a complaint is available at www.ombudsman.parliament.nz or 0800 802 602.

Ngā mihi nui



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Client Service Support

Appendix A.

Table One. The amount of debt balances, broken down by fraud, overpayment, recoverable assistance for the financial years 2015-2020.

Debt balances	F2015	F2016	F2017	F2018	F2019	F2020	F2021
Fraud	\$182,643,037	\$194,275,491	\$204,126,855	\$210,869,070	\$148,753,256	\$146,870,135	\$143,575,957
Overpayment	\$673,820,587	\$708,522,502	\$739,031,874	\$767,874,993	\$990,289,728	\$1,005,450,227	\$1,024,907,994
Recoverable assistance	\$423,556,517	\$440,601,482	\$486,153,998	\$557,843,500	\$548,684,734	\$680,707,495	\$826,752,937
Total debt balance	\$1,280,020,142	\$1,343,399,475	\$1,429,312,727	\$1,536,587,563	\$1,687,727,719	\$1,833,027,857	\$1,995,236,889

Table Two. The amount of debt established, broken down by fraud, overpayment, recoverable assistance for the financial years 2015-2020.

Debt establishment by category	F2015	F2016	F2017	F2018	F2019	F2020	F2021
Fraud	\$31,412,114	\$24,174,574	\$19,793,749	\$10,003,844	\$4,603,916	\$2,380,331	\$929,082
Overpayment	\$198,826,625	\$229,128,751	\$229,380,571	\$243,909,709	\$228,644,596	\$205,100,366	\$231,969,088
Recoverable assistance	\$142,008,160	\$152,109,909	\$184,915,495	\$206,755,683	\$277,192,724	\$316,992,685	\$361,151,557
Total debt established	\$372,246,898	\$405,413,234	\$434,089,816	\$460,669,235	\$510,441,236	\$524,473,382	\$594,049,727