

Requirements for Payroll Software Changes as a Result of Higher Rate Direct Earnings Attachments (DEAs)

1. Background

- a) DEAs were introduced as part of the Welfare Reform Act 2012 and gave power for the DWP (on behalf of the Secretary of State) to issue notices to employers to make deductions from an employees pay to recover outstanding debts to the DWP. These debts may be as a result of overpayments of benefit or recoverable loans or advances made to the person.
- b) As a matter of policy DEAs are not used as the default mechanism for recovery from debtors who are in PAYE employment. DEAs are only issued where the debtor has failed to engage with DWP's Debt Management section and have not made an acceptable offer to repay.

2. Changes

- a) Ministers have decided that where an overpayment is a result of fraudulent activity that the debt should be recovered at a higher rate than those that arose through genuine mistakes by the benefit recipient.
- b) This has resulted in an increase in the maximum rate of deduction from on-going benefit payments as well as a higher rate of deduction under DEA. These changes were introduced in the Social Security (Overpayments and Recovery) Amendment Regulations 2015 [SI 499/2015].
- c) The higher rate of DEA will only apply where the person has been successfully prosecuted for the offence which led to the overpayment of benefit.
- d) There were some other minor changes brought in those regulations in relation to DEAs and these are -
 - i. Ability for employer to stop deductions when the debt balance is cleared.
This was not originally considered as our initial legal advice was that we could not share the amount of the debt with the employer. As this has now been changed it makes sense to allow the employer to stop the deductions when the debt is fully repaid rather than to wait until DWP confirms that and run the

risk of over recovering. **NB – It is not a requirement of employers to do this.**

- ii. The regulations have been amended to reduce the employers burden with respect to notices. The original regulations required the employer to issue a notification to the employee about the deduction but in reality payslips have sufficed and the regulations have been amended to reflect that. The employee retains the right to request a full written explanation of how the deduction has been calculated.
- iii. Clarification of how the scheme should operate if there is more than one attachment of earnings. In effect the second one is applied to the balance of earnings left after a deduction has been made under the earlier notice.
- iv. Correction in the tables of deduction which did not cover an amount of exactly £100 for weekly paid or £430 for monthly paid. The Tables now state these amounts or less as the first bandwidth.

3. Requirements

- a) The new regulations introduce two new tables and require an employer to apply the correct one. The notice issued by the SofS will make it clear if the higher rate is applicable i.e. Tables C or D. We do not anticipate the number of higher rate cases to be greater than 1% of the total DEAs issued.
- b) With the exception of the lowest earnings band the higher rate deduction % is twice that of the corresponding % in the normal tables. For the lowest band the % deduction rate is %5 whereas it is a nil deduction rate in the normal tables.
- c) All four tables are shown at Appendix A. Tables A and B are the current 'normal' tables applied to weekly and monthly pay respectively whilst Tables C and D are the new higher rate tables applied to weekly and monthly pay respectively.
- d) Although the legislation came into force from April 2015 we are anticipating being able to implement this from April 2016.

4. Contact

- a) If you have any queries or require further information please contact Alan Clark at The Department for Work and Pensions.

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5. Document changes history

V1.0 – 17/07/2015: Baselined version

V1.1 – 22/07/2015:

Tables A, B, C, D: “Less than £100” changed to “£100 or less”

Tables A, B, C, D: “From £100 but not..” changed to “Exceeding £100 but not..”

Appendix A – DEA Tables

AMOUNTS TO BE DEDUCTED BY EMPLOYERS
TABLE A: WHERE EARNINGS ARE PAID WEEKLY

AMOUNT OF NET EARNINGS	DEDUCTION (% OF NET EARNINGS)
£100 or less	Nil
Exceeding £100 but not exceeding £160	3
Exceeding £160 but not exceeding £220	5
Exceeding £220 but not exceeding £270	7
Exceeding £270 but not exceeding £375	11
Exceeding £375 but not exceeding £520	15
Exceeding £520	20

TABLE B: WHERE EARNINGS ARE PAID MONTHLY

AMOUNT OF NET EARNINGS	DEDUCTION (% OF NET EARNINGS)
£430 or less	Nil
Exceeding £430 but not exceeding £690	3
Exceeding £690 but not exceeding £950	5
Exceeding £950 but not exceeding £1,160	7
Exceeding £1,160 but not exceeding £1,615	11
Exceeding £1,615 but not exceeding £2,240	15
Exceeding £2,240	20

**TABLE C: WHERE EARNINGS ARE PAID WEEKLY
and the Notice states that the higher rate is applicable**

AMOUNT OF NET EARNINGS	DEDUCTION (% OF NET EARNINGS)
£100 or less	5
Exceeding £100 but not exceeding £160	6
Exceeding £160 but not exceeding £220	10
Exceeding £220 but not exceeding £270	14
Exceeding £270 but not exceeding £375	22
Exceeding £375 but not exceeding £520	30
Exceeding £520	40

**TABLE D: WHERE EARNINGS ARE PAID MONTHLY
and the Notice states that the higher rate is applicable**

AMOUNT OF NET EARNINGS	DEDUCTION (% OF NET EARNINGS)
£430 or less	5
Exceeding £430 but not exceeding £690	6
Exceeding £690 but not exceeding £950	10
Exceeding £950 but not exceeding £1,160	14
Exceeding £1,160 but not exceeding £1,615	22
Exceeding £1,615 but not exceeding £2,240	30
Exceeding £2,240	40