All Together Money Response to HMRC Consultation: Better Use of New and Improved Third-Party Data

All Together Money - the credit union movement (formerly Association of British Credit Unions Limited) - is the largest network of credit unions in Great Britain, working side by side. Built on cooperation, not competition. Driven by people, not profit. Together, we are building a future where money works for all of us. We champion smart regulation, ethical finance and meaningful change.

Credit unions are co-operative societies that provide financial services, primarily savings and loans, to their member-owners. They are registered under the Co-operatives and Community Benefit Societies Act 2014 and the Credit Unions Act 1979 and, as deposit-takers, are dual-regulated by the Prudential Regulation Authority and the Financial Conduct Authority.

Since their inception in Britain in 1964, credit unions have played an important role in tackling poverty and financial exclusion. They serve communities that may have limited access to mainstream financial services and provide affordable credit and secure savings facilities. There are over 215 credit unions active in Great Britain, serving more than 1.5 million members and managing approximately £2.7 billion in assets. The sector ranges from mid-sized organisations employing up to 50 staff to small, volunteer-led credit unions.

Summary of Recommendations

- HMRC should ensure that any future credit union interest reporting rules mirror the similar rules already in place for dividend reporting, where possible, rather than introducing a wholly separate reporting structure.
- Annual reporting should be the default requirement for credit unions, regardless of product type, as this would provide HMRC with useful data while reducing operational burden.
- Existing AML and KYC processes should normally satisfy HMRC's due diligence requirements, avoiding duplication unless there is a clear risk-based reason for further verification.

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- The approach to National Insurance numbers (NINO) should be proportionate, and clear communication from HMRC on the collection of NINO’s should be disseminated.
- Implementation should be phased, beginning with larger financial institutions before any extension to credit unions, so that practical issues can be identified and resolved before smaller mutuals are required to comply.

Introduction

All Together Money welcomes the opportunity to respond to HMRC's consultation on the draft Data-gathering (Ongoing Data) Regulations 2026 and the associated draft due diligence and notification requirements.

We recognise HMRC's objective of making better use of third-party data to improve taxpayer identification, support compliance activity and reduce administrative intervention. We support the principle that HMRC should have access to accurate and reliable information where there is a clear policy rationale and where the burdens imposed on reporting entities are proportionate to the expected benefit.

Credit unions occupy a distinct position within the UK's financial services landscape. They are member-owned co-operatives with a social purpose, serving communities that are often underserved by mainstream financial institutions. Any new reporting regime should therefore reflect their size, structure, risk profile and operational capacity, rather than applying requirements designed primarily for larger banking institutions without appropriate adaptation.

Scope of the Proposed Regime

The consultation indicates that the proposed regime is primarily intended to apply to institutions that pay interest and that credit unions reporting only dividend payments through existing arrangements are not currently expected to fall within scope. The draft regulations apply to financial institutions falling within paragraph 12 of Schedule 23 to the Finance Act 2011 and provide for annual and quarterly reporting of interest payments and associated customer information.

There is, however, important uncertainty as to how the proposals would apply to credit unions that do offer interest-bearing savings products or current accounts. In particular, the draft defines quarterly reporting interest by reference to interest on current accounts and savings accounts. It is therefore important that HMRC provides clear guidance on which credit union products would be subject to quarterly or annual reporting. The proposed framework would introduce extensive reporting, due diligence and record-keeping requirements alongside expectations around data collection and verification. HMRC should therefore ensure there is further clarity regarding which products are in scope and how mixed-model credit unions will be treated.

In our view, any extension of these requirements to credit unions should be supported by a clear assessment of the likely compliance benefits relative to the operational and financial costs involved. In particular, consideration should be given to whether the administrative burden is proportionate to the likely tax yield, especially where interest payments are relatively small. We would expect any additional reporting obligations to be targeted at cases where the tax revenue generated is likely to outweigh the costs of administering, reporting and collecting the tax, both for HMRC and for credit unions.

Building Upon Existing Dividend Reporting

Credit unions have already established reporting arrangements for dividend payments. These arrangements provide a useful example of a proportionate approach to data collection that balances HMRC's information requirements with the operational capacity of smaller mutual organisations.

In particular, although the legislative framework allows for broader reporting, HMRC's longstanding administrative practice has been to require credit unions to report dividend payments of £250 or more. This provides a practical precedent for focusing reporting on information most likely to have compliance value, while avoiding disproportionate reporting of lower-value payments.

We believe this principle should underpin any future interest reporting regime for credit unions. Rather than creating a wholly separate structure, HMRC should consider how existing credit union processes, reporting thresholds and exemptions can be adapted. If credit unions are brought within scope, the current £250 reporting value applicable to dividend payments should also be considered for interest reporting, so that lower-value payments do not generate significant additional administrative burden where the corresponding compliance benefit is limited.

This approach is particularly important given the communities credit unions serve. Members may include people on lower incomes, benefit recipients, young savers and others who are more likely to experience financial exclusion. Routine reporting of very small amounts of interest could therefore generate significant volumes of data relating to individuals who present limited tax compliance risk, while increasing costs for credit unions. A proportionate threshold would allow HMRC to focus on information with greater compliance value.

Reporting Frequency

All Together Money has significant concerns about the proposal for quarterly reporting.

While more frequent reporting may be appropriate for larger institutions with sophisticated reporting infrastructure, we do not believe the same approach is necessarily justified for the credit union sector. The proposed quarterly reporting requirement to collect, validate, and submit interest and member-identification data within fourteen days of each quarterly reporting period would create a recurring operational burden for organisations that often have limited compliance resources.

While quarterly reporting may be appropriate for larger financial institutions with sophisticated reporting infrastructure, we do not consider that the same frequency is justified for credit unions. The sector has a relatively limited product range and many credit unions operate with small teams or a reliance on volunteers. For many credit unions, this would require operational changes and ongoing compliance resource that may be difficult to justify given the relatively modest volumes of interest payments involved.

Further clarification will be needed on which accounts, products and categories of interest will be subject to quarterly or annual reporting. We would encourage HMRC to consider proportionality when applying these principles. Credit unions offer a niche product range and have significantly less resources than the mainstream lenders.

Annual reporting would provide HMRC with regular and meaningful information while materially reducing implementation and ongoing compliance costs. We therefore recommend that, if credit unions continue to be within scope, annual reporting should be the default requirement regardless of product type. This would provide a clearer, simpler and more proportionate framework for the sector.

Technical design and Reporting Framework

If credit unions are brought within scope of the proposed reporting regime, All Together Money believes that HMRC should seek to build on the technical design and reporting processes already used for credit union dividend payments. The existing framework provides an established mechanism through which credit unions collect, validate and submit relevant member information to HMRC and therefore offers a practical foundation for any future interest reporting requirements.

We would strongly encourage HMRC to adopt a “once and done” approach, whereby the existing technical infrastructure, data fields and reporting process are retained wherever possible, with the necessary amendments made to capture interest payments rather than dividend payments. This would minimise the need for credit unions to develop and implement an entirely separate reporting system and would reduce both implementation costs and the risk of operational errors.

It will also be important for HMRC to engage directly with system providers that support the credit union sector as part of the design and implementation process. These providers have a detailed understanding of the systems used by credit unions to manage member accounts, calculate dividends and interest, and produce regulatory and statutory returns. Early engagement would help HMRC understand the technical implications of the proposed requirements, identify any limitations or implementation challenges, and ensure that the final reporting specification can be incorporated into existing systems as efficiently as possible.

We would therefore recommend that formal engagement with relevant credit union system providers takes place before the final technical specification and reporting requirements are agreed. This should include consideration of the data fields required, reporting frequency, submission format, system development requirements, implementation timescales and any associated costs for credit unions.

In practical terms, the technical design should be as closely aligned as possible with the information currently collected and reported for credit union dividends. Where additional information is genuinely required for interest reporting, this should be clearly identified and justified by HMRC. The objective should be to make the transition to any new reporting requirement as straightforward as possible for credit unions, while ensuring that HMRC receives the information necessary to support its compliance objectives.

This approach would provide greater consistency for credit unions, many of which already have established processes for extracting, validating and submitting dividend information. Replicating the existing reporting structure, with the necessary amendments to capture interest rather than dividend payments and designing the technical solution in consultation with sector system providers, would be significantly more proportionate than requiring credit unions to develop a wholly separate reporting solution.

Reporting Deadlines

The draft legislation proposed that institutions must provide interest income data no later than 14 days after the end of each tax year or quarterly reporting period. We recommend extending the reporting window to a minimum of 21 days to ensure firms have sufficient time to meet the new requirements effectively.

A 14-day deadline would place considerable operational pressure on smaller financial institutions like credit unions, particularly around the end of the tax year when credit unions already face competing reporting and compliance obligations that are often managed by the same individuals. A longer window would support better data quality and reduce the risk of errors without materially undermining HMRC's ability to use the data.

Due Diligence and Data Verification

The proposed due diligence requirements are broadly consistent with practices already undertaken by credit unions through their anti-money laundering and Know Your Customer obligations. Credit unions already collect and verify customer names, addresses and dates of birth, and undertake ongoing monitoring and periodic member reviews.

HMRC's proposed verification requirements should therefore be designed to complement these existing frameworks rather than creating a parallel process. Regulation 6 requires relevant persons to verify information before it is submitted to HMRC, with the detailed expectations being set out separately through HMRC guidance.

We recommend that compliance with existing AML and KYC requirements should normally be treated as satisfying HMRC's due diligence expectations, unless there is a clear, risk-based reason to believe the information held is inaccurate or incomplete.

Duplicating verification requirements would increase costs while providing limited additional benefits in data quality.

National Insurance Number Collection

The collection and verification of National Insurance numbers is likely to be one of the most operationally challenging aspects of the proposed regime for affected credit unions.

Credit unions often serve members who may experience financial exclusion, digital exclusion or other barriers to engagement with public services. While National Insurance numbers can improve data matching, the practical reality is that some members will not possess them, will not know them or may struggle to provide them within the proposed timescales.

We are particularly concerned by suggestions that institutions may need to consider account closure where an eligible individual fails to provide a National Insurance number within forty-five days of account opening. Such an approach could create unintended barriers to participation in affordable savings and financial services and may disproportionately affect the communities credit unions are intended to serve.

We support HMRC's approach in relation to existing account holders, including the 2-year implementation window and that firms will not be penalised for being unable to obtain NINOs where reasonable efforts have been made.

Where a credit union has taken reasonable steps to obtain a National Insurance number and holds sufficient alternative information, the absence of a National Insurance number should not in itself prevent and account from being maintained and result in disproportionate compliance consequences.

Additionally , All Together Money believes that consideration should be given to the introduction of a secure HMRC NINO verification service. This would enable firms to confirm that a NINO is valid and correctly associated with the relevant member, helping to improve data quality, reduce reporting errors and support compliance with data accuracy obligations.

Proportionality and Implementation

Implementation should be phased. A staggered approach beginning with the largest banking groups would allow HMRC to test systems, assess data quality and identify practical issues before extending obligations more widely.

If credit unions continue to be brought within scope, HMRC should use evidence and lessons from the initial implementation phase to ensure that the final requirements are proportionate to the size, structure and risk profile of smaller mutuals. Credit unions should not be expected to absorb significant compliance costs until HMRC can demonstrate that the benefits of the regime justify those costs and that practical issues have been addressed.

Conclusion

All Together Money supports HMRC's objective of improving the quality and availability of third-party data. However, any new obligations imposed on credit unions must be proportionate, practical and aligned with existing regulatory requirements.

In particular, we encourage HMRC to consider whether the longstanding dividend reporting framework provides a model that could be adapted for interest reporting. Building upon established processes would be considerably more proportionate than introducing an entirely new reporting structure and would better reflect the operational realities of the credit union sector.

If credit unions are brought within scope, we recommend that HMRC: (1) provides clear guidance on the treatment of credit union products and the applicable reporting frequency; (2) adopts annual reporting as the default; (3) builds on the existing dividend reporting framework, including consideration of the current £250 reporting value; (4) recognises existing AML and KYC processes for due diligence purposes; (5) adopts a pragmatic approach to National Insurance number collection; and (6) phases implementation so that smaller mutuals are not required to absorb disproportionate costs before the effectiveness of the regime has been demonstrated.

This approach would allow HMRC to obtain useful third-party information while recognising the operational realities of community-based financial institutions and the important role credit unions play in supporting financial inclusion.