



All Together Money Response to HMRC Proposals to tackle lower value tax debts Consultation

This consultation response highlights All Together Money's position on HMRC's proposals to introduce a new process for recovering lower-value tax debts directly from customers' accounts, including the potential implications if credit unions are brought within scope as deposit takers

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.

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Summary of Recommendations

- Phase implementation, with testing and engagement with larger institutions before extending the process to credit unions, allowing practical issues to be resolved early.
- Keep requirements proportionate, using standardised, automated processes, adequate implementation timescales and avoiding costly bespoke system development for smaller institutions.
- Establish a single, secure process for instructions and payments, with clear message formats, failure codes and dedicated HMRC support.
- Prioritise vulnerability and affordability, with human review where automated assessments indicate potential support needs or do not provide a reliable picture of affordability.
- Strengthen objections, allowing them throughout the repayment plan and pausing deductions immediately where an objection is raised, particularly in cases of hardship, additional support needs, joint accounts or third-party funds.
- Review the policy regularly, including debt thresholds, to ensure it remains fair and proportionate

Executive Summary

All Together Money supports HMRC's objective of recovering tax debts fairly and effectively, particularly where individuals have the means to pay but have persistently failed to engage. We recognise the case for addressing gaps in existing recovery powers where these may be disproportionate or uneconomic for lower-value debts.

However, if credit unions are included as deposit takers, the approach must recognise their different scale, resources and technological capabilities. Implementation should therefore be proportionate, phased and supported by



robust safeguards. HMRC should retain sole responsibility for recovery decisions, provide credit unions with clear legal obligations and statutory protection when acting in good faith, and avoid imposing disproportionate system or operational requirements.

Customer protection must remain central. Automated recovery should not override considerations of vulnerability, affordability or hardship. Where there is uncertainty, human review should apply, and customers should have an accessible right to challenge deductions, with deductions paused when an objection is raised.

We therefore recommend that HMRC develop and test the policy in partnership with the sector, ensuring that responsibility for debt recovery remains with HMRC and that the process does not transfer disproportionate legal, operational or welfare responsibilities to credit unions.

Question 1: Do you agree with the proposed process to tackle lower value debts and do you have any comments on the illustrative process outlined above?

All Together Money recognises HMRC's objective of ensuring that tax debts are recovered fairly and effectively, particularly where customers/members who have the means to pay have repeatedly failed to engage with HMRC.

In principle, we support efforts to address gaps in the current debt recovery framework where existing enforcement powers may not be proportionate or cost-effective for lower value debts. However, any new power must be accompanied by robust safeguards, clear accountability and appropriate protections for customers/members.

If credit unions are included within the definition of "deposit takers", HMRC should provide clarity regarding their legal obligations, operational responsibilities and protections. It is essential that responsibility for any recovery decision remains solely with HMRC and that customers/members are clearly informed that their credit union is acting only on HMRC instructions.



We also encourage HMRC to adopt a phased implementation approach, with extensive testing and engagement with smaller deposit-taking institutions before full implementation.

Question 2: Are there operational or technical considerations HMRC should take into account when developing this approach?

Yes, where credit unions fall within scope.

Credit unions vary significantly in size, operational capacity and technology infrastructure. Unlike larger banks and building societies, many credit unions operate with more limited resources and may not have the capacity to implement complex new recovery processes without additional cost.

HMRC should:

- Use standardised and automated processes wherever possible.
- Minimise manual intervention requirements.
- Provide sufficient implementation timescales.
- Publish clear technical specifications well in advance.
- Ensure operational requirements are proportionate to the size and complexity of the institution.
- Consider whether exemptions or simplified requirements may be appropriate for smaller institutions.

Requirements should avoid driving significant bespoke system development for credit unions. Direct testing with credit unions of different sizes would help ensure technical requirements are practical and proportionate before they are finalised.

Question 3: How can HMRC ensure the process of receiving, processing and transferring payments and instructions is optimised?



HMRC should work closely with representative bodies and deposit takers throughout the design process.

In particular:

- A single standardised process should be adopted across all deposit takers.
- Instructions should be delivered through secure automated channels.
- Clear message formats and failure codes should be established.
- HMRC should provide dedicated support and escalation routes for participating institutions.
- Credit unions acting in good faith on HMRC instructions should receive explicit statutory protection from liability.

The administrative burden placed on smaller deposit takers must remain proportionate.

Question 4: Do you agree with the proposed debts and customers that should be within scope for this measure?

The proposed scope appears broadly reasonable.

We agree that the measure should be limited to:

- Established and legally enforceable debts.
- Customers who have persistently failed to engage with HMRC.
- Cases where existing debt collection processes have been exhausted.

However, strong safeguards must be in place before any deduction is initiated, alongside continued opportunities for customers/members to resolve debts voluntarily.



We also support excluding customers/members who are already subject to formal arrangements, insolvency processes or active disputes regarding the underlying debt.

Question 5: Do you envisage any issues with the proposed upper debt value limits? If so, what should the proposed upper debt value limit be?

We do not have a firm view on the proposed thresholds at this stage.

However, we agree that any thresholds must remain proportionate and targeted at lower value debts where existing enforcement mechanisms may be less effective or cost-efficient. If the policy is introduced, HMRC should monitor outcomes carefully and review thresholds periodically to ensure they continue to operate fairly and proportionately.

Question 6: Do you agree with the proposed approach to identify and support customers when administering this proposed measure?

We strongly support the principle that customers/members requiring additional support should not be subjected to automated debt recovery processes without appropriate human assessment.

The proposed use of manual review where support indicators are identified is welcome.

However, we are concerned that a significant proportion of customers/members requiring additional support may also be among those least likely to engage with HMRC correspondence. Any safeguarding framework should therefore err on the side of caution where indicators of vulnerability exist.

Adequate resources will be needed to support in-depth reviews, and automation must not override welfare or hardship considerations.



Question 7: Are there other suitable sources of information about a customer's potential support needs that HMRC might access in the absence of customer contact?

We recognise HMRC's desire to identify customers requiring additional support where no direct contact has taken place.

However, we would urge caution regarding the use of third-party data and information-sharing arrangements involving deposit takers. Credit unions are trusted community financial institutions and often support members facing financial vulnerability. Any data-sharing arrangements must be legally clear, proportionate and compliant with data protection requirements.

If deposit takers are asked to provide support indicators, the process should be standardised, voluntary where appropriate, and should not require credit unions to make decisions about customer vulnerability on HMRC's behalf.

Question 8: Do you agree with the overall approach to affordability for the purpose of this measure?

We support affordability being a central safeguard.

The proposed approach must prevent deductions from creating or exacerbating financial hardship and allow customers to continue meeting essential living costs.

HMRC should recognise that affordability assessments based solely on automated data sources may not always reflect an individual's actual circumstances. Automated affordability assessments should therefore be treated as indicators rather than definitive evidence.

Where there is uncertainty, cases should be subject to human review.

Question 9: Are there other suitable ways HMRC could systematically establish affordability across a high volume of cases?



We do not propose a specific alternative methodology.

However, we encourage HMRC to combine multiple data sources rather than relying on any single indicator. Any automated assessment should be complemented by safeguards that allow customers/members to challenge the assessment and provide evidence of changed circumstances.

The system should prioritise preventing hardship over maximising recovery speed.

Question 10: Do you agree with the government's proposed approach to enabling customers to lodge an objection, the proposed grounds for objection and the timescales for doing so?

We support the principle that customers/members should be able to object where:

- HMRC has made a factual or procedural error.
- The deduction would cause financial hardship.
- The customer requires additional support.
- The funds belong wholly or partly to a third party.

We welcome the proposal that objections remain available throughout the life of the repayment plan, recognising that circumstances can change. Deductions should be paused immediately where an objection is lodged, including where the objection relates to hardship, additional support needs, joint accounts or third-party funds.

Objection processes should be accessible, clearly communicated and available online, by telephone and in writing. HMRC should also set clear service standards for acknowledging and resolving objections, so members are not left uncertain while deductions are paused. Specific safeguards should be provided for joint



accounts and third-party funds, where the financial impact may fall on someone other than the debtor.

Conclusion

All Together Money supports HMRC's objective of recovering tax debts fairly from customers/members who can pay but have persistently failed to engage. However, any new power to recover lower value debts directly from accounts must be proportionate, operationally workable and supported by safeguards.

If credit unions are brought within scope as deposit takers, HMRC must provide legal certainty regarding their obligations, establish clear and standardised operational processes, provide statutory protection from liability where credit unions act in good faith on HMRC instructions, and maintain robust safeguards to identify and protect members requiring additional support or experiencing financial hardship.

The policy should not undermine the trust-based relationship between credit unions and their members, nor impose disproportionate requirements on smaller financial co-operatives. All Together Money would welcome continued engagement with HMRC as the policy develops