

# Combating Welfare Fraud – Main initiatives

## Initiative one – New relationship fraud offence

### **The Problem**

Relationship fraud is fraud where a person misrepresents their relationship status to get, or continue to receive, a benefit. For example, to receive the Domestic Purposes Benefit or Sole Parent Support, a person must not be in a 'marriage-type' relationship.

Relationship fraud is a big part of welfare fraud: last year over \$20 million was taken as a result of incorrectly declared relationship status; and of the 61 convictions for fraud over \$100,000, 41 were relationship fraud cases.

Relationship fraud takes money from the welfare system, and leaves the offender with huge debts which they will struggle to pay back.

Even though the beneficiary's spouse or partner may have benefited from offending, it is very difficult to make them liable for their part of the offending.

### **The Solution**

The Government will create a new offence that will hold partners to account if it's found they were aware their partner was fraudulently claiming a benefit.

This offence will mean that fraud debt can be split across both partners. This is a fairer approach as it holds both partners accountable for the repayment of the debt.

Partners could face a fine of up to \$5,000 or 12 months in jail.

The proposal will also extend MSD's ability to seize assets owned or jointly owned by a spouse or partner under the Criminal Proceeds (Recovery) Act 2009, and to recover some of that debt from the partner who has benefited from the fraud.

It is anticipated this debt splitting will apply to about 700 cases each year.

A Bill will be introduced to Parliament this year to amend the Social Security Act.

## **Initiative two – Low trust clients**

### **The Problem**

Last year 714 people were convicted of welfare fraud, totalling \$23.4 million.

MSD also established a further 1425 debts for people they considered were had acted dishonestly, but lacked sufficient evidence to prove to a criminal standard. These debts totalled a further \$18.4 million.

For these people, we know they have previously ripped MSD off, but MSD lacks effective tools to prevent them reoffending again if they return to a benefit in the future.

We know many of them do reoffend. Of all overpayments established in the last financial year, more than three quarters of these beneficiaries had previously been investigated for possible dishonest overpayments.

### **The Solution**

The Government is giving MSD new tools to deal with 'low-trust' beneficiaries.

These will apply to beneficiaries who have acted dishonestly in their dealings with MSD, and are convicted of welfare fraud or have an overpayment established following an investigation.

Last year about 2100 people would have fallen into this category, although many do not stay on benefit.

People who have made a genuine mistake in their dealings with MSD will not be included in this group.

MSD will have a range of tools to reduce the opportunity for these people to reoffend, such as:

- Requiring them to access some or all services face-to-face;
- Requiring extra verification of documents or evidence they provide; and
- Redirecting part of their benefit directly to pay bills.

The tools used in each case will be tailored to match the previous offending of that beneficiary, to reduce their opportunity to reoffend in the same way.

**Initiative three – Interagency "Welfare Fraud Collaboration  
Action Programme"**

**The Problem**

Different agencies hold different information on people. When we put that information together we can identify those people who are being dishonest and stop them offending.

If someone is being dishonest with MSD, it's reasonable to suspect they're also being dishonest with other providers of social assistance, such as ACC or Housing New Zealand. Previous interagency work, particularly with Police and Housing New Zealand, have generated positive results for both agencies – we want to build on that.

**The Solution**

The Ministry of Social Development will lead this interagency approach which started in December 2012.

The Action Programme involves ACC, Inland Revenue, Housing New Zealand Corporation and New Zealand Police, all of which have an interest in reducing social assistance fraud.

This group will work together on how best agencies can share information and intelligence to address offending, while still being mindful about privacy responsibilities.

It will look at options such as targeting people of concern to several agencies, or running joint investigations.

## Combating Welfare Fraud – Existing initiatives

### Initiative four – Information sharing with Inland Revenue

#### **The Problem**

Different agencies hold different information on people. We need to put that information together to stop them offending.

While MSD already has discreet data-matches with a number of other Government agencies, the Government has been working this year to expand this.

Current data-matches do not cover all beneficiaries – they are done on a random sample, on persons of interest, or based on known risk factors.

#### **The Solution**

Last year the Government moved to expand to a full information sharing arrangement between MSD and Inland Revenue.

This was announced by Minister Borrows and Revenue Minister Peter Dunne in May.

This will allow MSD to compare the information they have been given on a beneficiary's income with the information employers report to Inland Revenue.

More information can be found at <http://beehive.govt.nz/release/information-sharing-prevent-welfare-fraud>.

# Combating Welfare Fraud – Other initiatives

## Initiative five – Speeding up investigations

### **The Problem**

The Ministry of Social Development is required to tell a person they're being investigated for welfare fraud and that person is required to provide the necessary information.

The Ministry must do this as part of the Code of Conduct under the Social Security Act.

In 95% of cases the person does not provide the data and the investigation is delayed by at least 25 days.

MSD estimates this delay costs around \$3 million per year. It also gives the opportunity for the fraud to be covered up and evidence destroyed.

### **The Solution**

These changes to the Code of Conduct will mean that MSD no longer needs to inform people they're being investigated.

Information will be able to be sourced direct from a third party, such as a bank or employer.

This will help MSD catch people they might not otherwise catch.

Quicker investigations also mean less money going out the door fraudulently.

This will not alter the need for investigators to prove money was taken that person was not entitled to, either administratively or before the Courts.

## **Initiative six – Getting smarter at preventing and detecting relationship fraud**

### **The Problem**

Relationship fraud is fraud where a person misrepresents their relationship status to get, or continue to receive, a benefit. For example, to receive the Domestic Purposes Benefit or Sole Parent Support, a person must not be in a 'marriage-type' relationship.

Relationship fraud is a big part of welfare fraud: last year over \$20 million was taken as a result of incorrectly declared relationship status; and of the 61 convictions for fraud over \$100,000, 41 were relationship fraud cases.

Defining a "marriage-type relationship" can often be difficult.

When eligibility for support depends on their relationship status, it's important that beneficiaries understand what MSD means by a 'marriage-type relationship', and what their obligations are.

A good understanding of the rules at the start can help stop relationship fraud from even starting.

### **The Solution**

The Government is going to make three further changes to help prevent relationship fraud from ever starting, and help MSD catch it if it does.

- MSD will make changes to the application process for benefits, to help beneficiaries understand what these rules and obligations mean for them.
- MSD will also ask for details of someone who can confirm the beneficiary's relationship status. Verification will be followed up when there is a suspicion of, or a history of, fraud.
- MSD will test a range of ways to follow up with Sole Parent Support beneficiaries, to support them in understanding the rules and remind them of their obligations.

## **Initiative seven – Improving the recovery of money**

### **The Problem**

As of 30 June 2012, MSD was owed approximately \$106 million of prosecuted fraud and \$379 million in overpayments from investigations and data matching.

Most people who owe MSD money are making genuine efforts to pay it back. However, some of the people who owe the most are either not paying enough, or not paying at all.

### **The Solution**

The Government is giving MSD new tools to target those people who try to dodge paying what they owe.

- MSD will make better use of private debt collection and civil court action to chase those making no payments on their debt.
- While repayment rates should not place people in undue hardship, MSD will improve the way it reviews payment plans to make sure the debt is being paid as fast as is practical.
- In particular, MSD will be targeting those convicted of welfare fraud in three ways:
  - Better use of Police Asset Recovery teams to seize assets.
  - If they are not paying back what they owe, we will stop them the border should they attempt to leave the country. This will be done via the Ministry of Justice collections system.
  - If they are not paying back what they owe, MSD will also use the Ministry of Justice *Credit Check of Fines* programme to report these debts to credit agencies. This will enable businesses to make an informed decision on the credit risk these people pose.