



Loan Charge Action Group
Briefing Document to Loan Charge Review

**Who can pay the Loan Charge and
still enjoy their life?**

Special thanks are given to the Loan Charge APPG for granting the researcher access to the detailed APPG responses for this report.

Executive Summary

1% of the Loan Charge APPG's survey (sample size 1,768) can pay the Loan Charge and still retain a stable life and a secure future without significant financial, emotional, physical, mental, or social damage.

However, the anticipated negative outcomes of the Loan Charge are evenly distributed over all income brackets, affecting all equally.

77.8% surveyed are under direct threat of bankruptcy;

81.8% expect to lose all or the majority of their savings before retirement; and

69.9% are concerned that they will be reliant on state benefits because of the Loan Charge as they approach retirement.

The Loan Charge is driving a subgroup of the UK's population - that once valued the ethics of hard work and self-reliance - towards unemployment and dependency on various forms of social benefits such as Housing, and the NHS (for mental health/medication/stress related illnesses).

In short – the loan charge is not affordable, in 99% of cases.

Overview

This paper draws attention to the social and economic upheaval caused by the Loan Charge legislation. It does so by investigating whether those participants, whose raw quantitative and qualitative data from the Loan Charge APPG survey¹ suggests that they have the means to settle their affairs with HMRC with certainty. In other words, which participants are able to pay the Loan Charge and still retain a stable life and a secure future without significant financial, emotional, physical, mental, or social damage.

The aim is to determine what percentage of participants can pay the Loan Charge and indicate that they are able to still look forward to living life with a positive future? The following questions were used to investigate the query:

Question 24: What measures do you believe you will have to take (or have already taken) to settle with HMRC?

Question 28: What is the amount that HMRC say (or that you expect HMRC to say) you owe and HMRC would be prepared to settle for?

Question 34: Are you in danger of going bankrupt due to the Loan Charge?

Question 37: Are you concerned that you will be reliant on State Benefits because of the Loan Charge?

Question 38: Do you expect to lose all or the majority of your savings for retirement?

Question 39: How would you describe your future if the Loan Charge proceeds?

An analysis of the quantitative and qualitative data relating to participants' finances, the methods they intend to use to pay the Loan Charge and view of the future reveal that around 1% of participants can pay the Loan Charge and still recover their finances without having a detrimental impact on their daily life or future.

¹ <http://www.loanchargeappg.co.uk/wp-content/uploads/2019/04/Loan-Charge-APPG-Loan-Charge-Inquiry-Survey-Report-March-2019.pdf>

The 1 per cent:

The analysis begins first by determining which questions suggest that participants have the means to settle their Loan Charge under CLSO2² with 'certainty'. 'Certainty' in this context refers to HMRC honouring final settlement and the notion that taxpayers have the confidence and reliability in knowing that they can plan their daily affairs and futures without undue worry or fear. They are able to either retain a sizeable portion of their savings or have the time to recoup the money lost through employment.

Out of 1,768 participants only 389 people (22.1%) stated they would not go bankrupt [question number 34], whereas 900 said they would go bankrupt and the remainder were uncertain. This question was used as the base to determine those who might retain or recover a stable lifestyle after settlement is finalised.

At first glance, one may be tempted to suggest 22.1% of participants have the means to pay without any indication of a lasting financial impact. However, when this question is investigated with other quantitative question results, a different pattern emerges. For instance, looking at the percentage of those who said 'No' to questions 34 (Danger of Bankruptcy) and 38 (losing all or the majority of one's savings for retirement) in unison, those have the means to pay halves from 22% to 11%.

A better indication of those who are able to pay can be gleaned from analysing the responses of those who answered 'No', to all three of the following quantitative questions 34 (Danger of Bankruptcy), 37 (Danger of relying on state benefits), and 38 (losing all or the majority of one's savings for retirement). The three questions in unison help to determine those participants who appear unlikely to suffer from any lasting financial hardship because they will not go bankrupt, do not indicate a need for State Benefits at any point in the future, and seem to be able to retain or recoup the savings they lost.

When the 'No' results from all three questions are considered, that percentage plummets from 11% to 5.5%. **Just 99 out of 1768 participants have the means to pay the Loan Charge, but at what cost?**

² Bare in mind, the research is assuming that CLSO2 settlements are final and further action will not be taken against the tax payer to collect inheritance Tax, out of time queries remain closed and unable to reopen tax years for further scrutiny.

Examining how taxpayers will pay for the Loan Charge with the amount HMRC claims they owe, from question 24, provides additional details to the stability of those who statistically appear to be able to pay.³

76% ⁴	Use up savings
29%	Commercial Borrowing
29%	HMRC Agreed Time-To-Pay (TTP) agreement
22%	Sell other assets
12%	Borrow from Friends and Family
6%	Sell main home
6%	Cash in pension fund
4%	Equity release schemes
3%	Other
2%	Gifts from Parents/Friends/Family
1%	No possible means of paying HMRC what they claim is owed

As the results above show, nearly a third of these participants will use commercial borrowing, which means the taxpayer is settling their tax affairs with debt.

Out of curiosity, the amounts that the taxpayers are alleged to owe were examined from question 28 to determine whether there were any discernible patterns to emerge in relation to the previous questions mentioned above. The breakdown is as follows for the 5.5%:

19%	£0-15,000
21%	£15,000- 30,000
21%	£30,000-50,000
19%	£50,000-100,000
16%	£100,000+
3%	I don't know/ I cannot estimate

Initially, the statistical results do not reveal any striking patterns but there is one very notable thing to point out - that results are evenly spread between the various income brackets. This reinforces the view that each taxpayer's financial situation is uniquely different⁵ and, more importantly, challenges HMRC claim that those who utilised Loan Arrangements were largely 'high' earners.

³ Participants were allowed to make multiple choices for their situation, so the total is more than 100%. Many people selected that they would be using 2 or more methods to pay.

⁴ The original results from Loan Charge APPG Survey for all participants on can be found on pg.17 - <http://www.loanchargeappg.co.uk/wp-content/uploads/2019/04/Loan-Charge-APPG-Loan-Charge-Inquiry-Survey-Report-March-2019.pdf>

⁵ What is financially survivable for one taxpayer may be an impossible feat for another irregardless of whether they owe £100 or £100,000 pounds. Thus future research would do well to remember that a policy's validity should not be determined simply because the amount the taxpayers owes is within a certain monetary bracket.

Viewing the statistical data collectively from questions, 24, 28, 34, 37 and 38, a woefully small percentage of participants can pay the Loan Charge without signalling any significant financial hardship.

However, the qualitative data from question 39 (*"How would you describe your future if the Loan Charge proceeds?"*) provides a telling tale that the participants who claim they have the means to pay HMRC, will do so at great costs. Participants report that their expectations of their future are destroyed or at best uncertain:

- They will live with the uncertainty as to whether they can afford a retirement.
- They will live with the fear and anxiety that a decrease in pay, illness or upset of any sort will send them into poverty.
- Families will fail to form or will disintegrate because of the Loan Charge debt.
- Future plans to care for ill relatives and spend their last moments with them are destroyed.
- A future that requires one to work their entire life in debt.
- Guilt that their family/partner is suffering from mental, physical health issues as a result of the Loan Charge.
- Guilt that their spouse's retirement plans and financial security are in jeopardy.
- Expectations as a provider for their family for basic needs, or 'lifetime events' (e.g. university, wedding) are destroyed.
- Life is Bleak, Poorer mentally and emotionally, Without Joy, Depressing.
- Leave the country.
- Living under an unjust government and tax system.
- Forever scapegoated.

Based on the qualitative data just 25 of the 1,768 survey respondents (1%) indicated that they will be able to move on from this with a degree of certainty - to settle their affairs with the ability to plan their daily affairs with a financially secure future intact.

The rest say the Loan Charge will impact their lives to such a degree that their future is one of despair and uncertainty. They describe that they have no certainty in reference to supporting their family, retirement, trusting the Government or having a home. Many of these are the taxpayers who can pay the Loan Charge⁶ yet would still live with the distress of having an insecure future tarred by mental and emotional distress.

If many of these participants are unable to settle their affairs with certainty - that means nearly all those utilising Loan Arrangements will also experience social, economic distress.

⁶ Please note that the taxpayers willingness to pay is not an admission of guilt. They think the Loan Charge is solely unfair but lack the means or confidence to challenge HMRC without causing even greater strife.

Conclusion

This is a snapshot for that 1% whose statistical results indicate that they have the means to pay but at the cost of living in a state of constant worry and fear. Such daily strain is impacting their mental health, social relationships and tarnishing their values and belief systems. Therefore, nearly everyone impacted will be crippled by this policy.

Ultimately, regardless of whether one has the means to settle their tax affair or not, the Loan Charge is driving a subgroup of the UK's population, that once valued the ethics of hard work and self-reliance, towards unemployment and dependency on various forms of social benefits (house, NHS for mental health/medication/Stress related illnesses etc.).

Let's be clear. Financial insecurity is rife:

77.8% are under direct threat of bankruptcy⁷.

81.8% expect to lose all or the majority of their savings before retirement

69.9% are concerned that they will be reliant on state benefits because of the Loan Charge as they approach retirement (39.4%) or immediately (29.6%).

This financial insecurity is caused specifically by the retrospective nature of the Loan Charge and will continue to wreak havoc in the coming years as it fails to tackle future tax avoidance. If placing a sizeable segment of the UK's flexible and highly trained workforce into financial ruin is not evidence enough to stop the Loan Charge. Then perhaps policy makers will pause to reflect on how this legislation has the potential to cripple various areas of the UK's health system or reconsider whether they want to create seismic changes in societal norms - away from the value of 'hard work' towards a newly constructed belief in that 'working hard' is no longer a valid way of living a secure life.

The Loan Charge creates debt enslavement and a life of despair with no certainty in sight.

⁷ 'Yes' 51 per cent (900/1761) marked that they were in danger of bankruptcy whilst an 26.8 per cent (472/1761) marked that they are 'Uncertain' pg 21. <http://www.loanchargeappg.co.uk/wp-content/uploads/2019/04/Loan-Charge-APPG-Loan-Charge-Inquiry-Survey-Report-March-2019.pdf>