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Resolve the Loan Charge Scandal in the Budget to save lives and restore faith in the tax system

The Loan Charge Action Group has called on the Chancellor Jeremy Hunt to use the Budget in March to agree a fair resolution to the Loan Charge Scandal and ongoing controversy over His Majesty's Revenue and Customs (HMRC's) approach to historic tax arrangements, to save lives and to restore faith in the tax system. The group that represents victims of the Government's Loan Charge and associated HMRC activity, has sent a budget submission to the Treasury, calling on the Ministers to listen to the group of tax sector professionals who have called for a resolution, as well as calling for measures to deliver much needed taxpayer fairness - something that is vital to restore trust in HMRC. The Group has also [written to the Chancellor](#).

There have now been ten suicides of people facing the controversial Loan Charge. The tenth tragedy was announced by HMRC's First Permanent Secretary and CEO, Jim Harra in a [letter to the House of Commons Treasury Select Committee on 6th January](#).

A resolution is essential, because affected taxpayers simply cannot afford to pay the demands HMRC are making of them. This is also the message of the group of tax and accounting sector professionals who have proposed a [Loan Charge resolution in the form of a new settlement opportunity](#), but on terms that actually allow people to make full and final settlement of an appropriate and affordable proportion of the disputed tax and over a time period that makes payments affordable without hardship or having to sell their home.

Such a resolution would not only assist the tens of thousands of families whose lives are currently blighted due to the situation they are in, but would also assist the Government and HMRC. It would significantly reduce the huge administrative burden of dealing with this issue and would allow HMRC to focus on other areas of important work and compliance. Tax sector professionals also believe that such an opportunity would actually bring in significantly more to the Exchequer than the current approach as many people would then be able to and be prepared to settle.

The majority of people facing HMRC action were genuine victims of mis-selling with scheme promoters and operators stating that they were legal, 'tax law compliant', 'QC approved' and with little, or in most cases, no mention of any risk of challenge by HMRC and where this was mentioned, users were reassured that the promoter/operator would deal with any such action. Despite this, promoters and operators of loan schemes are not being asked to pay a penny of the tax HMRC says should have been paid, despite the huge fees they took, but instead are ruthlessly pursuing those who used schemes in good faith. Chartered accountants and accredited tax advisers recommended and approved these schemes as did some of the largest accountancy firms including some of the 'Big Four'.

As a result of these factors, the settlement opportunity:

- Needs to be based on an appropriate and affordable proportion of the disputed tax HMRC believes is due and on genuinely affordable terms.

- Should not include making taxpayers admit wrongdoing or deliberate tax avoidance, when in many cases, this would be forcing them to make a dishonest admission (there are a significant number of people affected who had no idea their agency/umbrella company had put them into a loan/DR scheme).
- Must be full and final and close the underlying tax dispute.

At the same time, LCAG is calling on the Government to deal with the issue of Loan 'recall', whereby companies who now claim to own the loan books, having acquired them from promoters and operators of schemes, are demanding repayment, despite HMRC also seeking to tax these loans as income. LCAG is also calling on the Government to make agencies responsible for tax in the supply chain, passing the liability to them for referring workers to any schemes later deemed to be tax avoidance. In addition, to stamp out the operation and promotion of unacceptable/non-compliant tax avoidance schemes, which is still happening, LCAG is calling on the Government to tighten the law to make the promotion and operation of such schemes classed as a criminal offence and crucially, to make those who promote and operate schemes wholly liable for tax later deemed to have been avoided.

LCAG has also urged the Government to create legislation for a much clearer and fairer taxpayer system, by limiting the time that tax years can be 'open', with enquiries being automatically closed after 3 years and to stop HMRC charging interest for any periods caused by their own delays or their own failure to act at the time or to act or respond in a reasonable timescale, something that happens routinely at the moment. LCAG has also called for the abolition of Accelerated Payment Notices (APNs) and reinstate the principle of innocent until proven guilty in the tax system and also to ensure all taxpayers have the right to go to a tax tribunal, initially at a fixed cost, for any disputes with HMRC.

The letter and submission comes at a time when over 136 Parliamentarians have signed an [open letter to the Prime Minister and Chancellor](#) calling for them to engage and to find a resolution. A [Loan Charge resolution](#) has been proposed by over 50 professionals from the tax and accounting sectors, calling for the Government to instruct HMRC to find a new affordable settlement opportunity to avoid many bankruptcies and further suicides.

The current Economic Secretary to the Treasury, Andrew Griffith, has previously expressed concern about the Loan Charge and HMRC's approach to people facing it. He called for an amnesty for Loan Charge victims in a debate on the Finance Bill in April 2020 *"for all but the most egregious cases of abuse in respect of the loan charge"*.¹

The hope now is that more and more MPs will call on the Government to listen and that Treasury Ministers will finally engage, to avoid further suicides.

Spokesperson for the Loan Charge Action Group, Steve Packham, said:

"For any Government policy to have caused ten suicides is shocking enough, but what makes this even worse is that the UK Government have been warned again and again that suicides were likely unless they changed course.

"The Budget this year is a chance to put right this administrative mess and to deal with the whole matter in a better way, resolving thousands of cases in a way that avoids bankruptcies, hardship, and suicides, settles disputes, brings in more revenue and with lower administrative and legal costs. As

¹ <https://hansard.parliament.uk/Commons/2020-04-27/debates/C37146D2-C2C0-4146-A015-E038C1E439DA/FinanceBill?highlight=loan%20charge#contribution-591063B9-84FE-41D2-AFD6-A1B9819972F6>

resolution would allow HMRC and the Treasury to focus on other more important areas, such as dealing with inflation and supporting businesses to grow the economy.

“A resolution is surely therefore in everyone’s interests, it would end the living nightmare of tens of thousands of families living in fear of HMRC and would prevent further suicides, but would also resolve the issue for HMRC and the Government, for whom the Loan Charge has become a debacle, to use HMRC CEO Jim Harra’s own word. It’s high time we had some commonsense as well as some compassion and we urge the Chancellor to listen, act and save lives on 15th March”.

ENDS