

Rt Hon Rachel Reeves MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

21st January 2026

Dear Chancellor,

McCann Review into Loan Charge settlement terms: The Government is going to fail to bring matters to a close

We are writing to express our serious concerns about the McCann Review into Loan Charge settlement terms and the Government's response.

We wrote separately to the Exchequer Secretary to the Treasury on 1st December with some detailed questions, to which we still require a detailed response. Since then, we have done further analysis of both the McCann Review and the Government response and also consulted with LCAG members to see how Loan Charge victims will actually be affected.

The reality is that the implementation of this partial review, conducted by someone who was themselves a senior HMRC official, will not allow thousands of people to settle and will not therefore resolve the wider Loan Charge Scandal. This means that it will fail to do what the Government said it was being commissioned to do. Yet another Government failure to add to the ongoing Loan Charge Scandal.

There has also been widespread misunderstanding and misreporting about the reality of how the review implementation will impact those affected. This is most unfortunate and creates a real concern about the impact on already vulnerable people's mental health, when many thousands of people realise the review outcome will not really help them at all and will not allow them to escape the nightmare of the situation they are in. Considering that it has now been confirmed that an eleventh person has taken their own life facing the Loan Charge, this should be of real concern to you and the Government.

Yet due to the Government's interference in the recommendations made by Ray McCann, the implementation of the changes will most certainly not reduce all bills by 50% as has been reported. In addition, due to continuing to treat pre December 2010 tax years differently, many people who have demands from both pre December 2010 and post December 2010 will not be able to settle. All of this flies in the face of the purported reason that the Treasury only commissioned a very limited six-month review into settlement terms, as opposed to a genuine review of the Loan Charge Scandal, which was to resolve cases and allow those who have been so badly affected to get their lives back.

At the time the McCann Review was announced by the Treasury, back in January, the Exchequer Secretary to the Treasury said that the purpose was “*...bringing the matter to a close for those affected*”.

Similarly, in responses to Parliamentary questions, he has also said, on behalf of the Government, when asked why the Government didn’t commission a proper, full and genuinely independent review of the whole Loan Charge Scandal and instead commissioned a partial review of settlement terms:

“The Government does not think it is right for people affected by the Loan Charge to have to wait years for any progress on bringing this matter to a close for them and has therefore ensured that the review has a focused remit, allowing it to report by this summer.”

Yet the reality is that you and the Government are going to fail to meet your own stated objectives.

Due to both the unreasonable exclusions imposed on the review, excluding many people caught up in the scandal and also by imposing a new limit on settlement reductions, this matter will not ‘be brought to a close’ for many thousands of people. It will also therefore not be brought to a close for HMRC or for the Government, **meaning that by your own terms, it is doomed to failure.**

Former Assistant Director of HMRC, Ray McCann, produced a well-structured report, but the highly restricted and biased Terms of Reference have fatally constrained the review and ensures it will fail to achieve its stated objective.

Of course, it is also important to point out that this was never an independent review. Ray McCann, as respected as he is for his many years of work, was a long serving HMRC officer, working in HMRC Counter-Avoidance, the part of HMRC implicated in the Loan Charge Scandal. He himself said on Twitter, “plainly I am not independent” thus making a mockery of all the Government’s attempts to present him as independent – and with the Treasury omitting his HMRC past, when mentioning his past work history!

The Exchequer Secretary to the Treasury has himself confirmed that the whole process has not been independent, indeed that it was the Treasury who came forward with the proposals! In the Finance (No. 2) bill on 16th December 2025 he stated, in response to a question from Matt Rhodda MP:

“In the months that I was in this role, having only been appointed on 1st September, I have worked hard to make sure that we come forward with proposals that I do hope will help draw a line under this issue that those who’ve been affected can see a reasonably and fair set of proposals that will help those who were subject to the Loan Charge to be able to come forward and settle”.

Once again, clear proof, from the Minister's own mouth, that this was never a genuinely independent review at all.

These are the key areas in which the review implementation will fail:

Key issues that will lead to matters not being brought to a close

1. Many cases/people were excluded from the start

The Government took the decision to exclude thousands of cases – and people – from the review. This will mean that there are many people who cannot settle, even if they have Loan Charge demands.

There are several groups left outside the settlement despite being in almost identical situations:

- **Pre- December 2010 cases** – many people are still facing demands for pre December 2010 years, which were originally subject to the Loan Charge. Those people had the Loan Charge lifted by Morse, only now to be pursued for the same underlying liabilities using other powers (including **s684 ITEPA**), which completely undermined the spirit – and intent - of the Morse Review. The McCann Review itself describes thousands of pre-2010 cases as 'analogous' to Loan Charge cases yet does not consider them. The review recommendations state that anyone wishing to settle under the new settlement opportunity must first settle all their pre December 2010 years, under existing and more punitive terms. This will make it impossible for many of these people to consider settling, in which their cases – and all their years – continue to be unresolved. The reality is that many people have some pre December 2010 years and some post December 2010 years, so this is a considerable group of people who will not be assisted by the McCann Review.
- **Post-2019 DR users, including working people in the NHS and social care** – The mis-selling of schemes has continued since 2019, largely due to the deeply ill-considered IR35 off-payroll rules, introduced to the public sector in 2017, yet these workers are excluded from the settlement despite being mis-sold schemes in the same way as those within the Loan Charge period. These cases will therefore continue to be unresolved.
- **2010–2019 DR users just outside the Loan Charge drafting** – Others used schemes substantively identical to Loan Charge arrangements, but which fall just outside the wording of the legislation or were never picked up because discovery notices were not issued in time or for other reasons. Their reliance on professional advice is indistinguishable from those inside the Loan Charge, yet they get no equivalent terms.
- **Earlier settlers and APN (Accelerated Payment Notice)/FN (Follower Notice) payers** – Many people have already paid stacked Loan Charge, interest, penalties and inheritance tax, or paid under APNs/FNs. There is still no clear framework to recalculate and refund over-payments now that more generous terms are proposed for new entrants.

Without including these groups, the whole scandal cannot and will not be resolved, which means an ongoing significant cost to the taxpayer.

2. The Review condemns mis-selling but leaves all responsibility on the victims of mis-selling

Despite the fact that Ray McCann had previously cast doubt on the extent of the mis-selling (and had specifically expressed doubt about the many Chartered Accountants who were directly involved in pushing schemes, including from 2010 onwards) it was pleasing to see proper acknowledgement of this in the report. As well as the damning report by Tax Policy Associates on some well known promoters of schemes, LCAG produced two damning reports exposing the very significant role played by both Chartered Accountants and recruitment agencies.

Yet despite acknowledging this, the McCann review report then bizarrely fails to follow this through, failing to make any recommendation that those responsible for the industrial mis-selling of these schemes – all of whom made substantial amounts of money from doing so – should be pursued for any of the disputed tax. This simply does not make sense, nor can it be seen to lead to a just conclusion, considering the extent of the mis-selling.

This is especially galling when you yourself publicly criticised the previous Government for not going after the perpetrators of mis-selling.

You yourself are on the record stating “*...who are the real culprits here. It's the people who mis-sold products, and people like you are the innocent victims in this sort of war of attrition with HMRC now*”. Yet you announced a review that continued to regard the innocent victims as deliberate tax avoiders whilst ruling out any action against the ‘real culprits’ as you called them, those who mis-sold schemes.

3. The imposition of a £70,000 limit, not proposed by Ray McCann, undermines the whole review

The £70,000 cap on total write-off is unfair and will ensure that many people cannot settle. It is based on the false assumption that those with higher liabilities somehow are more ‘guilty’, despite having been victims to exactly the same mis-selling, including from Chartered Accountants and high street recruitment agencies. In reality, there were many medium level earners who worked through schemes for several years, were never warned by HMRC not to use the schemes and face considerable demands as a result. To assume that these people somehow can afford the huge demands is misplaced.

- Someone on £40,000 a year who was in a DR scheme for several years can easily build up a very large liability. Even with the cap, they can be left with an unpayable balance, despite never having been a high earner.
- By contrast, some higher-earning individuals who used DR briefly may never hit the cap and end up with proportionately more generous relief.

The cap also does not track affordability or remaining working life. It just cuts off relief at an arbitrary figure with no real link to income, age or vulnerability. This is absolutely key to there being any possibility of resolving cases.

4. The review outcome fails to take proper account of victims' age and ability to pay

We wrote to you on 21st November, before the publication of the McCann Review, because LCAG had conducted [a survey of those affected by the Loan Charge](#) showing that many of those affected are retired or near retirement and that this has a fundamental impact on their earning potential and therefore their ability to pay demands.

Unfortunately, when the review came out, this was not adequately taken into account, despite Ray McCann having acknowledged that there are many people who simply cannot afford to pay the sums being demanded, because they do not have the money to do so.

LCAG's survey data show that people aged 60 and over now account for close to half of those affected. Yet the "current income" figures published in [Table 1 of the McCann review](#) appear implausibly high for a group containing so many pensioners and those nearing retirement age. It seems clear that information about historic earnings or assumed 'wealth' is dramatically overstating what people can actually pay now. That means that many people will still not be able to pay the demands being made of them and with the imposition of the £70,000 maximum on settlements, this is significantly more the case.

5. The continued imposition of interest means that the settlement is impossible for many

One thing that hasn't properly been acknowledged by the McCann Review (and not understood at all in the alas far too positive reporting about its impact) is that ongoing interest demands will also render it impossible for many people to settle.

For example, using 2025/26 tax rates show that a £100,000 liability at 9% interest requires roughly:

- £25,700 a year over 5 years (around £2,140 a month), or
- £15,600 a year over 10 years (around £1,300 a month).

For someone on £37,000 gross (about £30,200 net), a 5-year plan absorbs around 85% of take-home pay; even a 10-year plan takes just over 50%. This is simply not realistic for people in their late fifties, never mind their sixties or seventies, particularly after years of disrupted work, off-payroll reforms, ill health and caring responsibilities.

6. It is wrong and unfair to include spousal/partner and/or household income

We are deeply concerned that HMRC may be treating household income – including a non-liable partner's earnings or pension – as part of someone's ability to pay. This is legally questionable, morally unacceptable and practically wrong.

7. HMRC is now seeking to further water down the McCann recommendations regarding promoters' fees

We are deeply concerned to have been informed by advisers dealing directly with HMRC on behalf of Loan Charge victims that HMRC is already seeking to fundamentally alter the McCann Review recommendation regarding promoter fees', in its quest to continue to pursue victims for as much as it can get away with (as opposed to fairer, much reduced settlement terms, which is what Mr McCann and Government Ministers are claiming is the case).

In terms of calculating the sums people would be taxed on, in the new settlement opportunity, the McCann Review report clearly states:

The outstanding liability per year will consist of the unpaid income tax and employee's NICs on the untaxed (loan) portion of earnings, calculated on top of any already declared income (i.e., the PAYE element of any scheme, plus other relevant income in that year).¹

The government accepted this. There has been no mention of increasing the amounts taxed beyond the loan amounts, nor any suggestion that HMRC would be permitted to do so.

Yet we are now being told that HMRC intends to add promoter fees to the taxable totals. This will substantially increase settlement demands.

This is so clearly against the spirit of the McCann Review, yet - exactly as happened with the Morse Review - unless recommendations are explicit and unequivocal, HMRC will attempt to apply its own interpretation and 'view'. The last Government was extremely weak in this regard and allowed HMRC to ride roughshod over the intentions and spirit of Morse, by not tightly drafting legislation implementing the recommendations and then by ignoring HMRC's cynical attempt to water them down once the legislation had passed. The same is going to happen again, unless you and this Government are strong, clear and decisive in preventing this.

The Government must therefore now instruct HMRC that they are not permitted to do this, to avoid further watering down of the recommendations – and pushing the settlement opportunity out of reach for even more people.

8. It is grossly unfair that those who settled under threat of the Loan Charge won't be offered the same terms as those still facing it

It is quite wrong that those who settled are not being now offered the same terms as those who did not. The whole assumption of the failed approach of HMRC and the previous Government was that the threat of the Loan Charge would push people to settle. The contrasting rhetoric from HMRC and from complicit Ministers was that people should settle. Many who then managed to agree a

¹ Page 58 of McCann Review Report, point 27, under the heading 'Recommendation 3a: Unstack the tax years, and calculate the tax owed in the years in which the earnings were received'.

settlement with HMRC did so solely on the basis that they believed they would otherwise face a far higher financial impact. No one would have settled had they known that down the line they would end up in actual fact paying considerably more.

Now that the settlement terms for the Loan Charge are being altered, to not now adjust all settlements that happened due to the threat of the Loan Charge is manifestly against natural justice. Ray McCann himself acknowledged this unfairness at the meeting he had with the Loan Charge and Taxpayer Fairness APPG in April. Those who settled did what Government Ministers and HMRC told them they must do and are now going to be substantially penalised for doing so. That is something that is so clearly wrong and for the Government and HMRC simply to ignore this is both shameful, but also unacceptable.

We note that the First Permanent Secretary and Chief Executive of HMRC, John-Paul Marks, tried to sidestep questions about this (as is all too common with senior HMRC officials) at the Treasury Select Committee meeting on 13th January. In response to questions from Committee member Jim Dickson MP.

Mr Dickson asked *“can I ask where this and the better settlement opportunity now on offer will leave those who have already settled on less advantageous terms?”*

Initially Mr Marks failed to answer the question, so Mr Dickson pressed him again asking *“Should those who have already settled at less advantageous terms than are now on offer approach HMRC to discuss that, or is that just history, finished? “Sorry, you settled at the wrong time on the wrong terms”.*

John-Paul Marks then replied by saying *“Customers who have settled have settled those tax affairs under previous legislation, and that is complete”*.

This is of course ignoring the fundamental point of Mr Dickson’s question, that those who settled, having been pushed to do so by HMRC, now face having done so on worse terms. Mr Marks ‘answer’ is therefore deliberately evasive as well as being disingenuous. He knows full well that HMRC pushed and pushed for people to settle – and he also knows how catastrophically wrong HMRC’s entire calculations and justification for the Loan Charge was. HMRC must be held to account for this and not allowed simply to bat away questions with answers that do not address the point being made.

The Loan Charge Scandal is set to continue – including for HMRC and the Government

Under the current approach, thousands of cases will not be resolved and there will alas be many more years of the Loan Charge Scandal, a continued huge cost per year to HMRC and a headache for the Treasury. Moreover, due to still failing to tackle the injustice and resolve cases, the Treasury figures about how much will be collected continue to be catastrophically wrong. This means that there is a huge hole in the recent Budget. As MPs have said consistently, the figures presented by HMRC and the Treasury as projected income are simply unrealistic – imaginary projections that in reality will never be realised. This is both dangerous, as it means that HMRC will continue to be ruthless in pursuit of money to try to get somewhere near these figures (which has

and will lead to further suicides) but it is also fiscally irresponsible, as it means that figures at the heart of Budget calculations and overall economic forecasts are fundamentally flawed.

Practically, whilst some people with smaller liabilities are likely to accept settlement, many others will not be able to even consider doing so, on the terms offered and many therefore will continue to be trapped in this nightmare.

The reality is that many individuals still lack closure notices. A single line of litigation can take five to seven years, and multiple scheme types will require separate cases. Only after that can HMRC realistically pursue large-scale enforcement. By then, many people will be in their late 60s or 70s; some will have died, leaving surviving partners to face claims against modest estates.

If HMRC will not use bankruptcy, it and the Treasury must accept that a large share of the £1.7 billion still projected will never be collected. If it does push for bankruptcy, it risks a wave of older and vulnerable people losing homes and businesses – and further suicides. That is the very stark choice you face – and ultimately, as Chancellor, you are responsible for it.

As you know, bankruptcies carry a direct fiscal cost, as people then rely more on state support for housing and income and draw more heavily on health and social care. Any marginal tax recovered is partly or wholly offset elsewhere in the system.

This of course is on top of the revelation in the McCann Review report that HMRC has spent £31 million a year on Loan Charge compliance activity yet achieved only 800 settlements in that time. This is roughly £186m in total, which works out at £230,000 per settlement. This equates, approximately, to 600 staff working full-time for six years (3,600 staff-years).

The official estimate is that it will take until April 2028 to contact all remaining cases – another two years, another £62m, and around 1,200 staff-years. Yet the number of settlements will not be realised, for the reasons we explained, so this cost (which will increase year on year) will go on for many more years. This is scandalous – and a remarkable and reckless waste of precious taxpayers' money, money that could and should be used for public services.

In the end, it is perfectly possible that the money HMRC and the Treasury spend on the Loan Charge will exceed the money collected, so extraordinary misplaced is the whole approach. Alas, by failing to genuinely take a different approach from the previous Government, as you promised, you yourself and your Government colleagues become accountable for this. We imagine that the Public Accounts Committee and Treasury Select Committee will take a keen interest in this remarkable fiasco. No wonder you and Treasury colleagues were so keen to avoid a genuine and genuinely independent review of this policy, legislative and fiscal disaster!

If you and the Government were ever serious about your claims about wanting to resolve the Loan Charge Scandal, about wanting to take a different approach from the previous Government and about wanting to bring closure to people, then you must make significant changes to the recommendations that are introduced in the Finance Bill.

Changes needed for the Government to have a chance of resolving the majority of cases

These are the changes needed and we urge you to address them all in the Finance Bill:

- **Broaden the settlement to include all affected**

- All tax years involving the mis-selling of schemes must be treated on the same terms. Extend equivalent terms or write-offs to pre-2010 “analogous” DR cases, post-2019 DR users mis-sold schemes, and 2010–2019 DR users in substantively identical schemes that fall outside the strict Loan Charge drafting.
- Those who have settled must be given the same terms as those proposed in the McCann Review report. Therefore, put in place a clear framework to recalculate and refund over-payments by those who have already settled or paid under APNs/FNs on worse terms.

- **Remove the £70,000 cap and align liabilities with real-world affordability and age**

- Removes the Government’s proposed £70,000 cap on settlement reductions. This is arbitrary and unfair and will make it impossible for many people to settle and if left in place, is likely to lead to more suicides.
- Base liabilities on current income, age and remaining working life, not historic earnings or household income.
- Explicitly reject the use of non-liable partners’ income in affordability assessments.

- **Legislate clearly to prevent HMRC adding promoters’ fees to total taxable liabilities**

- The Government must instruct HMRC that they are not permitted to do this and most importantly must legislate clearly and unequivocally that the taxable totals be precisely as the McCann Review specifies.

- **Provide transparency and realistic forecasts**

- Break down the £1.7bn still uncollected by tax/NICs, interest, penalties and IHT, and by income band and age band, explaining how “current income” has been calculated.
- Publish realistic annual forecasts of expected receipts, write-offs and non-recovery, not just the Exchequer impact against an unpublished baseline.

- **Respect the spirit as well as the letter of Morse – and resolve pre 2010 cases**

- Review HMRC’s use of s684 ITEPA and other powers in pre-2010 DR cases and legislate to switch off remaining unprotected Loan Charge years so people can finally reach closure.

If you and the government are at all serious about wanting to resolve cases and the whole scandal, then we urge you to listen and act. As the previous Government found out, the flawed Morse Review wasn't the end of the Loan Charge Scandal, and sadly, unless the Government is prepared to properly address these issues, the McCann Review will not be either.

We also note that you have failed to respond to our previous letter dated 8th October 2025, about why you as a Government have refused to investigate those involved in the Loan Charge Scandal, who made millions of pounds from mis-selling schemes. This is deeply troubling and, on top of the attempts to deny the 10-15% settlement deal HMRC did with big banks in 2005, continues the cover-up, which is why there needs to be an independent inquiry into the whole matter.

Yours sincerely,



· Alma

Steve Packham Andrew Earnshaw
Spokesman & Executive Director Executive Director

On behalf of the Loan Charge Action Group

cc The Loan Charge & Taxpayer Fairness APPG
House of Commons Treasury Select Committee