Dan Tomlinson MP
Exchequer Secretary to the Treasury
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

13th May 2026,

Dear Dan,

Response to your letter regarding the Loan Charge and the McCann settlement 'opportunity'

We are responding to your letter dated 19th March 2026, which was in response to our letters dated 1st December 2025, 21st January 2026 and 23rd January 2026.

We are, again, responding in some detail to the points you made in your latest letter (no doubt written by your officials and advised by HMRC) as we believe in genuine dialogue - as opposed to the approach you are following – instead of merely stating the Government's already-decided position and making clear that the Government is not prepared to change course.

It is also now clear, from letters shared with us, that the Government is not prepared to listen to concerns expressed by those affected, from advisers and now from MPs whose constituents are realising that the McCann Review settlement 'opportunity' will not end the nightmare for them. It will not. It will fail, according to the simple objective Treasury Ministers set for it.

At the same time, it has become clear that the whole Loan Charge fiasco is costing taxpayers huge sums of public money through HMRC's continued efforts to manage and pursue it. Yet despite the McCann Review and an FOI response exposing these huge costs to HMRC since 2019, no cost projections of the issue going forward appear to have been published, meaning that projections of how much the approach will ultimately raise are not reliable or credible.

You personally have acknowledged the anxiety caused by the Loan Charge and the need for a resolution. However, you are now sticking rigidly to the position taken by the Government, which will leave many thousands of cases unresolved and mean that there is a real risk of further suicides, on top of the eleven unnecessary and tragic deaths caused so far. The Government is clearly not prepared to listen, as your letter makes clear, but the Government's current course of action will in reality simply prolong the nightmare for many of those affected, as well as failing to resolve the wider scandal.

You state in your letter:

> "I know that the loan charge remains a source of anxiety for people and I am determined to help make the loan charge part of their past, rather than a seemingly un-ending part of their future"

Yet the reality is that the McCann Review settlement 'opportunity', as implemented by the Government (and the decisions this Government has taken both at the time the review was

announced and when it then responded to the review) will ensure that many people will see their cases unresolved and that these remain a 'seemingly never-ending part of their future'. The 'settlement opportunity' excludes thousands of people mis-sold 'disguised remuneration' schemes whilst continuing to make it impossible for many others to settle the sums still being demanded. This will be this Government's legacy on this issue, with all the implications of what that means for individuals, for families and for the ongoing costs of administering this mess.

We are responding in detail directly to the main points you raise, so that when the McCann Review settlement 'opportunity' fails to resolve the Loan Charge Scandal – leaving thousands of cases unresolved – you and the Government cannot say you were not warned.

1. Your claim that you didn't respond to our letters as the review was ongoing

You state in your letter that "it would not have been appropriate for me to reply to the letters you sent while the review was ongoing".

Yet the three letters that we were waiting for responses to were sent on 1st December 2025, 21st January 2026 and 23rd January 2026. The McCann Review report and the Government's response to it were published on 26th November 2025. All three of these letters were sent ***after*** these were published!

Considering the profound lack of trust that there inevitably is, in light of the history of the Loan Charge scandal, this excuse given really does not instil confidence in you or the Government regarding this matter. We suggest that you speak to your officials about why they wrote such an embarrassingly inaccurate statement in your name, as it does not reflect well on you (but we do understand that you would have taken their advice at face value on this, so it is they that are really responsible for this).

2. On the suggestion that LCAG is not willing to engage

It is *completely* untrue to claim that LCAG is unwilling to engage constructively. We have engaged seriously and consistently for years. The problem is not a lack of engagement from us, but the continuing failure of both successive Governments and HMRC to confront the practical realities of this issue and instead to peddle propaganda and pre-prepared lines that are not borne out in reality. That, alas, remains the case with your Government and the Treasury as much as it ever has and is in stark contrast to when the current Treasury Ministers were in opposition.

As you know, we wrote to you specifically on 23rd January making it clear that we will meet you if you were prepared to engage, listen and be prepared to make changes so that the McCann Review implementation might stand a chance of succeeding. We stated:

> "We are happy to engage in genuine discussions about the reality of the McCann Review recommendations/Government changes as the Government intends to implement them, as long as you are prepared to listen – and fundamentally, that you are prepared to consider changes to these".

That remains our position, but you have made it clear that you have no intention of making any changes, regardless of the evidence we would present to you, to show you that the McCann Review settlement 'opportunity' will not resolve things in the way your officials are telling you it will.

Indeed, you yourself make clear that far from wishing to engage and address the issues that will prevent many people from engaging in the McCann Review settlement 'opportunity', that you

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wanted "to explore how we can work together to support your members to resolve any liabilities they have with HMRC". In other words, you want to meet us to tell us to encourage all LCAG members to settle.

It is not the role of the Loan Charge Action Group to give tax advice to our members and it would be wholly inappropriate for you, the Treasury or HMRC to suggest we do so.

We therefore declined such a meaningless meeting (and a frankly disingenuous invitation to 'engage') as you stated clearly the Government has no intention of listening or making changes to the planned implementation of the McCann Review.

What we do still require are answers to the specific questions we had put in writing to the Treasury shortly after the McCann Review was published. We wrote to the Treasury on 1st December 2025 and asked for a comprehensive response to the important questions asked in this letter. In your latest letter, you still failed to answer the detailed questions we asked, which is extremely disappointing, if not entirely surprising considering the way that the Treasury and HMRC have conducted themselves throughout the entire Loan Charge scandal. This shows that in reality, it is you and the Treasury that are not prepared to engage on this issue.

We remain willing to engage with Ministers if you are actually prepared to listen, to us, to advisers and to other MPs, all of whom are now well aware that the McCann Review settlement 'opportunity' will fail to resolve the thousands of cases and will leave the whole issue unresolved, with all the worrying implications that has for individuals and families.

It seems that unless you and the Government are prepared to listen and change course, expand and improve the 'settlement offer', then there is no point meeting with you. Peddling the usual discredited HMRC propaganda and giving wholly unrealistic estimates (that senior HMRC officials will already know will not be achieved) is not engaging; it is continuing to try to side-step the reality of this whole scandal and hope it will somehow go away. It will not, and it will remain an issue in your area of responsibility for as long as you are in this role.

We will therefore continue to communicate with you formally and in writing, until and unless you are prepared to meet to discuss changes to the current planned strategy (which, as we will continue to point out, will not achieve your stated aim of resolving cases).

3. On the suggestion that LCAG should encourage members to settle

You say that you hope we will make our members aware that the settlement terms are better than the Loan Charge and encourage them to work with HMRC.

We do not give tax advice to individuals on what they should or should not do in terms of their own cases. We would therefore never suggest to any LCAG members, individually or collectively, what they should do regarding their case. For your letter to suggest this is therefore completely inappropriate, indeed irresponsible, as only qualified professionals can and should give such advice. That is another reason why we declined your meeting invitation and disingenuous offer to engage (which was really, as your letter makes clear, an attempt on your part to persuade us to 'accept' the settlement offer and tell the proportion of our members who will be eligible for it, to take it).

We will not be encouraging anyone to take a particular course of action. That is a matter for individuals in light of their own circumstances and, where appropriate, professional advice. Our role, as a campaign group is to continue to expose the current Government's broken promise to hold

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a “genuinely independent review”, to expose the bias, flaws and failings of the McCann Review and to continue to campaign for a genuinely fair resolution for all affected.

What we will continue to do is explain the facts, explain why the proposals remain impractical for many, and continue to say so clearly. This issue is not going away simply because the Government wishes to declare it closed. Whilst you might not want to hear that now, this will become all too apparent over the coming months and years.

4. On the claim that the new settlement scheme is “generous and fair”

You describe the new scheme as generous, fair and proportionate.

There are several reasons why it is neither fair nor generous.

In terms of ‘fairness’, whilst the McCann Review makes some changes to the terms of HMRC’s demands and provides some reduction for years affected by the Loan Charge , the fact remains that it continues the same strategy of only pursuing users of schemes – victims of mis-selling – and not those who recommended, operated and profited hugely from them (see point 11). This is manifestly unfair.

Secondly, it excludes many cases for precisely the same and very similar schemes mis-sold by the same promoters/professionals, and excludes those who settled believing they would be much worse off otherwise (see point 12b).

Thirdly, it continues the prejudice that those who used schemes for longer periods or had higher incomes are more ‘guilty’ than those on lower incomes, something that has no basis in fact (see point 8).

In terms of it being “generous”, it is also nowhere near the percentages that the big banks were allowed to settle with HMRC for, as exposed by Ray McCann himself (see point 13).

5. On the Government’s stated aim of “bringing the matter to a close”

The Government’s rationale for announcing a limited review into Loan Charge settlement terms (as opposed to the wider genuine review/inquiry into the whole Loan Charge Scandal) was because Ministers claimed it would resolve matters much more quickly.

The Government website page, published when the review was announced, stated that the review “aims to bring the matter to a close for those affected”.

More importantly, in terms of whether the McCann Review will actually resolve cases, we do not believe that the new settlement ‘opportunity’ is pragmatic. If it is not pragmatic, it will not deliver real closure in practice no matter how often it is described as “fair” or “generous” or “proportionate” by Government. The proposed settlement ‘opportunity’ means those with arrangements which fall either pre-December 2010 and post April 2019 cannot access the settlement ‘opportunity’ at all, which is arbitrary but moreover, simply means that these thousands of people will see no benefit and, in many cases, no hope for their situation to be resolved, without bankruptcy.

When looking at the group that can access the settlement ‘opportunity’, the practical reality of the level of the demands involved and the amount of interest HMRC will continue to charge, many people will still face huge monthly demands that they simply cannot afford.

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In addition, there is a not inconsiderable number of people who have both pre-December 2010 cases and cases subject to the Loan Charge (and some people have post April 2019 cases also). These people cannot access the McCann settlement 'opportunity' for the years covered by the Loan Charge, unless they settle their other years first, on more punitive terms, which means many simply cannot afford to do so.

The Government continues to fail to understand the pragmatism required to bring this issue to a close. Instead, if this was really about resolving the issue, rather than simply being seen to fulfil a promise made in opposition, then the Government (and indeed HMRC) should treat this like a business problem requiring a workable resolution, that gives the realistic possibility of all cases being resolved, with much lower costs to HMRC, fewer breakdowns, bankruptcies and suicides – and also resolves this ongoing fiasco for Government and HMRC.

As explained below, the changes to the McCann recommendations made by the Government – to impose a £70,000 limit of reductions and to refuse payment terms over 10 years – will mean that the demands many people will still face are utterly unaffordable, unreasonable and unfair considering that they are (as Rachel Reeves and James Murray acknowledged) victims of mis-selling.

The reality is that the £70,000 cap and forward interest will make it impossible for many people to settle, especially with the Government's rejection of 10-year Time to Pay agreements.

The real test is not whether Ministers can describe the package in favourable terms or how 'generous' it is, which is the current Government line. The test is whether people can actually afford it, whether it resolves matters in the real world, and whether it does so without causing disproportionate human and social harm.

On those measures, it still plainly fails. Considering that the Treasury defended the partial and restricted review on the basis that it would be the best way to bring cases to a close, it will fail according to its own simple stated objective. That is an example of bad public administration.

6. On the claim that around 30% will have liabilities removed entirely

The current Government PR is relying heavily on the claim that around 30% of people within scope (around 10,000 people) could have their liabilities removed entirely, and that more than 80% will not be affected by the £70,000 cap.

We will be the first to welcome any and all cases where people – victims of mis-selling - have their liabilities wiped or very substantially reduced. However as Ray McCann himself made clear, these predictions are based on HMRC/Government estimates – and everyone knows how remarkably unreliable HMRC and Treasury estimates, predictions, projections and impact assessments have been. It is therefore hard to accept these headline figures at face value.

A not inconsiderable proportion of those whose Loan Charge liabilities are predicted to be removed still have to deal with liabilities outside the review scope, particularly pre-Loan Charge disguised remuneration years, if they are ever to achieve full closure. The estimates given, which apply only to Loan Charge liabilities, will therefore exclude those who have other HMRC enquiries for years outside the Loan Charge period (which was arbitrary in itself). Therefore the headline figures, even if they are accurate (which, alas, for all the reasons specified in this letter, we doubt) are misleading

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as some of those people will not have “all their liabilities wiped” or the overall reductions specified, as they have cases that the Government and Mr McCann decided, regrettably, to exclude.

7. On affordability and HMRC 'support'

You say that where people have concerns about their ability to pay, HMRC can provide advice on options appropriate to their circumstances. That is a platitude, not a solution. We also know from our own experience that all platitudes about HMRC “supporting” people are not borne out in the reality of experience, bitter experience reported from hundreds of people over the last six years.

The reality is that forward interest of 7.75% will make it impossible for many people to settle over the maximum five-year period, and the Government, in its wisdom, decided to reject the McCann Review recommendation to offer Time to Pay agreements of up to ten years. We note the slight change that has just been announced, bringing the level of interest down from 8.75% to 7.75% plus £1, but in reality this will not make a significant difference, especially to those with higher liabilities (who are those being given the least support).

At a forward interest rate of around 7.75%, someone paying over five years could end up paying 20% extra, assuming they can sustain those payments at all. Over ten years, the amount repaid is nearer 40% of the original figure". That is not realistic relief. It is simply a longer and more painful route to the same unaffordable outcome.

This also ignores the demographics of the affected population. A very large proportion are older people, with more than half retired or near retirement. Their earning power is lower, their resilience is lower, and their ability to absorb large repayment demands is often non-existent.

The practical alternative you are offering is therefore stark: bankruptcy, forced sales of homes, prolonged distress, worsening health, family breakdown, and in some cases tragedy. These are not rhetorical concerns. They are foreseeable consequences. They are consequences of which you and Ministerial colleagues and senior HMRC officials are well aware. You and the Treasury Ministers are therefore acceptant of those consequences, and you will be collectively responsible for them.

One of the clearest practical questions remains unanswered: if people with relatively small Loan Charge liabilities have still not settled after all this time, why do you think that is? Would it not have been easier for them to make it go away if they could?

The answer, in many cases, is obvious: affordability has always been a major factor. Non-settlement of relatively small liabilities is itself evidence against the Government’s narrative.

People do not leave small liabilities hanging over them for years if they have a realistic ability to pay and achieve closure.

The reality is that if HMRC wants to wipe away 10,000 people’s liabilities – and we would be delighted if it did – then all it has to do is write to people and tell them that (and that that is full and final with no threat of further outstanding action). If HMRC does not do this, then it is hard to believe the claim that these people with lower liabilities will all have their liabilities wiped, in the way presented to the media and MPs.

8. On income levels and liability levels – and the unfair prejudice of the whole review

It has been apparent for some time that the current Government – and Mr McCann – have made the assumption that those with lower liabilities are somehow more deserving of help than those with

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higher liabilities (and on the assumption that those with higher liabilities are 'high earners'). However, this clear prejudice ignores the reality that people on all income levels were subject to the same mis-selling and, regardless of liability levels, are victims of that mis-selling.

In your letter you state:

> "The review concludes these high earners would have had access to independent, reputable tax advisers who should have recognised that these schemes were too good to be true".

This is a completely false premise – and the statement exposes underlying bias of both this Government and Ray McCann, something which was raised by the APPG in April last year and by LCAG and Greg Smith MP in November, prior to the publication of the McCann Review report.

In actual fact, it was many with lower incomes who did not take professional advice, whereas conversely those on higher incomes did seek and take advice, including from Chartered Accountants, as we exposed last year. It is therefore those who did seek and take advice – and were told explicitly that they should use schemes (often to avoid the threat of being caught by 'IR35') and that the schemes were fully compliant and legitimate – who are most affected by the mis-selling.

These were "reputable" advisers – and you and the Government (and Mr McCann) are now fully aware that Chartered Accountants, accredited tax advisers and blue-chip recruitment agencies were directly involved in recommending schemes/umbrella companies. Far from "recognising that these schemes were too good to be true" (a dishonourable and tiresome bit of propaganda created by HMRC as exposed via FOI), these advisers – including hundreds of Chartered Accountants – encouraged people to use these arrangements.

The continued presentation that some people who were mis-sold schemes – and have the evidence to prove this – were responsible for taking the advice of these professionals is completely unfair and is sheer denial of the facts – and denial of the fundamental injustice at the heart of the Loan Charge scandal.

Anyone whose adviser told them it was 'too good to be true' did not use the arrangements. The opposite was the case – Chartered Accountants and accredited advisers, as well as promoters, umbrella companies and blue-chip recruitment agencies, were all advising people to receive their wages in this way (in many cases as the safest, most risk-free way of operating as a contractor or freelance worker).

The denial of this fact does you and the Government no credit and it continues to show that far from wanting to resolve the whole scandal, you merely want to help those you have already decided were morally deserving of help, as Greg Smith MP pointed out in November. He said:

> "…it would be morally reprehensible not to apply equity across all victims, recognising the huge impact this has had on so many lives and families. We need proper and fair settlement for all victims, not just those Labour see as politically convenient."

We agree.

It is also notable that the Government has not responded to the evidence sent to it about the involvement of Chartered Accountants and blue-chip recruitment agencies – all of which shatters the narrative that only disreputable advisers were recommending schemes. In ignoring this, you are continuing to look the other way, letting all those parties off the hook, whilst continuing to

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pursue (and ultimately bankrupt) those who you have acknowledged are victims of these parties' mis-selling.

Alas instead, you are doing what HMRC has done all along, which is to twist the facts and give the impression that those involved were engaged in deliberate tax avoidance, were reckless, and used schemes knowing full well they were not legitimate. For those who were advised to use them, the opposite is the case.

It is also wrong to imply that lower earners were simply more gullible, while higher earners must have known exactly what they were doing. Workers across different income levels were often using the same recruitment agencies and the same umbrella companies. They were being routed through the same structures and given the same reassurances. People entered these arrangements in a wide range of circumstances, very often – at all sorts of income levels - on the basis of representations made by agencies, employers, advisers and promoters. A blanket assumption of knowledge based on the size of the liability or assumptions about income is crude and unjustified.

In enshrining this prejudice – which was apparent well before the review report was published - what you are doing is continuing to guilt-shame those with higher liabilities, something that has been directly cited by some of the families of those who have tragically taken their own lives as a factor in this. That is indeed shameful, but also reckless.

There is also the presumption, inherent in the clear prejudice identified by the APPG and LCAG, that the Government and HMRC assumes that those with higher liabilities have higher incomes now.

This is simply not the case. This clear prejudice ignores the fact that many of those with higher liabilities have them not because of huge earning levels, but because they used the schemes – on the recommendation of professional advisers and without any warnings from HMRC – for many years. It also, of course, ignores the practical reality that some of those with higher liabilities actually have low incomes – in some cases due to loss of career/earnings directly due to the mental health impact of the threat from HMRC or divorce and loss of homes caused by the pressure; in others due to loss of work due to Covid-19 and due to the ill-considered IR35 'off-payroll' rules being introduced; others because they have retired.

In any case, what is a "high earner" in this context? £50,000? £100,000? More? Where exactly is the line drawn? The phrase is being used not as a serious analytical category, but as a rhetorical device to suggest that some people deserve less sympathy and to drive a wedge between those affected.

9. On the decision about the basis for calculating 'liability' levels and promoter fees

You state that promoter fees were typically between 18% and 20% of an individual's total contract value and that individuals may have believed part of those fees were being paid to HMRC as tax. If that is so, then the obvious basis for calculation should be the actual amount the individual received - the loan amount itself - because that is the amount from which they actually benefited.

That would be simple and rational. Instead, HMRC appears to have chosen an unnecessarily complicated method that inflates the figure by adding an assumed percentage and then deducts only part of that assumed amount in respect of promoter fees unless the individual can prove otherwise.

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If the loan amount already represents what the individual actually received, then promoter fees are inherently outside that figure. Grossing up and then partially deducting is not simplification or fairness. It is simply a way of increasing liabilities.

Moreover, the position that people now face, is that they will be taxed on money they never received. This is wholly unacceptable, as well as grossly unfair. It also reflects very poorly on Treasury Ministers, when they talked so tough in opposition about pursuing the perpetrators, not the victims of mis-selling (see point 11) then instead, timidly followed the normal HMRC playbook and continued exactly the same approach of only pursuing those who were mis-sold schemes and used them in good faith (and to avoid HMRC action regarding IR35) and not asking the "perpetrators", to use Rachel Reeves own words, to pay a single penny.

Worse still, the approach taken by this Government is actually that not only are you not seeking to reclaim any of the money – the hundreds of millions pounds of fees paid to promoters, who claimed it was covering tax due – you are now TAXING the victims of mis-selling on this very same money, that has helped buy the likes of Doug Barrowman yachts and properties. That is shameful.

10. On HMRC's implementation of the review

This leads to a wider concern: HMRC's implementation of the review appears markedly different from what many would have expected from the review's intent.

Our understanding was that the recalculation should have been straightforward: apply PAYE to the relevant income in the relevant tax years, reflect the reality of what the individual actually received, and then apply the relevant write-off measures simply and transparently.

Indeed, a standard ministerial response makes the point even more starkly. It says that promoter fees were "typically between 18 and 20 per cent of an individual's total contract value" and that the review therefore recommended "calculating a percentage of the gross amount" to reflect only "approximately half" of the fees assumed to have been paid to promoters. In other words, the victim is still being taxed by reference to money they never actually received, because it was taken by the promoter. How can that possibly be fair? Effectively taxing the victims on the promoters' profits! You couldn't make it up.

Instead, HMRC appears once again to have built complexity into the process in a way that maximises extraction regardless of the mis-selling and ability to pay, rather than delivering a straightforward and fair resolution that might actually resolve most cases.

11. The Government is still pursuing those it acknowledges are victims of mis-selling and doing nothing to pursue those who mis-sold the schemes

As already mentioned above, what is so disappointing about the Government's current stance is that Ministers had previously and explicitly recognised that people are victims of industrial mis-selling. Yet these warm words, spoken in opposition and in meetings with people affected (including when James Murray met with two people that had tried to take their own lives), have meant very little. The current Government criticised the previous Government for the wrong approach, by pursuing the victims of mis-selling, not the culprits.

Chancellor Rachel Reeves said in January last year, when being interviewed by Iain Dale on LBC Radio:

> "…I think you're right…to talk about who are the real culprits here. It's the people who mis-sold products" and described those affected as "the innocent victims in this sort of war of attrition with HMRC now".

She also said of victims:

> "…we're talking about ordinary people on ordinary wages but who were contractors and were encouraged by their accountants to participate in these schemes…and HMRC seem to be coming after the people who were mis-sold these products rather than the people who were mis-selling them, and that is a real scandal".

We agree with what she said then. The latest scandal, therefore, is that she and the Government as a whole have gone back on this and remain content to pursue only the victims of mis-selling and not pursue the "culprits" who mis-sold the schemes.

The role of direct promoters/operators of schemes has been well documented, most notably by Tax Policy Associates. We highlighted last year the role of Chartered Accountants and the role of recruitment agencies in also pushing people to use these schemes. We sent these two reports to the Treasury and you are well aware of the role of promoters. Yet this Government – through the flawed and restricted McCann Review – continues to do nothing whatsoever to pursue any of the parties involved in the industrial mis-selling for any of the disputed tax, despite knowing that huge sums and commissions were being made for doing so.

One of the deepest injustices in this saga remains the persistent focus on end users, while agencies, employers and promoters have escaped any action. The individuals, the party least able to defend themselves (and having in many cases been given false claims that the promoter would deal with any HMRC action or had insurance to cover it), were not the architects of the schemes, not the principal beneficiaries, and not the parties with knowledge of the tax system. Yet the sole focus of action is these individuals, while the promoters who designed and sold the arrangements, and the businesses and intermediaries that facilitated them, have faced no action. That imbalance – and injustice – remains morally and politically indefensible.

As covered in the Tax Policy Associates report, Doug Barrowman made over £100 million from the various family of schemes that he and companies he was involved in, and business associates of his were linked to. Yet he appears to have escaped any meaningful sanction and has not been pursued for any of the millions made. For all the tough talk of Rachel Reeves and James Murray, the reality is that this Government has continued with the utterly weak and frankly shameful position of letting the likes of Mr Barrowman get off scot-free, allowing him and others to keep millions of pounds linked to these schemes that have caused absolute misery to those who followed the advice of these firms.

This Government has therefore chosen to continue to enshrine the fundamental injustice at the heart of the Loan Charge scandal: those who were mis-sold and used these schemes in good faith (often being told that they had to do so to avoid HMRC action over IR35 legislation) continue to be pursued, while those who designed, sold and profited from these arrangements appear to have done far better out of the whole affair.

The contrast with PPI mis-selling is stark. Victims of PPI mis-selling were reimbursed and then paid statutory interest on top. Here, those mis-sold into disguised remuneration schemes are still being

pursued, while those who designed, marketed and profited from the schemes remain far less exposed.

That is a glaring double standard. If people have been mis-sold, then the burden should not simply remain with the victims. The people who should be reimbursing those affected are the promoters and ultimate beneficiaries of these schemes. Yet the Government still fails to address that at all, which considering past comments, is frankly shameful. For you to present the Government's approach as fair, whilst you are letting off those responsible for the mis-selling and continuing to demand unaffordable sums from victims of mis-selling, is ridiculous.

12. On the decision to limit the review to Loan Charge cases and not other related cases

One of the glaring issues with the Government-commissioned McCann Review is that it was restricted to cases where the Loan Charge still applied, not cases where it had applied previously or where the threat of the Loan Charge had pushed people to settle on unreasonable and unfair terms; nor cases that fall outside the application of the Loan Charge.

All these cases, as HMRC fully acknowledges, are related and part of the same issue and overall collection strategy. They are for the same kinds of schemes and involve the same mis-selling by Chartered Accountants, tax advisers, recruitment agencies, employers and promoters/operators of the schemes.

You state, "The Government promised to commission a new independent review of the Loan Charge and that is what it delivered".

This statement is of course untrue, as the McCann Review was not a review of the Loan Charge itself, nor the wider scandal, and it was conducted by a former Assistant Director of HMRC (who has admitted publicly that he is "plainly not independent").

You follow this statement by acknowledging that the McCann Review was nothing of the sort, as you admit:

> "The purpose of the review was to bring the matter to a close for people who have not settled and paid their Loan Charge liabilities…"

That is patently not a review of the Loan Charge or the wider scandal. The purpose of any genuine review would be to actually review the Loan Charge. The restricted, biased and partial McCann Review did not.

Turning to why the McCann Review excluded all other related cases, we note that there is an attempt to present Loan Charge cases as being different from the many other cases where people were mis-sold remuneration loan schemes, when the Treasury and HMRC are well aware – and have always been clear – that all these cases (and schemes) are part of the same issue and problem.

As you well know, HMRC – and the Treasury of which you are a Minister – only publishes figures that related to all action related to DR schemes! As you also know, HMRC and the Treasury routinely refer to '*DR compliance activity of which the Loan Charge is a part*'.

The problem is not simply the Loan Charge in isolation (and never has been) and it is disingenuous to try to suggest this, when HMRC themselves discuss the 'package' to deal with all these cases. Whilst the Loan Charge was an ill-conceived, draconian and reckless piece of legislation, the cases where HMRC had opened enquiries where people had used schemes that they had been mis-sold

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still needed to be resolved (for everyone's benefit, including HMRC's). Restricting the review to the technical boundaries of the Loan Charge may be administratively convenient, but it is not a serious attempt to address the underlying injustice.

As current Government Ministers have acknowledged, people are victims of mis-selling. Some of that mis-selling happened before 2010 and after April 2019, as well as between that arbitrary period. There are people facing HMRC action, some of which will be subject to the settlement 'opportunity' and some not. The decision to refuse them the possibility of settling any and all outstanding demands on the same terms not only makes it unaffordable, but it also makes these cases hugely complicated – all at a significant cost to HMRC.

What is especially disingenuous is conveniently forgetting that the retrospective Loan Charge originally (and outrageously) allowed HMRC to go back twenty years, to 6th April 1999, so all the cases that are still outstanding from 1999 to December 2010 were very much part of the same issue – and remain part of the overall Loan Charge Scandal.

Equally, one of the bizarre failures of the Loan Charge is that it only applies to cases up to April 2019, so cases after this would not be included (encouraging promoters to continue to mis-sell them, including to many public sector workers).

Yet both these categories of cases – involving loan schemes - have been excluded, regardless of the impact of doing this on the lives of those affected or the burgeoning costs to HMRC.

This leaves people in materially similar circumstances being treated completely differently depending on arbitrary timing, procedural history, or whether HMRC happened to pursue one route rather than another. That is not fairness. It is boundary-drawing for convenience. Moreover, it means that the many cases where people were mis-sold schemes will not be permitted to even consider the settlement 'opportunity', despite the Government's claimed ambition of resolving cases. This is simply perverse.

12 (a). On pre-9 December 2010 years and the Morse Review

You quote Lord Morse as saying that HMRC should continue being able to investigate and settle cases before 9 December 2010 under its normal powers where it has appropriate grounds and a legal basis to do so. We are aware that Morse did not say HMRC must abandon all pre-2010 action. That is not the point.

The point is that removing those years from the Loan Charge did not, in practice, deliver justice or closure for many people. Instead, it left them exposed to continued pursuit under HMRC's ordinary powers, often for years longer, and in many cases in a worse practical position than they might otherwise have been.

Your letter states that the Morse Review said "HMRC should continue being able to settle and investigate cases prior to this point [9 December 2010] under their normal powers where they have appropriate grounds, and a legal basis, to do so".

However, HMRC is clearly not using "normal powers" to continue to pursue these historic cases. There was no indication at all in the Morse Review that Sir (now Lord) Morse envisaged that HMRC would do this.

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HMRC were well aware that this was not their 'normal powers' and was likely to be highly questionable. Please refer to the FOI pages 27 and 28. The matter was referred internally to HMRC's 'Contentious Issues Panel' which in itself says it all.

> "To our knowledge, this discretion has not previously been used to remove a PAYE liability which has arguably already arisen….In these circumstances we will consider exercising the discretion to remove the end user's PAYE obligations, which has the effect of placing the tax liability on the contractor…**It is highly likely we will be challenged on our use of the discretion in contractor loans cases".**

You also say that the courts have considered HMRC's use of s684(7A)(b), that the Court of Appeal confirmed the income tax liability is that of the employee, and that the use of the provision was lawful. That still does not answer the real concern.

The fact that HMRC may have been able to use that provision in litigation does not mean that its use in this context is fair, proportionate, or sound public policy. Legal permissibility is not the same as justice.

What has happened in practice is that liability has been pushed onto individuals, while employers, agencies and other intermediaries have often escaped equivalent consequence. For many affected people, this has felt like a further punishment for having been removed from the Loan Charge by Morse: rather than receiving a fairer outcome, they have instead been pursued through a different and highly questionable legal route.

In effect, people who were removed from the Loan Charge by Morse have often found themselves pursued through a different route. It is not enough simply to quote Morse. The question is whether HMRC's interpretation and implementation of that position has been fair, proportionate, or conducive to resolution. In our view, it has not. Moreover, from a practical perspective, these cases will drag on, at greater cost to HMRC and greater human cost. That is a decision the Government has taken – and is therefore responsible for.

Ultimately, as you and HMRC are well aware, the whole Loan Charge scandal will not be over until all cases involving these schemes are resolved. We had hoped, before the announcement of the McCann Review, that you and the Government would have wanted this to happen without causing many bankruptcies, breakdowns and the real possibility of further suicides. Alas, we now know this is not the case.

12 (b) On people who already settled

Your letter entirely fails to address the position of those who settled earlier, often under severe pressure and on significantly harsher terms.

Many did so because the consequences of not doing so were presented as intolerable, so disastrous, and – they were told (by HMRC and Ministers) so much worse than if they did not.

It is therefore plainly and profoundly unfair that they are now excluded from the more favourable treatment being offered to those who had not settled.

This creates a perverse outcome: those who engaged earlier and tried to resolve matters responsibly may now be worse off than those who did not or could not settle. That is not fairness. It is arbitrary treatment of people in materially similar circumstances.

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If the Government is willing to legislate retrospectively to impose liabilities, then it should also accept the principle of retrospective correction where it now acknowledges that previous outcomes were unjust. Retrospective taxation should allow retrospective redress. Otherwise, the Treasury and HMRC will be guilty of the most extraordinary hypocrisy considering the robust defence of the retrospective/retroactive nature of the Loan Charge.

13. On the HMRC deals with large banks – as revealed by Ray McCann

As you know, Ray McCann has twice revealed details of a settlement deal done with large employers/big banks. We note that you continue to try to pretend in replies to letters and Parliamentary questions that this deal did not happen, despite Mr McCann – who was working for HMRC at the time it was being negotiated – making clear that it did.

You say: "HMRC does not recognise the allegation that large employers were allowed to settle for less than was legally due, and that settlement terms were public."

This sentence deliberately twists what the Government and HMRC have been asked to clarify, which is the percentage that these multi-billion-pound banks were allowed to settle with HMRC for, in relation to their use of Employment Benefit Trust (EBT) schemes, which were also, as you know, part of loan and contractor schemes. To use the word "allegation" when you are well aware of the minutes of the meeting between Sir Amyas Morse and Ray McCann and the article written by Mr McCann himself is typical of the approach the Treasury and HMRC take to such matters.

You claim in your letter:

> "I also understand that Ray McCann has written to the Loan Charge and Taxpayer Fairness APPG explaining that he has been misquoted and has never, at any time, suggested that HMRC settled with big businesses for these amounts".

Ray McCann has **not** been misquoted; it is what Ray McCann has publicly and privately stated regarding this deal, that you have been asked to clarify, and so far, you have refused.

What Ray McCann said was this:

Ray McCann told Sir (now Lord) Morse about this at a meeting on 17th September 2019 during the 2019 Morse Review, stating:

> "The earlier settlement opportunity that had been open to large companies had included significant discounts, so that eventually the companies settled for somewhere in the region of 15% in 2015."

In this article ***written by Ray McCann himself***, entitled, 'A Bird in the Hand' in October 2022, he stated:

> "The 2005 settlement opportunity was offered to banks that had used complex EBT and restricted securities tax schemes and defended by HMRC as having recovered all the tax and NIC due from these schemes. In truth, since the banks were excused late payment interest the settlement involved a huge discount and of the banks offered the deal all but one accepted. Even that bank, controversially, later settled on the same or similar terms. In 2011, as the noose tightened on EBT-based tax planning, HMRC announced the EBTSO. Any business that had used an EBT could settle with HMRC and, in stark contrast to the loan charge, HMRC forgave PAYE and NIC liabilities where the EBT had been disclosed but

> HMRC had failed to open an enquiry. And, where a settlement was agreed with HMRC, the trust fund could be distributed to the employees tax free! **Settlements of 10% or 15% of what would otherwise have been payable, assuming that PAYE, NIC and IHT was due, were not uncommon".**

Continuing to repeat the line that "HMRC does not recognise this" is, frankly, untenable.

The new propaganda line, that Mr McCann has been misquoted, when the above paragraph is his own words, from his own article, is not only baseless, but ridiculous.

By refusing to acknowledge the deals Mr McCann has twice referred to, it gives the impression that there is something to hide. HMRC and the Government are involved in a cover-up — not the first one during the Loan Charge scandal, and probably not the last — but it reflects very badly on you personally if you continue to deny something that is of public interest and has been raised by Parliamentarians.

We would hope that you will reconsider the current position of denying what Mr McCann said in his own words, and instead give MPs proper answers as to what percentages these multi-billion-pound banks did settle for, if not the "settlements of 10% or 15% of what would otherwise have been payable", to quote Mr. McCann's exact words.

What is clear – and you must yourself know – is that HMRC are still demanding far higher proportions of initial demands than those offered to multi-billion pound banks. To play word games and pretend there is no basis to Ray McCann's clear reporting of the big banks deal is frankly pathetic. Whilst we realise this dishonest spin will have been cooked up by HMRC and potentially by Treasury officials also, it does you considerable discredit to continue to pretend Ray McCann never said what he said. Please just be honest – which is what everyone, including APPG officers want – and just say what percentage the big banks DID settle for. That will then put an end to the questions – and the ongoing damage to your and the Government's credibility. You should not allow HMRC and Treasury officials to continue to mislead Parliament by writing answers to Parliamentary Questions, that give the false impression that HMRC and the Treasury do not know the details of the deal – and favourable terms as described by Ray McCann, when they of course do.

14. On the claims of how much this will all raise and the costs of doing so

The Government appears to believe this package will finally bring in the published projections – the very significant sums that have been predicted since 2016, just less the £365 million that the Government has said the reductions from the new 'settlement opportunity' will reduce it by, according to HMRC and Treasury predictions.

You state that "the settlement opportunity will come at an Exchequer cost of £365m over the next five years". However, this is not in reality a cost; it is a projected reduction in what have always been unrealistic and unachievable predictions.

Yet for the reasons we have described, the likely outcome remains poor return, prolonged pursuit, widespread hardship, and significant wider social cost.

We refer you to the recent letter sent from the Loan Charge and Taxpayer Fairness APPG to the Public Accounts Committee, which laid out that the projections themselves are artificial. A very large proportion of the £3.2 or so billion – some £1.6 billion - *actually turns out to be merely an*

estimate of the potential value of what HMRC predicted would be saved by deterring future use of such schemes.

As the APPG have said in their letter:

> *This means that the whole basis of the £3.2/3.4 billion figure has been completely unsound and as a result the predicted revenue will not and cannot achieve anywhere near this figure.*

What this of course means is that the entire justification of the uniquely draconian retrospective Loan Charge has been basically a fraud! Considering that eleven people have killed themselves, this is a disgrace and in itself is justification for a genuine inquiry.

Then we turn to the costs of this whole discredited approach.

What your letter also avoids is the actual cost to HMRC (and therefore to the taxpayer) of seeking to resolve the thousands of unresolved cases. Considering the huge sums wasted on this whole fiasco so far, this is deeply worrying.

As exposed by the McCann Review and also by Freedom of Information responses, since it came into force in 2019 HMRC has only achieved an extraordinarily low 800 settlements with individuals facing the Loan Charge. The report said that HMRC estimates their current total annual 'DR [disguised remuneration] compliance resource' cost to be around £41 million per year, with Loan Charge compliance making up £31 million of this. Therefore, in the last six years, it has cost HMRC the region of £186 million. In that time, HMRC has only managed to collect £44 million from individuals.

Rather than pointing to a projected reduction in collection figures that HMRC was never going to achieve, why is the Government not properly publishing the projected costs of resolving the remaining thousands of cases — those where people face the Loan Charge, but also the other pre-2010 and post-2019 related cases?

You state that we asked about the costings of the package and the data used by the review to reach its conclusions, and you point to published material. That does not answer the actual question we were asking.

What we wanted to know, very explicitly, was what the Government's actual recovery target is and how much it realistically expects to receive. Those are straightforward questions. They require straightforward answers. Your response avoids them.

More broadly, your letter repeatedly mentions closure, fairness and 'opportunity', but *never explains what success would actually look like in measurable terms.* How many people do you realistically expect to settle? What net sum do you expect to recover? Over what period? At what administrative cost? At what human cost? How many bankruptcies, forced house sales, repossessions, and long-term payment arrangements are assumed within your model across the remaining disguised remuneration population?

Without answers to those questions, any projections of how much HMRC will collect are artificial.

15. On the wider human cost

One crucial aspect that your letter does not address at all is the wider consequence of continuing this approach with those with higher liabilities, many of whom who simply will not be able to afford

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anywhere near the level of demands you continue to insist HMRC pursue, regardless of the consequences of that.

How many bankruptcies do you expect? How many forced sales of homes? How many repossessions? What assessment has been made of the effect on pensioners and near-pensioners? What estimate has been made of wider impacts on the NHS, mental health services, families and communities?

If the Government wants to describe this as "generous, fair and proportionate", it should be prepared to answer those questions.

16. Your statement that this is your 'final offer'

You say that this is the current Government's final offer. That does not make it pragmatic, affordable or effective. Making it a 'final offer' does not mean workable and does not mean that thousands of people will be able to accept that 'offer' as settlement as the proposed terms remain completely impossible for many of those affected.

You say this is the final chance to resolve this issue through settlement. It may well be the final settlement offer that *this* Government is prepared to make. That does not alter the underlying reality: that due to the restrictions, bias, flawed logic, and the practical reality of the situation many people are in, this new settlement 'opportunity' will leave many cases unresolved, as well as the wider scandal unchallenged. Calling something final does not make it pragmatic, affordable, fair, or effective.

In any case, with the profound instability of this current Government, it is hard to imagine that there will not be a Government reshuffle soon and if there is, we will try to engage with successor Treasury Ministers and hope they do not continue with the current approach of peddling propaganda in the hope that the flawed and compromised 'settlement opportunity' will resolve this scandal. In addition, when Treasury predictions themselves state that it will be several years before cases are resolved, there will be a new Government within that time – and a Government that we hope, unlike this one, will genuinely seek to resolve the Loan Charge scandal.

Conclusion: The McCann Review settlement will not resolve the Loan Charge scandal

Alongside the considerable ongoing costs of administering all these cases – those subject to the McCann Review settlement 'opportunity' and those that are not – will almost certainly mean that the projected 'return' will still be poor, while the impact on those pursued will remain severe and, in many cases, devastating.

It is highly unlikely to deliver the level of recovery the Government appears to hope for, and that is without considering what the costs will be. It is still impractical, hugely overcomplicated, and completely unaffordable for many. It is still unfair to those who settled earlier and to those outside scope but in materially similar circumstances. It still leaves agencies, employers and promoters insufficiently exposed. And it still risks devastating consequences for large numbers of people, many of them now much older and on limited means.

We also need to ask: how long is the Government prepared to allow this situation to drag on? With only 800 people processed from an estimated pool of 50,000-plus since 2019 to the McCann Review, the scale of inefficiency is glaring. At this rate, how long will it take to resolve the outstanding cases, and at what cost? How many more years of taxpayer money will be spent on a policy that is not only

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ineffective but actively causing harm? The numbers simply do not add up. It is clear that the Government needs to re-evaluate its stance before yet further damage is done.

The Loan Charge and the whole associated approach by HMRC is failing on every level. It is inefficient, costly, and most importantly, it is unjust. It has already resulted in significant harm to thousands of people who are victims of mis-selling and who are now being punished for circumstances they did not create.

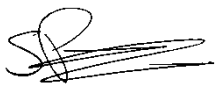
We remain dedicated to finding a resolution that prioritises the dignity and well-being of those affected. We continue to believe that an independent inquiry into the whole Loan Charge scandal is urgently needed to properly investigate the matter (something neither the Morse Review nor the McCann Review was designed to do) and to properly resolve this whole mess and the ongoing failure of policy and public administration.

As the previous Government found out, the flawed Morse Review was not the end of the Loan Charge scandal as they presented it to be, and sadly, due to the intransigence of this Government, the McCann Review will not be either.

James Murray, when he was Exchequer Secretary to the Treasury, in a prior meeting, took us aside and made the comment: "you won't get what you want, you know". Now, having seen the reality of the 'settlement opportunity' arising from the McCann Review, we can say confidently to you (and to him and the Treasury): "and neither will you." Through the clear prejudice, exclusions, and flaws of the whole McCann Review process and Government changes and HMRC implementation, you have ensured that the Loan Charge scandal will continue for years to come.

Finally, we also need to inform you that just last week a volunteer from the Loan Charge Action Group received an email from an individual who said they intended to take their own life, having realised that the McCann Review settlement 'opportunity' still involves an utterly unaffordable (and unreasonable) sum and that they have no possibility of it ending the nightmare for them. We are deeply worried that your intransigence and your failure to deliver a just resolution will cause yet more anguish for many vulnerable people who have already had to endure years of this debacle, knowing that this nightmare will go on for years to come.

Yours sincerely



Steve Packham
Spokesman & Executive Director

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Executive Director

On behalf of the Loan Charge Action Group

cc Rt. Hon. Rachel Reeves MP, Chancellor of the Exchequer
James Murray MP, Chief Secretary to the Treasury

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