



Low Incomes
Tax Reform
Group

A voice for the unrepresented

Banks, building societies, HMRC and their non-taxpaying customers – *A plea for better service*

A research report by the
Low Incomes Tax Reform Group of
The Chartered Institute of Taxation

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Foreword

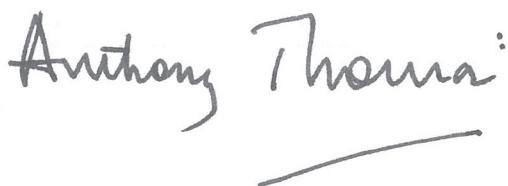
As the title suggests, this report is a clear call to action – better service from banks, building societies and HM Revenue and Customs (HMRC) for people on low incomes who can ill afford to overpay tax on what little savings interest they might receive.

Over the years LITRG has pressed for improvements to the service to low-income savers; but this report demonstrates that there has been little or no progress in the ability of banks and building societies to provide correct and complete information to non-taxpaying savers. The level of possible misinformation is worrying.

Although it is the responsibility of banks and building societies to administer the ‘form R85’ process which allows non-taxpayers to register to receive interest without deduction of tax at source, HMRC also have a duty of care to people on low incomes to ensure that it works.

We call upon all banks and building societies and HMRC to review what is going wrong and engage with us as to how the current system can be improved for the future. The report gives plenty of recommendations which we trust will lead to balanced debate on how this critical area of confusion can be improved.

Signed

A handwritten signature in black ink that reads "Anthony Thomas". A single horizontal line is drawn underneath the signature.

Anthony Thomas

Chairman, Low Incomes Tax Reform Group

1. Executive summary and summary of recommendations

- 1.1. Banks and building societies are obliged to deduct tax at 20% from savings interest before paying it to their investors. If the investors are non-taxpayers they can apply to have their savings income paid to them gross, using the form R85 paper procedure; but too many are unaware of this process and overpay tax. The situation of these individuals has been of concern to the Low Incomes Tax Reform Group ('LITRG') since its formation in 1998, and we have repeatedly drawn the attention of HM Revenue and Customs (HMRC) to the problem. For their part HMRC have run a few 'Taxback' campaigns, encouraging savers who have already overpaid income tax to claim a repayment.
- 1.2. It would be preferable to prevent overpayment of tax in the first place, but this can only happen if the form R85 procedure is publicised and operated properly. To do so is the responsibility of HMRC along with banks and building societies. LITRG has conducted 'mystery shopping' exercises in the past to assess how well they perform this service to their low-income savers, with uniformly poor results. As there appeared to have been little improvement since our last such exercise in 2007, we decided to undertake a further mystery shop in 2012.
- 1.3. Our volunteers' mystery shopping was a mixture of visits in person to bank and building society branches, and online to bank and building society websites. Their aim was to obtain up-to-date versions of both form R85 and the accompanying Helpsheet. The sample of banks and building societies was random, being left to individual volunteers' choice of what was convenient to them. The branch visits were spread across the UK. No two visits were to the same branch, though in some cases more than one branch of the same bank or building society was visited. Of the online visits, some were to the same banks or building societies but by different volunteers and their individual experiences were noted.¹
- 1.4. It is particularly important that the Helpsheet is up to date, as otherwise the customer cannot calculate accurately whether or not they are a taxpayer. Overall the banks and building societies scored a disappointingly low success rate of five out of a total of 52 visits.
- 1.5. The volunteers also provided brief details of their customer experience. In branches, staff were on the whole approachable and generally tried to be helpful. Nevertheless, many of them produced out-of-date versions of form R85 and/or the Helpsheet, and there were a few instances of incorrect advice or unhelpful behaviour, such as advising a customer to go online without considering whether or not that was possible. Online experiences were generally less positive, because of poor website structure and content.

¹ For example, Nationwide Building Society was – by chance – visited five times in total, three times in person at branches and twice online. See the table appendix, shop numbers 6, 19, 45, 47 and 52. These visits were unique, carried out by different volunteers.

This is of particular concern when placed in the context that LITRG volunteers have good tax knowledge and a degree of Internet ability that are not necessarily enjoyed by those who are most likely to require form R85 and the Helpsheet – low-income taxpayers, many of whom are pensioners, for example.

- 1.6. LITRG has a number of recommendations to make as a result of the mystery shopping exercise, of which the key ones are as follows. Ultimately, the performance of the R85 procedure is HMRC's responsibility. HMRC need to do more to ensure that banks and building societies are operating the procedure effectively.
 - 1.6.1. HMRC could be more proactive in obtaining information about interest payments from financial institutions, enabling them to reconcile data to individuals' tax records and automatically issue repayments where appropriate. Now is the ideal time to be considering this, with HMRC's development of personal tax statements and greater transparency of individuals' tax records facilitated by improvements in technology.
 - 1.6.2. HMRC should consider publishing form R85 and the Helpsheet together as one document – this would ensure that customers always receive guidance when they ask for form R85.
 - 1.6.3. Banks and building societies need to train their customer-facing staff to be aware of the form R85 procedure and to appreciate the importance of providing up-to-date versions of both the form and the Helpsheet. This recommendation is particularly urgent in view of the risk of some older taxpayers being misled as a result of changes to age allowances from 6 April 2013.
 - 1.6.4. Banks and building societies must improve their websites so that it is easy to locate downloadable versions of both form R85 and the Helpsheet.
 - 1.6.5. HMRC, banks and building societies could all do more to publicise the form R85 procedure and when it is appropriate for an individual to apply for their interest to be paid gross. Ideally there should be continuous publicity on this issue, not just a one-off event every few years.
- 1.7. Our recommendations are detailed in full in Chapter 3 – see para 3.7ff for those directed towards bank and building societies, and para 3.8ff for those directed towards HMRC.

2. Introduction – who we are

- 2.1. The Low Incomes Tax Reform Group (LITRG) is an initiative of the Chartered Institute of Taxation (CIOT) to give a voice to the unrepresented. Since 1998 LITRG has been working to improve the policy and processes of the tax, tax credits and associated welfare systems for the benefit of those on low incomes. Everything we do is aimed at improving the tax and benefits experience of low-income workers, pensioners, migrants, students, disabled people and carers.
- 2.2. LITRG works extensively with HMRC and other government departments, commenting on proposals and putting forward our own ideas for improving the system. Too often the tax and related welfare laws and administrative systems are not designed with the low-income user in mind, and this often makes life difficult for those we try to help.
- 2.3. The CIOT is a charity and the leading professional body in the United Kingdom concerned solely with taxation. The CIOT's primary purpose is to promote education and study of the administration and practice of taxation. One of the key aims is to achieve a better, more efficient, tax system for all affected by it – taxpayers, advisers and the authorities.

3. Background to this report

- 3.1. LITRG's first report, published in December 1998¹, looked at the tax system as it applied to low-income older taxpayers. From those earliest days, we noted that many older people are reliant on income from savings and investments to supplement inadequate pension income, but the tax system does not always serve them well.
- 3.2. Generally, savings income is taxed at source, with the bank or building society deducting income tax at the basic rate. If the account holder is a non-taxpayer, they either have to reclaim the tax overpaid or take action so that they receive their interest gross by registering with their bank or building society. If they do not do this, they lose money. Although this is not a problem that is exclusive to older people, it is a common issue amongst that group.
- 3.3. In our 1998 report, it was stated that "the Inland Revenue [now HMRC] believe that up to six million people are overpaying tax through failure to act appropriately."² It was estimated that one million or more of this number were over the age of 65, but the total included taxpayers of all ages. A more recent estimate was provided by the House of Commons Committee of Public Accounts in 2010³; its report indicated that approximately 2.4 million older people have overpaid around £200 million because of not having their savings income paid gross of tax.
- 3.4. In the past, HMRC have run 'Taxback' campaigns to try to raise awareness, particularly among pensioners, about the possibility of reclaiming overpaid tax.⁴ This is because there is a concern that many people on low incomes are paying too much tax.⁵ In addition, there is a concern that many of those affected are unaware that they are losing money by overpaying tax, and that even those who are aware that they are overpaying tax do not know how to reclaim the overpayments. Other than the Taxback campaigns, there is generally a lack of publicity about this issue. In view of this, it is disappointing that HMRC do not

1 See LITRG report 'Older people on low incomes – Case for a friendlier tax system', (December 1998): http://www.litrg.org.uk/Resources/LITRG/1_67_Dec98report.pdf

2 'Older people on low incomes – Case for a friendlier tax system', LITRG (December 1998) p. 6: http://www.litrg.org.uk/Resources/LITRG/1_67_Dec98report.pdf

3 'HM Revenue and Customs: Dealing with the tax obligations of older people', House of Commons Committee of Public Accounts (February 2010), pp. 3, 9: <http://www.publications.parliament.uk/pa/cm200910/cmselect/cmpubacc/141/141.pdf>

4 There have been Taxback initiatives in 1991, 2000, 2004 and 2009. Between January 1991 and September 1995 there were several press releases and media briefings to raise public awareness. The campaign that commenced in 2004 "repaid 50,000 pensioners some £20 million in 2005." Catherine McKinnell (Newcastle upon Tyne North) (Lab) Public Bill Committee, Tuesday 12 June 2012, Finance Bill 2012, Clause 18.

5 Prior to the initial Taxback campaign, launched in January 1991, the then Inland Revenue suggested that there were 15 million non-taxpayers receiving interest from savings and investments. By September 1995, the estimate of people eligible for a refund was six million, suggesting much success.

match the details of depositors' savings income they receive from banks and building societies¹ with other data in their possession, which would enable them to issue refunds of income tax automatically where appropriate. The recently-published HMRC Digital Strategy instead suggests, however, that better use of existing data will not be made, as it states that HMRC "will build on that initial customer offering by adding new services such as ... telling us about any bank interest customers have received".²

- 3.5. The paper procedure for UK resident non-taxpayers to register to receive interest gross from their bank and building society accounts uses form R85³ and its accompanying Helpsheet⁴. The Helpsheet is designed to assist the customer in deciding whether or not they are entitled to receive interest gross and to that end contains details of tax allowances. It is therefore essential that this is up to date, to enable the customer to determine their position accurately. It also alerts them to the procedure to follow if they become a taxpayer at a later date.
- 3.6. It is much more efficient and cost-effective for both HMRC and customers when tax is not over-deducted. Catherine McKinnell MP pointed out during the Public Bill Committee debate on Clause 18 of the Finance Bill 2012 that "[The public] expect a decent service from [HMRC], and they want to avoid a situation in which they have to contact HMRC to try to rectify mistakes after they have occurred, because the time it is taking members of the public to do that is getting longer, not shorter."⁵ While HMRC's performance at answering the telephone has improved in the last two years, there is some way to go before call-handling rates by HMRC attain the industry standard of 90%.⁶ The telephone lines are not free phone numbers, so even a simple query can result in a hefty telephone bill.⁷ One of the key points about the form R85 procedure is that if it were operated and communicated effectively, it would help to ensure that more deposit holders pay the correct amount of tax during the tax year, thus reducing the claims on HMRC's time from having to deal with telephone calls, letters and tax reclaim forms.
- 3.7. Form R85 and its accompanying Helpsheet are published by HMRC. Although the materials are published by HMRC, the procedure is operated by banks and building societies, and form R85 must always be submitted to the relevant institution rather than to HMRC. The success of the system for non-taxpayers

1 Deposit-takers are required to make returns to HMRC, see para 4.1 of HMRC guidance for Financial Institutions on 'Type 17 returns', <http://www.hmrc.gov.uk/esd-guidance/s17-guidancenote2012-13.pdf>

"You must report on all accounts that have interest paid or credited for any of your investors who are:

- persons (including associations, companies and clubs) with UK addresses; or,
- individual investors who have an address in a 'Fully Reportable' (FR) country."

See also para 4.10 of that document for the additional information to be returned in the event that an R85 is registered on an account.

2 'HMRC Digital Strategy', HM Revenue & Customs (December 2012), p. 5.

3 The current version of form R85 (04/11) can be downloaded from the HMRC website: <http://www.hmrc.gov.uk/forms/r85.pdf>

4 The current version of form R85 Helpsheet (04/12) can be downloaded from the HMRC website: <http://www.hmrc.gov.uk/helpsheets/r85-helpsheet.pdf>

5 Catherine McKinnell (Newcastle upon Tyne North) (Lab) Public Bill Committee, Tuesday 12 June 2012, Finance Bill 2012, Clause 18.

6 'HM Revenue & Customs: Customer service performance', Comptroller and Auditor General, National Audit Office (December 2012), pp. 4, 6-8, 15-27. The intention is for HMRC to publish this information on a quarterly basis. See: <http://www.hmrc.gov.uk/transparency/cc-perform-mang-info.htm>

7 See LITRG news item: 'HMRC keep telephone callers waiting 30 minutes', 11 April 2012: <http://www.litrg.org.uk/News/2012/promises>.

therefore depends on the service provided by the institutions in terms of proactively making their customers aware of the procedure for registering for gross interest, helping customers to understand whether or not the procedure applies to them and providing the tools to the customer to enable the procedure to run smoothly. As tax allowances and bands generally change each tax year, it is important that banks and building societies provide up-to-date information and tools. There is an added importance to this from 6 April 2013 given the change to age allowances and the consequent risk of some pensioners at the margins being misled into thinking they are non-taxpayers (see para 4.3 and its footnote below).

- 3.8. In effect, HMRC appoint banks and buildings societies as their agents in the operation of the form R85 procedure. It is therefore reasonable to expect HMRC to review the operation of this procedure by the banks and building societies to ensure that their customers are being served correctly and effectively. It does not appear that HMRC are able to review the operation of the form R85 procedure effectively. HMRC delegate the operation of an important procedure, communication and education about the procedure, but fail to take responsibility for these functions. They nevertheless appear to expect non-taxpayers to be fully aware of the procedure.
- 3.9. Against this background, over the course of many years, LITRG has conducted small surveys ('mystery shopping' exercises) into banks' and building societies' performance on gross interest registration.¹
- 3.10. The first such exercise in 1998 produced disappointing results, with no branch providing up-to-date tax allowance information and promotional information being inconsistent and often minimalist.² One of the recommendations from LITRG's 1998 report was that form R85 should be redesigned and made simpler. The then Inland Revenue acted on this in 1999. In addition, the Treasury Select Committee called for a new Taxback campaign to be run in 2000.³
- 3.11. Our last such exercise took place in 2007⁴ but the three key recommendations⁵ we made following that survey have not been acted upon by HMRC, banks and building societies. In our 2007 report, we noted that "There is little HMRC activity in promoting the Taxback message."⁶ In addition, it was only following LITRG intervention that HMRC retained the paper leaflet 'IR111 Bank and building society interest – are you paying tax when you don't need to?'. This leaflet has now been withdrawn.

1 LITRG conducted visits to bank and building society branches as part of its research for its December 1998 report 'Older people on low incomes – The case for a friendlier tax system', p. 34ff: http://www.litrg.org.uk/Resources/LITRG/1_67_Dec98report.pdf

2 'Older people on low incomes – The case for a friendlier tax system', LITRG (December 1998) p. 34ff.: http://www.litrg.org.uk/Resources/LITRG/1_67_Dec98report.pdf

3 Sixth Report of the Select Committee on the Treasury of the 1998-99 Session (May 1999), recommendation (h).

4 See LITRG news item: 'Banks fail low-income pensioners', 12 November 2007: <http://www.litrg.org.uk/News/2007/banks-fail-low-income-pensioners>

5 The three recommendations were that HMRC should not attempt to ask for back taxes from customers who have made mistakes based on a lack of information and HMRC support; that HMRC should be devoting resources each year to matching data in their possession and repaying overpaid tax automatically to non-taxpayers; and that there should be a joint effort by those involved to work out how better to serve affected customers, and how to provide them with the necessary information and help. See LITRG news item: 'Banks fail low-income pensioners', 12 November 2007: <http://www.litrg.org.uk/News/2007/banks-fail-low-income-pensioners>

6 'Older people on low incomes – The case for tax reform' LITRG (May 2007) p. 40.

- 3.12. In light of the above background and little visible sign of progress from HMRC and the banks and building societies, we decided to carry out a further test. We also sought to take account of the continuing development of online banking by looking at guidance on the websites of various banks and building societies. Volunteers conducted another mystery shopping exercise during June 2012, from which this report collates the results.

4. Our mystery shop: summary of findings and recommendations

4.1. The June 2012 mystery shop comprised two parts.

- 4.1.1. First, some volunteers went to local¹ branches of banks and building societies and requested a form for getting gross interest on their accounts. The reaction of staff was noted, as was the success in obtaining up-to-date versions of form R85 and the accompanying Helpsheet (or proprietary equivalents).
 - 4.1.2. Secondly, some volunteers checked banks' and building societies' online guidance². In particular, our volunteers looked to see if the guidance was easy to locate, whether or not there was obvious signposting, and whether or not the search facility produced helpful results.
- 4.2. A tabulated summary of the branch visits and online journeys is appended to this report. We detail our findings in the report below. In essence they are as follows.
- 4.2.1. Only two of the 28 branch mystery shopping visits produced both an up-to-date form R85 and Helpsheet together.
 - 4.2.2. Producing little better results were the online mystery shops, with three out of a total 24 visits to bank and building society websites yielding both an up-to-date form R85 and Helpsheet together.
 - 4.2.3. The combined total is therefore five successes out of 52 branch and online mystery shops.
 - 4.2.4. Of the 52 mystery shops, 29 of them produced form R85 for the customer to complete. But with only five of them being accompanied by an up-to-date Helpsheet, there is a significant worry that people could be obtaining the forms without the required guidance.

4.3. It is crucial that the Helpsheet provides up-to-date information so that the customer can determine accurately whether or not they are a taxpayer and they can have their interest paid gross. A customer using an out-of-date Helpsheet may calculate incorrectly that they are a taxpayer and ineligible for the R85 process if their income is more than the allowances shown on the Helpsheet, whereas an up-to-date

¹ The sample was random, based on volunteers' choice of banks and building societies in a location convenient to them.

² The banks and building societies may or may not have been those used by the volunteers themselves for their personal banking. As the sample was left to the random choice of volunteers, there was no specified aim to achieve any particular spread of banks and building societies. As it turned out, the sample (both online and with branch visits) covered more banks than building societies, but this was merely by chance.

Helpsheet would have shown them they were in fact not a taxpayer. In 2013/14, an out-of-date Helpsheet given to pensioners in particular could also produce cases of R85s being registered where the individual is not entitled as a result of the changes to age allowances from 6 April 2013¹.

- 4.4. The customer service experiences of the volunteers who visited branches were on the surface positive, with the vast majority of members of staff trying to be helpful and sometimes offering extra assistance. There were a few instances of members of staff being less than helpful or providing incorrect advice, for example suggesting that there was no need for the Helpsheet.
- 4.5. In Chapter 5 we make several points about people who might be particularly poorly served – for example, the digitally excluded (in some instances, volunteers were directed to obtain information for themselves online) and people with disabilities (where volunteers were told that the person for whom they were enquiring must come into the branch themselves without staff checking that they were able to do so).
- 4.6. The experiences of the volunteers who made website visits were far less positive, with many volunteers being completely frustrated in their attempts to locate form R85 on the website.
- 4.7. Our recommendations for banks and building societies are as follows.
 - 4.7.1. Customer-facing staff at banks and building societies should be trained to be aware of form R85 and the Helpsheet. They should understand their purpose, when it is appropriate for a customer to use them and how to locate them.
 - 4.7.2. Banks and building societies should never refuse to supply form R85 and the Helpsheet on the grounds that the customer can access them online and print them for themselves without checking that the customer is capable of so doing and indeed happy to do so.
 - 4.7.3. To improve the ease of the online customer journey, banks and building societies should ensure that their websites provide access to form R85 and the Helpsheet, either via links to HMRC's website or documents on their own website (or to an alternative online channel to apply for gross interest). This information must be easy to locate, both from the menu or home page (via links) and using the search facility. The websites should not simply direct the customer to request a form from a branch or to complete an online request form to receive form R85 via the post, although the facility to request a copy by post is helpful for those without printing facilities.

1 Up to 5 April 2013, an increased personal allowance can be claimed by reference to age. The basic personal allowance for 2012/13 is £8,105, increased to £10,500 for 65- to 74-year-olds and £10,660 for those aged 75 and over. But from 6 April 2013 onwards, the basic personal allowance will be £9,440 and the allowance of £10,500 will be available only to those born from 6 April 1938 to 5 April 1948, the allowance of £10,660 being restricted to those born before 6 April 1938.

We can see from this that if for example a 2012/13 version of the Helpsheet is given to someone who turns 65 on or after 6 April 2013, they will mistakenly think they are entitled to an allowance of £10,500 rather than the true £9,440. They could therefore incorrectly register to receive gross interest on up to £1,060 of savings income, unwittingly producing a tax underpayment.

- 4.7.4. Banks and building societies should also ensure that their websites contain basic information on the possibility of claiming for interest to be paid gross, in particular when this might be appropriate, and the procedure for doing this. Alternatively, they should provide links to HMRC's website guidance.
- 4.7.5. Where branches keep hard copies of forms R85 and the R85 Helpsheets to hand out to customers, they should always stock the up-to-date versions. This recommendation must be acted upon urgently, in view of the changes to age allowances from 6 April 2013 and the resulting risk of some older people incorrectly using R85s (see 3.3. above, and the footnote to that paragraph). On the assumption that most branches provide their staff with access to printers and the Internet, it may be advisable to reduce pre-printed stocks and instead to print out copies from HMRC's website as required.
- 4.7.6. Staff should be trained to hand out the R85 Helpsheets with form R85 as a matter of course, and to advise the customer to read the Helpsheets. By failing to do so, customers might incorrectly calculate their tax position. Furthermore, people with disabilities will not be made aware of sources of additional help available to them as this information is given only on the Helpsheets, not on the form itself.
- 4.7.7. To make deposit holders more aware of their tax position, it would be helpful if banks, building societies and other deposit-takers were to automatically issue certificates of tax deducted.¹ This would also provide an opportunity to flag to the taxpayer that they might wish to review their position to check whether they are paying the correct tax.
- 4.7.8. Banks and building societies need to ensure that a helpline number is prominent and easy to locate on their websites. The staff on this helpline should be trained so that they are able to locate form R85 and guidance on the website. Helpline staff should be aware of the content of form R85 and the Helpsheets. Staff should be aware of the HMRC helpline so that they can direct customers appropriately.
- 4.8. It is not just for the banks and building societies to take responsibility in this area. HMRC also have a duty of care to support non-taxpayers in order to ensure that they do not overpay tax or apply for gross registration in inappropriate circumstances (and deregister at the right time). We therefore raise the following for HMRC's consideration.
- 4.8.1. Ultimately, the R85 procedure is the responsibility of HMRC. They may delegate its operation to the banks and building societies, together with some of the communication and education functions surrounding the procedure. Nevertheless, it is up to HMRC to review the performance of banks

¹ Section 975 ITA 2007 obliges any person making a payment under deduction of tax to provide a statement detailing the gross payment, tax deducted and net payment, on written request. There is no obligation to send the certificate automatically. Enforcement of this statutory duty lies with the investor, rather than with HMRC.

and buildings societies to ensure the procedure is operated effectively.

- 4.8.2. HMRC could assist in other ways by setting aside resources to match data in their possession on an annual basis and automatically issuing repayments to non-taxpayers where appropriate. As noted at 3.4 above, they already collect interest information from banks and building societies, which should enable them to perform these reconciliations, building on the existing end of year ‘P800’ tax calculation process and in turn cutting back on processing of repayment claim forms R40. Now is an ideal time to be considering these possibilities in detail as HMRC are developing ‘personal tax statements’¹. HMRC must consult closely on the design of these statements.
- 4.8.3. In designing personal tax statements, HMRC should consider how they will gather a complete picture of individuals’ taxable income². At present, it seems that deposit-takers have a cash flow advantage in deducting tax from interest payments when they are made but paying them to HMRC on a quarterly basis³. Yet by contrast, for PAYE ‘real time information’ is being introduced, meaning that HMRC will receive pay and tax details from employers and pension providers at the time a payment is made. HMRC could consider whether there is scope for a similar system for interest payments so that these details can be reconciled automatically to the individual’s account, with overpayments and underpayments then being identified without the need for a claim. It would appear that in due course HMRC will expect the customer to provide the relevant information on interest, rather than the banks and building societies.⁴ We therefore recommend reconsideration of this proposal.
- 4.8.4. HMRC should take more steps to publicise the form R85 procedure. They should also encourage the banks and building societies to take more proactive steps to raise awareness among their customers. This is an action point that was mentioned in the House of Commons Committee of Public Accounts report in 2010, “The Department needed to do more work to help older people understand whether they were eligible ... to receive savings interest gross of tax.”⁵
- 4.8.5. Often HMRC pursue taxpayers for income tax that has been underpaid as a result of the taxpayer

1 See Budget 2012. “... the Government will: ... provide from 2014–15, a new Personal Tax Statement for around 20 million taxpayers. This will detail the income tax and National Insurance contributions (NICs) they have paid, their average tax rates, and how this contributes to public spending; ...”

http://cdn.hm-treasury.gov.uk/budget2012_complete.pdf

2 Indeed, Mark Hoban MP confirmed that the intention is for Personal Tax Statements to provide a complete picture: “The hon. Lady asked about the personal tax statements that we will introduce. The intention is to capture all sources of income; again, that will help to raise the issue’s profile and ensure that as many people as possible register to receive their interest income gross. I hope that the hon. Lady is reassured that work is being done to encourage the people who are not eligible to pay income tax to register to receive their interest income gross. HMRC and the Money Advice Service can help with that. Account providers, as the hon. Lady said, have an important role to play in this.”

Hansard, Col 293, Finance Bill Committee 12 June 2012 (morning)

3 Section 947 Income Tax Act 2007

4 ‘HMRC Digital Strategy’, HM Revenue & Customs (December 2012), p. 5.

5 ‘HM Revenue & Customs: Dealing with the tax obligations of older people’, House of Commons Committee of Public Accounts (February 2010), p. 10.

lacking information and support. Where HMRC have failed to communicate and educate non-taxpayers and taxpayers concerning the form R85 procedure and this has resulted in an underpayment of tax, HMRC should not pursue the underpayment. Penalties should only be considered where there has been deliberate behaviour resulting in an underpayment. Again we would highlight here the particular risk of incorrect R85 registration from 6 April 2013 as a result of the changes to age allowances if customers are misled by out-of-date Helpsheets.

- 4.8.6. There needs to be a review of government website material, with a view to ensuring that the guidance is easy to locate and navigate. In addition, a search for 'R85', 'interest without tax' or 'gross interest' should enable a visitor to either the HMRC or the gov.uk website to locate the guidance. If HMRC material is to move to gov.uk, it is important that there are no omissions and that the material is managed carefully for accuracy.
- 4.8.7. One flaw we noted while mystery shopping was that, on many occasions, a volunteer successfully obtained form R85, but was unable to obtain the Helpsheet. HMRC should consider publishing form R85 and the Helpsheet as a single document, so that the request for the form automatically results in a customer receiving both the form and the Helpsheet. Given that HMRC expect customers to read the Helpsheet before completing the form, this would appear to be a reasonable suggestion.
- 4.8.8. Finally, given the benefits of the R85 procedure if it is promoted effectively, we recommend that HMRC work together with banks and building societies to consider how best to operate it. With HMRC considering the possibility of online forms, particular consideration should be given to how the form R85 procedure can work best in the online arena. As part of this review, HMRC should consider why National Savings & Investments (NS&I) does not currently use the R85 procedure and consider changing this situation, as many NS&I investors are non-taxpayers¹. The current position therefore seems illogical.

1 See NS&I website which says (emphasis added in italics):

“Non-taxpayers

If you don't pay tax, you can choose to receive gross interest (interest without tax deducted). This is part of HM Revenue & Customs' Tax Deduction Scheme for Interest (TDSI). In some cases, this interest might turn you into a taxpayer.

To do this, you need to complete tax form R85, which you can get from your savings provider or the HMRC website.

National Savings and Investments (NS&I) was excluded from the TDSI because it was seen as offering traditional savings products that were mainly held by those not liable to pay tax. This means that if you don't pay tax and have an NS&I investment where tax has been deducted, you should claim it back from HM Revenue & Customs.”

<http://www.nsandi.com/you-and-your-money-savings-made-simple-important-considerations-what-about-tax>

5. Our mystery shop – detailed analysis of findings

5.1. **Contact made**

- 5.1.1. Volunteers for LITRG carried out 52 mystery shops during June 2012. Of that total, 28 shops were carried out by visits to local branches of banks or building societies. The remaining 24 shops were carried out online, by visiting the website of a bank or building society. The online shops involved volunteers trying to locate guidance and form R85 using both navigation and search or help facilities on the websites.
- 5.1.2. The mystery shop covered most of the major banks and building societies in the UK. The banks and building societies may or may not have been those used by the volunteers themselves for their personal banking.
- 5.1.3. There was no stated aim to achieve any particular spread of banks and building societies. As it turned out, the sample (both online and with branch visits) covered more banks than building societies, but this was merely by chance. In addition, some banks and building societies were covered more than once, as shown in the table of results in the appendix, although each volunteer visited a particular bank or building society once only. No two visits were made to the same branch of the same bank or building society.

5.2. **Bank and building society branch visits – Form R85**

- 5.2.1. There were 28 branch visits to banks and building societies. Of these visits, 21 were successful in obtaining a copy of form R85, whether the branch provided a form pre-published by HMRC, a copy printed from the HMRC website, or a proprietary substitute.
- 5.2.2. There were a variety of reasons why seven visits were unsuccessful in obtaining a copy of the form:
 - 5.2.2.1. In two cases, the members of staff advised the volunteer that the bank no longer used the form R85, but that a customer could alter the tax status of their account in branch either on opening the account or at a later date.
 - 5.2.2.2. In two cases, the members of staff advised that the customer should go online and locate the form and guidance themselves.
 - 5.2.2.3. One member of staff advised that gross interest could be applied for when the account is opened, and form R85 completed at that time.

- 5.2.2.4. One branch had run out of hard copies of form R85.
- 5.2.2.5. Finally, at one branch, the member of staff consulted appeared to have no idea about either form R85 or claiming to have interest paid gross.
- 5.2.3. At the time of the mystery shop, the current version of form R85 was dated 04/11. The current version of form R85 was noted as being obtained in 12 cases. There were two forms dated 4/10 and one form of each of the dates 06/09, 04/08 and 05/06.
- 5.2.4. While we recognise that it is helpful for branches to stock hard copies of form R85, it is not best practice for them to hand out old stock to customers, as these forms may contain incorrect or misleading information. This will be a particularly important issue from 6 April 2013, when the entitlement to age-related personal allowances switches from ages 65 and 75 respectively to a fixed basis by date of birth – 6.4.1948 and 6.4.1938¹.
- 5.3. ***Bank and building society branch visits – Helpsheet***
- 5.3.1. Only ten of the 28 branch visits were successful in obtaining a copy of the R85 Helpsheet, whether the branch provided a form pre-published by HMRC, a copy printed from the HMRC website, or a proprietary substitute.
- 5.3.2. There is incomplete data concerning the reasons for the lack of success in obtaining the R85 Helpsheet. In some cases, it appears that the branch staff offered form R85 without the Helpsheet. If the volunteer did not specifically request the Helpsheet, it was often not obtained and a more detailed reason for the omission was not obtained either. This indicates that if the customer does not know to ask for the Helpsheet, it is very likely that it will not be supplied.
- 5.3.3. There are some cases that can be identified however, as follows:
- 5.3.3.1. In eight cases, the reason for not providing the R85 Helpsheet was not identified.
- 5.3.3.2. In three cases, the member of staff incorrectly advised that the R85 Helpsheet was unnecessary as the form is very simple to complete.
- 5.3.3.3. In two cases, the volunteer was advised that everything would be taken care of in branch, and that the bank no longer used form R85 or its Helpsheet.
- 5.3.3.4. In two cases, the branch simply did not have the Helpsheet.

¹ Budget 2012. “ARAs [age-related allowances] will no longer be available, except to those born on or before 5 April 1948. The higher ARA will only be available to those born on or before 5 April 1938.” See further paragraph 4.3 of this report.

- 5.3.3.5. In two cases, the member of staff advised the volunteer to go online for both the form and guidance.
- 5.3.3.6. In one case the member of staff appeared to have no idea about either form R85 or claiming to have interest paid gross, and consequently did not know about the R85 Helpsheet.
- 5.3.4. In some cases, the member of staff offered to assist with the completion of form R85, or a proprietary system was used in branch. The provision of these services is helpful, but there is a presumption on the part of the banks and building societies that do not automatically provide the R85 Helpsheet that a customer is correct in applying for interest to be paid gross and that they fully understand the implications.
- 5.3.5. Although it is a taxpayer's responsibility to ensure that any such claim is valid, it is irresponsible of a bank or building society to provide form R85 without the accompanying R85 Helpsheet which provides the information they need to make that decision. In addition, this goes against HMRC's intention in providing form R85, which they clearly expect to be completed only after reading the R85 Helpsheet.¹ Banks and building societies cannot assume that an individual who requests form R85 has read the R85 Helpsheet. They must therefore provide it.
- 5.3.6. At the time of the mystery shop, the current version of the R85 Helpsheet was dated 04/12. Of the ten R85 Helpsheets obtained, two were the current version, seven were dated 04/11 and one was dated 04/10.

5.4. *Bank and building society branch visits – Form R85 and Helpsheet*

- 5.4.1. Of the 28 branch visits, just two of them were successful in that the form R85 (either supplied or available on opening an account) and Helpsheet obtained were current versions giving 2012/13 personal allowances figures.
- 5.4.2. As noted at 5.3.5., it is important that both form R85 and the Helpsheet are provided to the customer. It is clearly HMRC's intention that an R85 should only be completed once the customer has read the Helpsheet.
- 5.4.3. In addition, it is crucial that the versions provided of both form R85 and the Helpsheet are current.
- 5.4.4. It is disappointing to note that there is no significant improvement from the position during our mystery shop in 1998. During that survey, there were 40 visits, and 38 branches provided a form, although none were up to date.²

1 ‘**Before you fill in this form, please read these notes carefully** To check whether you are entitled to receive interest without tax being taken off, you must read R85 Helpsheet for the current tax year first.’ – R85 (HMRC 04/11).

2 ‘Older people on low incomes – Case for a friendlier tax system’, LITRG (December 1998) p. 34ff.: http://www.litrg.org.uk/Resources/LITRG/1_67_Dec98report.pdf

5.5. ***Bank and building society branch visits – Customer service***

- 5.5.1. In the majority of cases, whether or not form R85 and the Helpsheets were provided, our volunteers met with good customer service. In most cases, the volunteers described the members of staff as helpful. In a few cases, they were very helpful, offering to assist with the completion of form R85, or describing the process adopted at that particular branch.
- 5.5.2. There were only a few instances of poor customer service. In two cases¹, the member of staff advised that the ‘friend’ referred to by the volunteer would have to come into the branch in person. The member of staff made no attempt to ascertain whether or not the individual was capable of coming into the branch. In two cases the member of staff advised the volunteer or their ‘friend’ to go online and download form R85 themselves, in one case flatly refusing to print the form off in the branch. In each case the member of staff made assumptions about the capacity of the customer to access a computer and printer, and to use the Internet.
- 5.5.3. The cases in which the member of staff advised the volunteer to go online are of particular concern to LITRG, as non-taxpayers are likely to have a low income. LITRG’s May 2012 report on digital exclusion drew attention to the fact that low-income households are less likely to have computers or access to the Internet. It follows that a customer requesting a form R85 may well be more likely to be digitally excluded than the average taxpaying bank customer.² It is therefore not appropriate to advise a customer asking about gross interest in branch to go online without considering their ability to do so.

5.6. ***Bank and building society branch visits – Incorrect advice***

- 5.6.1. In the majority of cases, very little advice concerning the form was provided by members of staff. In a few cases, advice was provided as to the process to follow with form R85. Normally this was correct, and volunteers were told to return the completed form to the branch. On one occasion, the member of staff incorrectly told the volunteer to send the completed form R85 directly to HMRC.
- 5.6.2. In a couple of cases, the member of staff was unaware of form R85 or the ability to claim interest paid gross. In one instance, the member of staff asked the volunteer to bring their ‘friend’ into the branch to discuss the point, which suggests they were aware of a possible process – it should be noted that this particular bank no longer uses form R85. In another case, the volunteer was nevertheless successful in obtaining form R85, because they asked to speak to the manager, in view of the member of staff’s lack of knowledge. At this point it is worth noting that all LITRG volunteers have some background knowledge of tax and the form R85 procedure. This means that this particular volunteer knew that they were correct and to ask for a more experienced member of staff. An individual with limited or no tax knowledge, that is,

1 See Appendix table, numbers 32 and 48 – both visits to Santander but by different volunteers and to different branches.

2 http://www.litrg.org.uk/Resources/LITRG/Documents/2012/05/digital_exclusion_-_litrg_report.pdf. In particular, we refer to ‘para. 5.4.1 Access’ and ‘Appendix 2: Fast Facts on digital exclusion’ of the report.

someone with the level of tax knowledge of the vast majority of the population, would be more likely to give up if the member of staff was unable or unwilling to assist.

- 5.6.3. In three cases, the member of staff advised that there was no need for a Helpsheet as the form was simple to complete. This is incorrect advice as HMRC make it quite clear that someone should only complete form R85 once they have read the Helpsheet.¹ Although the R85 itself might be a straightforward enough form, it is essential first for the customer to have understood they are eligible to complete it.
- 5.6.4. One bank (Santander) apparently does not use form R85 or a substitute, but has a process which can be accessed in branch or online. This may explain the lack of knowledge displayed by staff at a couple of branch visits involving this particular bank. If a bank or building society adopts its own process, its staff members nevertheless need to be aware of form R85 and how this corresponds to its own procedures, so that they are fully prepared for the queries of customers. In general, it would be helpful if all banks and building societies adopted the standard HMRC forms and procedures, rather than devising their own proprietary forms and systems. A non-taxpayer may have accounts with multiple banks and building societies; as the form R85 procedure must be followed for each account, it is confusing for the customer if there are different procedures or forms in use at different organisations.

5.7. ***Bank and building society branch visits – Assistance for those with particular needs***

- 5.7.1. As noted at para 5.6.2 above, there were a few instances where members of staff were not very helpful and exacerbated this fact by making assumptions about the capabilities of their customers. These assumptions included that the customer would be able to come into the branch in person or that the person had access to a computer, a printer and the Internet and the ability to use these to obtain a copy of form R85.

5.8. ***Bank and Building Society website visits – Form R85***

- 5.8.1. There were 24 mystery shops carried out online by means of visits to websites of banks and building societies. Only eight website visits were successful in obtaining a copy of form R85 (although just three were in reality deemed ‘successful’ in terms of producing both R85 and an up-to-date Helpsheet together), whether by locating a link on the bank or building society website to the form on HMRC’s website, or a proprietary substitute on the bank or building society website.
- 5.8.2. This is a very low rate of success.² The visits that failed can be analysed as follows:

- 5.8.2.1. In nine cases, the volunteer was unable to locate any advice on how to register for interest to be

1 ‘**Before you fill in this form, please read these notes carefully** To check whether you are entitled to receive interest without tax being taken off, you must read R85 Helpsheets for the current tax year first.’ – R85 (HMRC 04/11).

2 The online mystery shop results do not take into account whether or not the process of opening an online account asks whether or not you are a taxpayer.

paid gross or a link to form R85.

5.8.2.2. In four cases, the volunteer managed to locate guidance, which directed them to ask for form R85 in a branch. There was no link to download the form.

5.8.2.3. In one case, the volunteer located a link to form R85, but it was broken.

5.8.2.4. In one case, the website offered guidance, and the facility to request form R85 online, but not to download it. This website also suggested obtaining the form in a branch.

5.8.2.5. Finally, in one case, the only advice the volunteer could locate was to telephone Customer Services.

5.8.3. At the time of the mystery shop, the current version of form R85 was dated 04/11. Of the eight copies obtained, all of them were up to date, though this apparent success of online access to forms over printed copy was let down by the fact that only three were accompanied by an up-to-date Helpsheet.

5.8.4. It is of particular concern that LITRG volunteers had a poor success rate in their online research, given that they are more likely than the average person to know what they are looking for and what search terms to use. They also generally have a good working knowledge of computers and the Internet, which may not necessarily be the case for some members of the low-income population.¹ The low level of success in obtaining a copy of form R85 online from bank and building society websites suggests that this is an area for improvement for many of the institutions.

5.9. ***Bank and Building Society website visits – Helpsheets***

5.9.1. Only six of the 24 mystery shop website visits were successful in obtaining a copy of the R85 Helpsheet, whether by locating a website link to the form on HMRC's website, or a proprietary substitute.

5.9.2. At the time of the mystery shop, the current version of the R85 Helpsheet was dated 04/12. Of the six R85 Helpsheets obtained, three were the current version (or proprietary equivalents), and three were dated 4/11. With online links, we can see little excuse for providing out-of-date versions of the Helpsheet, particularly if a link is made directly to the official source rather than to embedded documents in the bank or building society's own website.

1 We refer again to the LITRG report on Digital Exclusion: http://www.litrg.org.uk/Resources/LITRG/Documents/2012/05/digital_exclusion_-_litrg_report.pdf. In particular, we refer to 'para. 5.4.1 Access' and 'Appendix 2: Fast Facts on digital exclusion' of the report, where it indicates that those on low incomes (who are more likely to require form R85) may have a lower than average degree of digital literacy.

5.10. *Bank and Building Society website visits – Form R85 and Helpsheets*

- 5.10.1. Of the 24 online visits, only three were successful in obtaining current versions of both form R85 and the accompanying Helpsheet.
- 5.10.2. As noted above, it is important that current versions of both form R85 and the Helpsheet are provided to the customer.
- 5.10.3. LITRG has not previously carried out an *online* mystery shop for form R85 and the Helpsheet. However, in the survey carried out in 1998 there was a review of bank and building society guidance. This is now generally provided online. It is disappointing to note that there are similar problems with current online guidance to those there were with the paper guidance in 1998, for example, inconsistency between institutions as to how much detail is provided, and the fact that the guidance of some institutions is either minimalist or misleading.¹

5.11. *Bank and Building Society website visits – Customer service*

- 5.11.1. In the majority of cases, whether or not form R85 and the Helpsheet were obtained, our volunteers did not engage with customer service staff directly. In one case, the volunteer sought assistance in locating form R85 on the website by telephoning the bank's helpline. The volunteer described the member of helpline staff as helpful, and was consequently successful in obtaining form R85 via the website in question.

¹ 'Older people on low incomes – Case for a friendlier tax system', LITRG (December 1998) p. 34ff.: http://www.litrg.org.uk/Resources/LITRG/1_67_Dec98report.pdf

6. HMRC and government guidance

6.1. **HMRC website**

- 6.1.1. We note that there are two sets of information on the HMRC website in addition to the download link for form R85 and the Helpsheet and the R85 calculator.¹ Within ‘Tax refunds and reclaiming overpaid tax’² there are good, brief explanations, as well as links to form R85 and the Helpsheet. Within ‘Bank and building society interest’³, the explanations are more detailed and technical – they are therefore perhaps less clear to the average HMRC customer. It is unclear why there are two sets of information, although this may be a result of historical changes to HMRC website content. We think it would be better to refine and consolidate this information – this should make it simpler for HMRC to maintain.
- 6.1.2. Form R85 and the Helpsheet are available in a large print version for individuals who are visually impaired. The Helpsheet also refers to accessibility to the HMRC helpline using Typetalk and offers different formats, such as Braille, audio and large print for the Helpsheet and form R85. Form R85 does not itself refer to different accessibility options. This is another reason why it is important that banks and building societies provide both form R85 and the Helpsheet together. If they do not, people with disabilities who receive only form R85 will not be made aware of information which could assist them.
- 6.1.3. Form R85 and the Helpsheet are updated annually to reflect the changes in the personal allowances and other tax changes of relevance. We suggest that HMRC consult more widely in respect of updating and reviewing form R85 and the Helpsheet as we think there are other allowances that should be referred to by the Helpsheet. For example, the current R85 Helpsheet refers to Jobseeker’s Allowance and taxable Incapacity Benefit, but does not mention contribution-based Employment and Support Allowance, Carer’s Allowance or Widowed Parent’s Allowance in the taxable benefits section.

6.2. **Gov.uk**

- 6.2.1. The gov.uk material is brief, comprising one web page⁴. At the time of writing, our review showed that there are links to the HMRC website for the R85 calculator and the form R85. There is no link to the Helpsheet, which is presumably because the online calculator is supposed to take the place of the Helpsheet. But the wording does not make it clear that individuals should use the calculator or Helpsheet

1 <http://www.hmrc.gov.uk/calcs/r85/index.htm>

2 <http://www.hmrc.gov.uk/incometax/tax-free-interest.htm>

3 <http://www.hmrc.gov.uk/tdsi/key-info.htm>

4 <https://www.gov.uk/apply-tax-free-interest-on-savings>

before filling in the R85 – readers are only directed to the calculator if they are claimants of blind person's allowance or married couple's allowance.¹ There is a brief and basic explanation as to when someone may claim to receive gross interest, but there is no explanation of the procedure to follow, other than that you ask your bank or building society. This again places the onus on the financial institutions to give out the correct information and advice, which is worrying in view of our findings above.

- 6.2.2. As with much of the initial tax information that has appeared on gov.uk, a true picture of the complexity of the tax system has been sacrificed for the sake of brevity. There are no links to further explanations, and therefore nothing to suggest that the information on gov.uk is incomplete.
- 6.2.3. The paucity of the information on gov.uk is highlighted when one considers that held by the previous Directgov website, which gov.uk has replaced. The Directgov material was clear, and explained well the issue of eligibility for gross interest. It also provided a variety of links to further explanations elsewhere on the Directgov website, the HMRC website for form R85 and the Helpsheet and the more complex HMRC section, 'Bank and building society interest'. The Directgov material was similar to HMRC's information at 'Tax refunds and reclaiming overpaid tax'.
- 6.2.4. We understand that the intention is for online publishing to move from the HMRC website to gov.uk. The stated aim of gov.uk is to be simpler, clearer and faster for users. The aim also seems to be to have different levels of material aimed at different users – thus there will be basic information for non-specialists and more detailed information for specialists.^{2/3} We would therefore hope that the quality and quantity of information on gov.uk will improve, particularly with adequate consultation with external stakeholders.

6.3. ***Interaction of HMRC website and gov.uk***

- 6.3.1. There is little interaction between the HMRC website and gov.uk. A visitor to HMRC's website will not need to visit gov.uk, as the material is clear and helpful on HMRC's website. A visitor to gov.uk, however, will not be guided to the R85 Helpsheet and will not be able to access easily all the information needed to enable them to make an informed decision as to whether or not they can claim for their interest to be paid gross.
- 6.3.2. We do not suggest that gov.uk needs to increase the level of detail on the topic of form R85, but it must make it clearer that its information is incomplete and provide obvious links to HMRC's guidance. It is also important that there is a separate link to the Helpsheet and/or it must signpost all users to check their eligibility to complete the R85 by using the online calculator tool in place of the Helpsheet.

1 The page notes: 'If you get Blind Person's Allowance or Married Couple's Allowance, these figures [personal allowances] will be higher. Check using HM Revenue & Customs' (HMRC) calculator.'

2 Government Digital Strategy, Cabinet Office (November 2012) p.23.

3 HMRC Digital Strategy, HM Revenue & Customs (December 2012) p. 12.

- 6.3.3. The loss of material concerning the form R85 procedure that has occurred with the transition from Directgov to gov.uk is of great concern and should be reviewed as a matter of priority. If HMRC material is to move to gov.uk in due course, we strongly recommend that the current HMRC R85 content is retained. LITRG would be happy to assist with a review of R85 materials and any transition from hmrc.gov.uk to gov.uk.

LITRG

January 2013

Appendix 1 – Tabulated summary of form R85 mystery shop, June 2012

Notes:

1. For ease of reference, branch visits are shown in black and online research exercises are shown in blue (as well as being noted in column 4).¹
2. Those mystery shopping visits counted as a complete success, ie obtaining both R85 and an up-to-date version of the Helpsheets (04/12 at the time of the exercise), are marked with a red asterisk next to the 'Shop Number' in the first column.*

Shop no.	Date of mystery shop	Name of bank/building society (and region, for branch visits)	Type of mystery shop (ie branch or online)	R85 obtained?	Date of R85	Helpsheet obtained?	Date of Helpsheets	Summary	Key points
1	29/6/2012	Smile	Online	Yes	04/11	No	N/A	Website had no search engine and no obvious links to information on R85s. Volunteer telephoned the bank's helpline – adviser directed volunteer to the form, via toolbox and forms and downloads pages.	Website contained form R85 to download. It was difficult to locate the form on the website. The bank's helpline proved helpful.
2	27/6/2012	Santander – Yorkshire and the Humber	Branch	No	N/A	No	N/A	Staff advised that the necessary forms could be filled in when the account was opened and that it was all done online. Volunteer asked what would happen if they waited until after the account was opened to claim gross interest and was advised that it could be done online or in branch.	Staff helpful and knowledgeable about process. Staff unable to provide form and guidance.

¹ The choice of which banks and building societies to visit was left to the individual volunteers. This has resulted in some banks and building societies being visited more than once, whether online or in branch. Each mystery shop detailed in the table is a separate visit. For example, both mystery shops 21 and 24 were online visits to the Royal Bank of Scotland's website. Each of these two visits was carried out by a different volunteer.

Shop no.	Date of mystery shop	Name of bank/building society (and region, for branch visits)	Type of mystery shop (ie branch or online)	R85 obtained?	Date of R85	Helpsheet obtained?	Date of Helpsheet	Summary	Key points
3*	27/6/2012	Yorkshire Building Society – Yorkshire and the Humber	Branch	No (but we can assume from volunteer feedback that a form would have been provided on opening the account, therefore concluded a success)	N/A	Yes	04/12	Volunteer mentioned they are a non-taxpayer. Staff advised that they could get gross interest. Staff provided a copy of the R85 Helpsheet for background information. Staff advised that it could be sorted out when an account was opened, and they would help fill the form in.	Staff very helpful and knowledgeable. Staff did not provide form, but did provide guidance. Staff offered extra assistance over and above that requested.
4	27/6/2012	HSBC – Yorkshire and the Humber	Branch	Yes	04/11	Yes	04/11	Staff very helpful and promptly provided the forms.	Staff helpful. Staff provided form and guidance.
5	27/06/2012	Lloyds TSB – Yorkshire and the Humber	Branch	Yes	04/11	Yes	04/11	Staff very helpful and promptly provided the forms.	Staff helpful. Staff provided form and guidance.
6	June 2012	Nationwide Building Society – South West England	Branch	No	N/A	No	N/A	Staff advised that a form R85 was required, but did not have any in stock. Staff provided correct advice on what to do with the completed form. Staff advised that no need for a Helpsheet as the form was simple to complete.	Staff helpful and knowledgeable about process, but gave misleading advice on the Helpsheet. Staff unable to provide form and guidance.
7	June 2012	Lloyds TSB – South West England	Branch	Yes	No date supplied	No	N/A	Staff provided correct advice on what to do with the completed form. Staff advised that no need for a Helpsheet as the form is simple to complete.	Staff helpful and knowledgeable about process, but gave misleading advice on the Helpsheet. Staff provided form, but not guidance.

Shop no.	Date of mystery shop	Name of bank/building society (and region, for branch visits)	Type of mystery shop (ie branch or online)	R85 obtained?	Date of R85	Helpsheet obtained?	Date of Helpsheet	Summary	Key points
8	June 2012	NatWest – South West England	Branch	Yes	No date supplied	No	N/A	Staff appeared unsure whether or not form R85 was required. Maybe they did not connect the form with the purpose easily. Staff advised that no need for a Helpsheet as the form is simple to complete.	Staff helpful, but gave misleading advice on the Helpsheet. Staff provided form, but not guidance.
9	June 2012	Britannia – South West England	Branch	Yes	No date supplied	Yes	4/11	Staff very helpful, and assisted with the filling in of the form – filled in their name, put cross where to sign. Staff advised phone number to call when asked about claiming for previous years, and provided Helpsheet.	Staff very helpful and knowledgeable. Staff provided form and guidance but it was for 2011/12. Staff offered extra assistance over and above that requested.
10	June 2012	Saga Money	Online	No	N/A	No	N/A	It was very hard to find reference to form R85 and getting gross interest on the website. Individual products mentioned gross interest, but did not link to guidance/forms. A search for 'R85' produced broken links.	Website contained broken links to form R85. It was difficult to locate the form and any guidance on the website.
11	June 2012	Marks and Spencer Money	Online	No	N/A	No	N/A	Volunteer unable to find form R85/guidance on website. Using the 'virtual assistant' was unsuccessful.	It was not possible to locate the form or guidance on the website.
12	June 2012	Kent Reliance Building Society	Online	Yes	4/11	No	N/A	Very easy to find the form and the society's own guidance online under 'Running your account', but no link to the HMRC Helpsheet	Website contained form R85 to download. It was easy to locate the form on the website.
13	June 2012	Kent Reliance Building Society – South East England	Branch	Yes	No date supplied	No	N/A	Staff gave some brief helpful advice.	Staff helpful and knowledgeable about process. Staff provided form, but not guidance.
14	21/06/2012	Halifax – East England	Branch	Yes	04/11	No	N/A	At the time of opening children's accounts, staff did not mention gross interest. Volunteer had to complete R85s after the event and argue that tax deducted in the year should be refunded by the bank. Staff did not offer a Helpsheet.	Staff not particularly helpful or knowledgeable. Staff provided form, but not guidance.

Shop no.	Date of mystery shop	Name of bank/building society (and region, for branch visits)	Type of mystery shop (ie branch or online)	R85 obtained?	Date of R85	Helpsheet obtained?	Date of Helpsheet	Summary	Key points
15	21/06/2012	Santander – East England	Branch	Yes	04/11	No	N/A	Staff did not know about form R85 or getting gross interest. Volunteer asked for the manager and eventually obtained a printed form. The bank did not have a Helpsheet.	Staff not particularly helpful or knowledgeable. Staff provided form, but not guidance.
16	21/06/2012	Britannia – East England	Branch	Yes	04/11	No	N/A	Extremely helpful – staff knew about form R85 and offered to help the volunteer fill in the form.	Staff very helpful and knowledgeable. Staff provided form, but not guidance. Staff offered extra assistance over and above that requested.
17	20/06/2012	Barclays – East England	Branch	Yes	04/11	Yes	4/11	Staff knew exactly what the volunteer meant even though they did not mention the form number.	Staff helpful. Staff provided form and guidance.
18	20/06/2012	NatWest – East England	Branch	Yes	06/09	No	N/A	Staff knew exactly what the volunteer meant even though they did not mention the form number. Volunteer asked for Helpsheet, but the bank did not provide one.	Staff helpful. Staff provided form, but not guidance. Old stock of form.
19*	20/06/2012	Nationwide Building Society – East England	Branch	Yes	4/12 Nationwide version – R85 (sub)	Yes	4/12 Nationwide version	Staff knew exactly what the volunteer meant even though they did not mention the form number.	Staff helpful. Staff provided form and guidance.
20	20/06/2012	Lloyds – East England	Branch	Yes	04/08	Yes	4/11	Staff knew exactly what the volunteer meant even though they did not mention the form number. Volunteer asked for Helpsheet; staff reluctantly provided, advising it was only about married couple's allowance.	Staff reasonably helpful and knowledgeable, but gave very misleading advice on Helpsheet. Staff provided form and guidance. Old stock of form.
21	June 2012	Royal Bank of Scotland	Online	No	N/A	No	N/A	The website had no obvious links to form R85 or guidance. A search for 'R85' led to information in the Terms and Conditions of savings products. This indicated that form R85 is available at branches.	Website did not contain links to form R85. It was easy to locate advice on the form on the website only if using the search facility. It should be noted that the volunteer searched using 'R85'. Not all customers would be aware of the name of the form.

Shop no.	Date of mystery shop	Name of bank/building society (and region, for branch visits)	Type of mystery shop (ie branch or online)	R85 obtained?	Date of R85	Helpsheet obtained?	Date of Helpsheet	Summary	Key points
22	12/6/2012	Royal Bank of Scotland – Scotland	Branch	Yes	04/10	Yes	4/10	Member of staff knew what the volunteer meant.	Staff helpful. Staff provided form and guidance. Old stock of form and guidance.
23	12/6/2012	Bank of Scotland – Scotland	Branch	Yes	04/11	No	N/A	Member of staff knew what the volunteer meant.	Staff helpful. Staff provided form, but not guidance.
24	June 2012	Royal Bank of Scotland	Online	No	N/A	No	N/A	The website had no obvious links to form R85 or guidance. A search for 'R85' or 'interest without tax' led to information in the Terms and Conditions of savings products. This indicates that form R85 is available at branches.	Website does not contain links to form R85. Advice on the form on the website could be found if the search facility was used but it was buried quite deep in the site. Guidance on registering for gross interest when opening an account was poor.
25	June 2012	Bank of Scotland	Online	No	N/A	No	N/A	The website had no obvious links to form R85 or guidance. A search for 'R85' or 'interest without tax' was unsuccessful.	It was not possible to locate the form or guidance on the website.
26	June 2012	Clydesdale Bank	Online	No	N/A	No	N/A	In the section on 'Interest rates' the website said that customers might register to receive interest gross. There was no mention of form R85.	It was not possible to locate the form or guidance on the website.
27*	June 2012	Yorkshire Building Society	Online	Yes	4/11	Yes	4/12	A search for 'R85', 'Interest without tax' or 'non-taxpayer' led to a FAQ – 'how to obtain R85'/'I want to register for gross interest'. This had direct and working links to HMRC's form R85, Helpsheet and explanation.	Website contained links to form R85 and the Helpsheet. It was easy to locate the links using the website search facility.
28	June 2012	Skipton Building Society	Online	No	N/A	No	N/A	A search for 'R85' or 'interest without tax' led to an explanation of form R85. It was possible to request the form online, but not to download it.	Website had facility to request form R85. It was easy to locate advice on the form on the website using the search facility.

Shop no.	Date of mystery shop	Name of bank/building society (and region, for branch visits)	Type of mystery shop (ie branch or online)	R85 obtained?	Date of R85	Helpsheet obtained?	Date of Helpsheet	Summary	Key points
29	11/6/2012	HSBC – Midlands	Branch	No	N/A	No	N/A	Staff advised volunteer to complete from R85. Volunteer asked for a form and was advised to go to the HMRC website and search for form R85. Staff said it would take 20 minutes to print, so it would be quicker if the volunteer did it. Staff did not check the volunteer had Internet access. Website has a link to form R85 on HMRC's website. Staff incorrectly advised volunteer to send form to HMRC.	Staff not particularly helpful. Staff refused to provide the form or guidance. Staff assumed volunteer had Internet access. Staff provided incorrect advice on process to follow.
30*	11/6/2012	Coventry Building Society	Online	Yes	R85(2012) Coventry version	Yes	12/13 Coventry version	Under the 'savings and investments' section there was a FAQ section. Within 'opening an account' the first question was 'Where can I get R85 form from'; this linked into the Helpsheet for 2012-13 and form R85.	Website contained links to form R85 and the Helpsheet. It was easy to locate the links.
31	7/6/12	Natwest – East Midlands	Branch	No	N/A	No	N/A	Staff advised that as the volunteer's relative was a student, she should be able to find all the relevant forms on the Internet. Volunteer checked the website but there was nothing obvious relating to form R85 or getting gross interest.	Staff not particularly helpful. Staff did not provide the form or guidance. Staff assumed volunteer's relative had Internet access.
32	1/6/2012	Santander – Northern Ireland	Branch	No	N/A	No	N/A	Staff had not heard of the form and advised the volunteer to bring their relative into the branch.	Staff assumed volunteer's relative was capable of visiting the branch for themselves. Staff unable to provide the form or guidance.
33	June 2012	Barclays	Online	No	N/A	No	N/A	Website had no visible information on form R85.	It was not possible to locate the form or guidance on the website.
34	June 2012	Santander	Online	No	N/A	No	N/A	Website had no visible information on form R85.	It was not possible to locate the form or guidance on the website.
35	June 2012	NatWest	Online	No	N/A	No	N/A	An 'Information sheet' indicated that 'Interest earned on the balance of your Fixed Rate Bond will be paid after deduction of tax, unless we hold an R85 declaration.'	It appears there was no obvious link to the R85 or the Helpsheet or guidance as to when a 'declaration' is appropriate.

Shop no.	Date of mystery shop	Name of bank/building society (and region, for branch visits)	Type of mystery shop (ie branch or online)	R85 obtained?	Date of R85	Helpsheet obtained?	Date of Helpsheet	Summary	Key points
36*	June 2012	Coventry Building Society	Online	Yes	R85(2012) Coventry version	Yes	12/13 Coventry version	An 'Account Summary' indicated that 'Interest is paid net of tax unless R85 completed.' A search for 'R85' led to a link to download a form R85 and Helpsheet. Further guidance was also given on claiming a tax refund if tax had been overpaid in earlier years.	Website contained links to form R85 and the Helpsheet. It was easy to locate the links using the search facility. Information on reclaims for earlier years was also a good example of helpful guidance for customers.
37	June 2012	Tesco	Online	No	N/A	No	N/A	A 'Fact Sheet' indicated that 'Interest on deposits will be paid net of basic rate income tax – Non-taxpayers need to complete R85 form to receive gross interest.' Application process asked whether or not a taxpayer.	From the information provided, it seems the website did not contain links to form R85. When opening a new account online, the process involved indicating whether or not you are a taxpayer.
38	June 2012	ING Direct	Online	No	N/A	No	N/A	A 'Summary of information table' indicated that 'Interest is paid net unless a customer registers that they are entitled to receive gross interest.' A search for 'R85' produced advice to call Customer Services.	Website did not contain links to form R85. The only assistance was advice to telephone Customer Services.
39	June 2012	Britannia	Online	Yes	04/11	Yes	4/11	A 'Summary' indicated that 'Interest is paid net of basic rate tax.' The 'net' link was to a glossary which referred to 20% tax. A search for 'R85' led to a 'savings guide' and a link to HMRC's Helpsheet and form R85.	Website contained links to form R85 and the Helpsheet, but the Helpsheet was for the wrong tax year It was easy to locate the links using the search facility.
40	8/6/2012	Barclays – South East England	Branch	Yes	04/11	No	N/A	Member of staff knew what the volunteer meant and went behind the scenes to print out a copy, returning with the April 2011 version of the form R85 but no Helpsheet.	Staff helpful. Staff provided the form, but not guidance.
41	8/6/2012	NatWest – South East England	Branch	Yes	05/06	No	N/A	The member of staff (the branch manager) knew what the volunteer meant and tried to arrange a copy from her counter computer. That failed, so she went to get a printed copy. She returned with the form R85 but no Helpsheet.	Staff helpful. Staff provided the form, but not guidance. Old stock of form.

Shop no.	Date of mystery shop	Name of bank/building society (and region, for branch visits)	Type of mystery shop (ie branch or online)	R85 obtained?	Date of R85	Helpsheet obtained?	Date of Helpsheet	Summary	Key points
42	7/6/2012	Lloyds TSB	Online	No	N/A	No	N/A	Website stated 'For non-ISA accounts you can register for gross interest in branch or by completing an HMRC R85 form if you are a UK resident non-taxpayer' under 'existing customers section'.	Website did not contain links to form R85. It was reasonably easy to locate advice on the form on the website.
43	7/6/2012	Sainsbury's Bank	Online	No	N/A	No	N/A	A search for R85 produced, 'Savings accounts from banks and building societies pay interest after the tax has been taken off. This is called 'net' interest. Interest paid to you without tax taken off is 'gross' interest. If you are a non-taxpayer you can register to have the interest paid gross – ask the bank or building society for form R85.'	Website did not contain links to form R85. It is reasonably easy to locate advice on the form on the website if you use the search facility. It should be noted that the volunteer searched using 'R85'. Not all customers would be aware of the name of the form.
44	7/6/2012	Co-operative Bank	Online	No	N/A	No	N/A	Volunteer reviewed the website site map, and located nothing on form R85. A search for 'Tax-free savings' and 'R85' produced no matches.	It was not possible to locate the form or guidance on the website.
45	7/6/2012	Nationwide Building Society	Online	Yes	04/11	Yes	4/11	Website had no obvious links from the menu. A search for 'R85' led to an article about form R85, with links to the form. It also advises that you can get the form at a branch.	Website contained links to form R85 and the Helpsheet. It was easy to locate the links using the website search facility.
46	1/6/2012	NatWest – East England	Branch	Yes	04/10	No	N/A	Member of staff knew what the volunteer meant.	Staff helpful. Staff provided the form, but not guidance. Old stock of form.
47	1/6/2012	Nationwide Building Society – Greater London	Branch	Yes	04/11 Nationwide version	Yes	04/11 Nationwide version	Member of staff knew what the volunteer meant.	Staff helpful. Staff provided form and guidance.
48	1/6/2012	Santander – East England	Branch	No	N/A	No	N/A	Staff advised that they did not use form R85 any more. Staff told volunteer to bring their relative to the branch, to register for gross interest on their system.	Staff helpful and knowledgeable. Staff did not provide the form or guidance. Staff assumed volunteer's relative can come into the branch.

Shop no.	Date of mystery shop	Name of bank/building society (and region, for branch visits)	Type of mystery shop (ie branch or online)	R85 obtained?	Date of R85	Helpsheet obtained?	Date of Helpsheet	Summary	Key points
49	1/6/2012	Barclays – East England	Branch	Yes	04/11	No	N/A	Staff had to consult computer for a long time before advising volunteer they needed a form R85 and providing one.	Staff helpful. Staff provided the form, but not guidance.
50	1/6/2012	HSBC – East England	Branch	Yes	04/11	Yes	Understood to also be 04/11 (per the volunteer's report)	Member of staff knew what the volunteer meant.	Staff helpful. Staff provided form and guidance.
51	1/6/2012	HSBC	Online	No	N/A	No	N/A	Website indicated that 'You may register to receive interest gross if you are eligible.' There was no indication of how to register.	It was not possible to locate the form or guidance on the website. Website did not contain links to form R85.
52	1/6/2012	Nationwide Building Society	Online	Yes	Nationwide version, April 2011	Yes	Nationwide version, April 2011	Not particularly easy to locate information on form R85. The R85 section provided clear guidance and a link to form R85. It also advised that you can get the form at a branch.	Website contained links to form R85 and the Helpsheet – Nationwide's own version which sets out the Helpsheet first and then the form. It was not particularly easy to locate the links unless you used the website search facility.

Appendix 2 – Acknowledgements

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