The Rt Hon Jesse Norman MP
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

5 April 2021

Dear Jesse Norman,

Thank you for your response of 23 March 2021 to our open letter to the Chancellor of the Exchequer.

We feel compelled to respond, as while we appreciate your detailed letter, you effectively merely reiterated many of the same assertions we have heard from Government throughout this crisis, being quick to point out the help that has been given while failing to address how the gaps in the Covid-19 support schemes could be fixed so as not to leave over 3 million out in the cold.

We therefore feel it is vital to refocus your attention on those for whom the hardship and impacts felt are only becoming more acute month by month as this matter is simply not going to go away. For reference, we recently published a series of briefing papers elaborating in detail on each of the gaps in government support which can be read here.

You refer to the numbers of those who have been helped by the Coronavirus Job Retention Scheme. While we fully appreciate that CJRS has helped many, within those numbers are of course those who have received minimal furlough due to their status as small limited company directors – those who have been forced to furlough themselves at the cost of their businesses by not being able to work, unlike the criteria for the self-employed to access SEISS, and thus creating a significant disparity between these employment statuses. We will return to the point of small limited company directors later. We would also point out that it would be expected that with the extension of CJRS, that a new RTI cut off date would be needed, so we see this point as actually being irrelevant within the context of this matter.

There are over 800,000 who have been unable to access CJRS due to having been denied furlough by their employers or about to start a new job but missed the date for furlough due to the RTI cut off date last year, both of which are not necessarily the fault of employers; those forced to work as PAYE freelancers and taxed at source (nor eligible for SEISS); annually paid limited company directors and therefore were not even able to access a minimal amount of furlough. These figures have been extracted from HMRC RTI and Office for National Statistics data. While the RTI date was changed and allowed for annually paid directors to access CJRS from November onwards, and the most recent change being set out, this again is a minimal amount of furlough and certainly came far too late. This figure of 800,000 could be even higher, since many who have been denied furlough by their employers have been kept on payroll but with no pay.

We all want to be able to thrive again, to see our local communities revived and local businesses back on their feet, but in order to do so all those in need should have had access to meaningful support so as to be able to emerge from this crisis and recover. However, due to various arbitrary cut offs to the criteria in most cases, so many have been denied vital support through no fault of their own, and as has been pointed out from various quarters, the schemes have been poorly targeted.

We have heard time and again that the schemes were intended to reach those who needed support most. What has resulted is a huge swathe of society, people who were largely self-sufficient yet not necessarily well-off, plunged into debt and poverty and who will remain a burden on the State and who will face a personal debt crisis for years to come. We all want to see the economy reopened, but the damage that has been caused by over a year of little to no support for so many is so far-reaching with severe consequences. We feel that the Treasury must take note and acknowledge these devastating effects on individuals, households, businesses and communities – spiralling debt, careers destroyed, an ever-growing mental health crisis, inequalities for the young, older workers, new parents, exacerbation of precarious working conditions, and the uncertainty that still hangs over so many, particularly those working in the hardest hit sectors. In this regard, we would like to add that the Culture Recovery Fund, while vital for our cultural venues across the UK that have been so hard hit, does not help those freelancers, small limited companies, zero-hour contract workers and in some cases other employees and indeed supply chains who form the fabric of these industries who needed that help throughout the pandemic and for the future, and cannot wait in the faint hope that some of that support might eventually filter down to them.

Turning to SEISS, we categorically dispute the assertion that 600,000 more self-employed individuals will now be able to access the scheme, unless you are able to elaborate on the rationale behind this figure that can be evidenced by robust data. We of course welcomed the inclusion of 2019/2020 tax returns in the calculation of SEISS going forward, which along with many others we had called for throughout; it would have been absurd had they not been included with one year having passed since the start of the schemes. According to ONS data for 2019, 151,000 individuals became newly self-employed between April and December 2019, and therefore it is logical to estimate a total of 200,000 became newly self-employed over the course of a year. With the overlap of the 50% trading profits requirement for the newly self-employed ie. many who are newly self-employed will do so gradually while maintaining the security of some PAYE employment or other income, the combination of these two criteria effectively meant that the newly self-employed as of October 2018 would not have been able to access SEISS. So we can estimate that upto 300,000 may now been included in SEISS, although it is unlikely to be this many. That said, as has been pointed out from various quarters and in the Treasury Committee report of 15 June 2020, the newly self-employed will typically and understandably likely have high overheads in the early stages of setting up in business. Thus, with calculations based on trading profits, this further adds to the discrimination against the newly self-employed in accessing SEISS and, therefore, even if upto 300,000 may now be included, many of those will not be receiving any kind of meaningful support. We therefore do not accept that by including the newly self-employed this gap in support has been rectified, coupled with the fact that these individuals (as well as all others affected) have faced a year of decimated incomes and immense financial hardship which the Treasury has failed to recognise.

Related to the point of low profits for those new in business are also those for reasons of investment or scaling up who will have little to no trading profit, which according to HMRC data accounts for 500,000 individuals, again through no fault of their own other than wanting to grow their businesses.

You mention the Restart Grant of up to £18,000 to over 680,000 business premises and refer to small business owners being able to benefit from this support. We would refute this. So much of the help provided throughout the pandemic has benefitted larger businesses, and far less the small business community – beauticians and hairdressers renting space in someone else's salon; plumbers and electricians not working from an office but in homes and buildings; music and drama teachers working in schools or privately; market stall holders or food vans who operate in a mobile or non-fixed manner; driving instructors, tour guides, creatives, cleaners, pet sitters and dog walkers who work from home or operate in a mobile fashion due to the very nature of their work; film and TV professionals moving from site to site and from one short-term contract to another, and many, many more who work from home because it is the most practical thing to do. Shifting responsibility to local councils with the Local Restrictions Support Grant and Additional Restrictions Grant was not the solution, whereby significant disparities in how the grants have been allocated has resulted in a postcode lottery and further disparity.

As for Universal Credit, we assess that around 60% of those in this situation have not been able to access this support – because they have a partner who is working, because they have savings typically set aside for tax bills, or in other cases people saving up for a house, a car, a wedding or children’s education, for example. Universal Credit is not the answer, nor can it be deemed meaningful support. The vast majority of these people have never relied on welfare before and find themselves for the first time in their professional lives unable to be self-sufficient through absolutely no fault of their own and unable to rely on the Government in their time of need as others have.

Affordable finance is no concession to those who have been plunged into poverty and personal debt as a consequence of being shut out of the schemes. Debt is not support.

The provisions you mention that you say have helped those in a period of maternity, parental or adoption leave do not go anywhere near providing appropriate support for those who are pregnant or new parents. They continue to face discrimination in the way the schemes apply to them.

You refer to the principles on which the schemes were built. Why then has there been such disparity whereby a person doing the same job in PAYE employment who earns over £50,000 can still receive the capped amount of £2,500 per month on CJRS, yet someone who is self-employed receives nothing? Can you explain this disparity to the 200,000 self-employed individuals identified by HMRC as not being eligible for SEISS with over £50,000 trading profit? Moreover, just because a self-employed individual has trading profits over £50,000 does not necessarily mean they are comfortable and do not need support.

You refer to National Audit Office statistics and we therefore would also refer you to their report of 23 October 2020 where they clearly identified 2.9 million as having been excluded from the government Covid-19 support schemes, highlighting the fact that many who have lost income have not been able to access support, thus contradicting Government's repeated assertions that everyone has been helped in some way. We simply cannot see any justification for so many people being left out and left behind, despite the Chancellor's assertion in March 2020 that "no one will be left behind".

As for the arguments around fraud, we have heard this all too often, and as you are aware, viable suggestions have been forthcoming from many different quarters as to how fraud can be counteracted, not least the fact that HMRC holds all our records, as you state in your letter. We do not accept this argument around fraud and repeating this time and again is highly disrespectful to all those honest, hard-working individuals who have effectively been labelled as potential fraudsters. This argument has been put forward by Government repeatedly and not just in relation to small limited company directors. However, in relation to Company Owner Managers, as you refer to them, various workable solutions that would guard against fraud that can be implemented have been presented to the Treasury.

Firstly, contrary to your implied reference that small limited company directors' records are not held with HMRC, any limited company director with dividends of over £10,000 needs to submit a tax return and therefore this will apply to a huge number of the 2 million in this category, although we know that those affected largely fall into the category of those sole owner directors, 946,000 according to BEIS 2020 Business Population Estimates. Moreover, any small limited company director with dividends of over £2,000 must declare these. Proof of dividends can so easily be provided. Every dividend must have a dividend voucher prepared by the company and given to the directors. In practice, accountants would typically prepare these for their director clients, although in some cases they may be prepared by directors themselves. Before a dividend can be paid, an agreement will be made in a company meeting and recorded in the minutes of that meeting. As has been pointed out many times, self-certification combined with accountants' declarations could easily verify the accuracy of these payments to HMRC coupled with company accounts where this information will be clearly stated.

We would also like to point out that we find it disingenuous to refer to potential fraud in relation to these individuals who are excluded from the schemes, all the more so when there have been numerous reports of large-scale fraud in relation to the schemes. We would urge that an in-depth investigation into this matter is conducted, and we will be adding to the calls for a public inquiry into the Government's handling of Coronavirus, with, of course, emphasis on the economic impacts of government decisions in relation to the gaps in the Covid-19 support schemes.

You state that the Government recognises that there are "hard cases", but there are simply far too many, while personal circumstances have so often placed these individuals beyond the scope of the schemes in a manner that is wholly unfair, unjust and discriminatory. We would like to leave you with a few stark examples, which illustrate the profound injustice inflicted upon those who through no fault of their own have been left without meaningful support.

A make-up artist who had been self-employed for nine years, whose husband died suddenly in 2018, was in receipt of bereavement payments and took his pension payout on 20 February 2019 to invest in her business to support her two children. As a result, she found herself beyond the scope of SEISS since the bereavement payments and pension payout took her beyond the 50% trading profits criteria. Had she taken the pension payout five weeks later, she would have been able to access support.

A limited company director working in the automotive industry, found himself having to use his inheritance from his late mother to support his children, which had been intended for their future education, whilst also caring for his father during the pandemic and who sadly passed away recently. He was unable to access Universal Credit since his wife works and earns over £16,000.

A film and TV professional who is newly self-employed had made provisions for maternity leave before the pandemic but has had to live off those savings, now depleted, to survive financially, and is now pregnant without any financial provision to support herself during her maternity period.

A social care professional working for a charity on a full-time contract until March 2020 was then put on a zero-hour contract but still PAYE. With lockdown, only skeleton staff were needed and she was consequently denied furlough by her employer, having been told this was due to funding restrictions, while she could not apply for Universal Credit or Jobseeker's Allowance since technically she was still employed by this company that refused furlough. As a single parent of two teenagers, she has found herself trying to protect them from the severe financial hardship they are facing by not letting them know the extent of the circumstances.

Sadly, these cases are all too representative and illustrative of too many individuals, and it is evident that the Government has not put its "arms around the nation" in terms of supporting everyone in need, as the Prime Minister and Chancellor have both asserted. Without action from the Government to rectify this situation, this will only further hamper the nation's economic recovery, while so many individuals and families continue to face increasing hardship day by day. We urge the Treasury to address this situation once and for all.

Yours sincerely

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