

Caroline Lucas MP



HOUSE OF COMMONS
LONDON SW1A 0AA

Rt Hon Frank Field MP
Chair, Work & Pensions Committee
House of Commons
London SW1A 0AA

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Dear Frank,

Child maintenance evasion: self-employed non-resident status

I am writing to strongly support the suggestion that I know you have already from Gingerbread, for your Committee to consider an inquiry on child maintenance, and in particular whether the new child maintenance calculation and how it is operated is working in terms of ensuring that non-resident parents' maintenance contributions properly reflect their ability to pay.

From my extensive constituency casework on this issue, it is clear to me that there is a particular issue with maintenance avoidance by *self-employed* non-resident parents. For example:

Maira's child maintenance payments dropped from £380 per month to the flat rate of £5 per week after her ex-husband used a redundancy payment and sale of shares totalling almost £100,000 to establish himself as self-employed, and despite strong evidence of substantial income and expenditure on his part.

In light of this constituency casework, I have tabled a number of parliamentary questions on the issue (PQs 27368, 27369, 27464, 27465, 27370, 31990, 31991, 32020, 32021 and 32022), and I have to say that I am far from re-assured by the Minister's replies to date about the level of investigation into maintenance avoidance.

For example, given the number of families in this group, and the potential impact on tens of thousands of children, I am somewhat surprised to learn that there are just 33 FTE staff in the Financial Investigations Unit. And the figure given by the Minister in her reply to Question 27368 omits those who can define themselves as self-employed because, for example, they own their own company and are paying themselves a low wage as an employee of that company, while taking self-employed income in other forms, such as dividend income. Unless the CMS is alerted to this, the parent will not be categorised as self-employed.

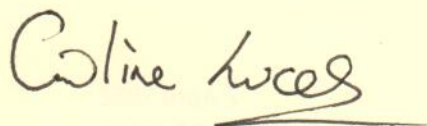
As you will be aware, a recent DWP study of the attitudes and behaviours of self-employed, non-resident parents (DWP research study 980) noted that the category "may contain some individuals who are less disposed to comply overall, and are actively seeking to reduce their liability by declaring themselves self-employed".

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I do think it would be very helpful for your Committee to conduct an inquiry on these issues, with a view to ensuring that the new child maintenance calculation is properly capturing non-resident parents' income and leading to affordable but fair amounts being paid.

I look forward to hearing from you.

Yours sincerely,

Celine Hoce