

## Financial Investigation Unit (FIU) – Summary

The FIU investigate suspected criminal activities. It will also deal with, or provide advice on complicated issues around both employed and self-employed income, advising caseworkers on any issues around director's income, including variations.

To improve operational handling when challenges are raised against the inaccuracy of HMRC Income when the paying parent is either self employed, a partner and or director, referrals can be made to FIU by caseworkers across CMG. On receipt of referral the FIU will conduct an investigation to test the information provided.

While an investigation is taking place, the ownership of the case will not transfer to FIU. The case will remain with the owning segment unless the FIU Investigator asks the caseworker to launch the enforcement Service Request (SR).

To request an investigation to FIU, create a SR as per [Investigative Action](#), recording details of the information to be gathered.

The SR will be routed to FIU who will review the case and will inform of any next steps to take. While FIU are conducting the investigation the owning segment will continue to own the case and continue to perform business as usual activities (keeping notes up to date) on the case until a response is received from FIU. There is no need to lock assign the case in a particular segment unless specifically requested by FIU, this will be decided on a case by case basis.

Within the referring SR, detail conversations with the paying parent and the receiving parent, and include the Verint reference number for these calls. Verint reference numbers will be provided by team leaders (TL).

The following lists examples of when to consider instigating FIU action:

- Paying parent Self Employed/Partner/Director and historic income has been disputed by receiving parent and history of income or information known
- Receiving parent believes paying parent diverting income i.e. new partner employed by their company
- Paying parent fails to provide earnings information and we are unable to calculate liability or use estimated earnings/DMD
- Paying Parent not employed and not claiming benefit
- Variation applied for by receiving parent for paying parent additional income (HMRC has no trace and or evidence known unable to reach client outcome)
- Paying parent knowingly supplying false information or it is suspected that the paying parent has supplied false information



This list is not exhaustive. Contact FIU for further advice when uncertain of reason for referral. Contact information for FIU can be found in the staff directory. Search for '**Financial Investigations Unit**' within the Organisation tab.

Whilst paying parents have a right to be believed, this is a qualified right, not an absolute right and receiving parents have similar rights too. In cases of dispute, each party must be heard and if there is credible information that one or the other party may not be telling the truth, consult the FIU.



If there is uncertainty at any time, consult the FIU. Do not ignore the client, as they can escalate their issue.



**Do not** inform the paying parent when a referral is made to FIU and ensure **all notes** are recorded on relevant contact notes on CMS2012. The case will proceed as BAU until a response is received from FIU.



**Do not** tell the paying parent that an investigation is underway.

Once FIU have completed the investigation the case will be returned to the caseworker to implement the change by following BAU instructions for [Change Income](#). For more information refer to [Change Income](#)

Input the new calculation, FIU will already be recorded as the Decision Maker on the Investigative Action SR. At this point the paying parent can be advised if the income change is as a result of the FIU investigation. Do not challenge the new calculation with FIU nor refer the case to Advice & Guidance as the income has been already been investigated by FIU.

If a maintenance calculation is implemented as a result of FIU decision this will need to be considered when the case goes through [Income Current Periodic Check](#) or through [Annual Review](#). This is so that the caseworkers can determine whether the existing current income continues to be more accurate. When we conduct a [Periodic Current Income Check](#) we are seeking to establish current income that is reflective of the NRP's circumstances at the effective date of the income review. This includes deciding whether we should retain the existing current income if it continues to be more reflective of the NRP's circumstances. For more information refer to [Periodic Income](#) and [Annual Review](#)

## Complex Earners

People in certain positions are able to control or influence either the manner by which they are paid, and / or the amount of the pay they receive (directly). The most commonly seen of these are company directors and self-employed individuals:

- Company directors are employed earners, employed under a contract of employment with their company. They can influence the level of own salary as well as dividends (and the level of those dividends)
- Self-employed earners' earnings relate directly to the profit and loss of their business i.e. they do not "pay" themselves a wage. They can affect declared profit by falsely creating or elevating business expenses, or failing to declare payments received into the business i.e. "off the books"

Other (complex) methods by which clients may reduce their taxable income include:

- Diversion of income – e.g. paying a third party instead of oneself
- Retaining capital within the company / business, which could otherwise be considered as profit
- Use of tax avoidance schemes – e.g. Umbrella companies (IR35) / film share schemes / Employee Benefit Trusts (EBTs)

There is no suggestion that all clients with such earnings are seeking to "cheat the system" (tax or maintenance), merely that such means exist.

Do not refer clients to the HMRC Fraud hotline. If concerns are addressed CMG will take all possible action, including making our own investigations, and should not direct clients to HMRC. If after our investigations are complete the client tells the caseworker they still want to report tax

evasion, then the caseworker should direct the client to do this on line by using [HMRC Fraud on-line](#).

## Contact with Receiving Parent

If the receiving parent challenges the income figure, ask what the paying parent does for work and what type of employment this is. If the receiving parent advises the paying parent is PAYE, establish what information they have to suggest this is different to the income information held.

FIU does not accept referrals where the receiving parent challenges the income figure without any supporting information. The receiving parent does not need to provide evidence but does need to provide credible information to support the challenge. The receiving parent should not be tasked to source information they do not have.

Credible information includes, but is not limited to:

- I know they keep two sets of books
- They were fiddling their books when we were together
- Significant information shows their lifestyle doesn't match the income declared

## Additional Income Variations

If the receiving parent advises the paying parent is a director, or this is viewed on [Companies House](#), ask the receiving parent if they believe the paying parent is receiving dividends.

If the receiving parent advises the paying parent has property rental income, establish as much information as possible to identify whether the paying parent is receiving a profit from this. For variation purposes, the paying parent would need to receive a profit of at least £2500.00 per annum.

If the receiving parent confirms the paying parent has dividends or receives at least £2500.00 in property rental income, inform the receiving parent they can apply for a variation. See [Variation – Additional Income](#) for more information.

If during the variation process the HMRC unearned income field is blank or zero, or the receiving parent provides credible information to show why the returned figure is wrong, or the information held on CMS suggests the returned figure is wrong, refer the case to FIU by launching the enforcement SR. See [Investigative Action](#) for instructions.

## Benefit Fraud

If the receiving parent advises the paying parent is working, however CMS shows they are in receipt of a benefit, do not refer the receiving parent to the benefit fraud helpline. Instead, record this information and use the **Fraud Referral FMO** icon from the workstation desktop. Select **C-MEC** from the dropdown list of referrers, and then complete as many of the information fields as possible. The following is a list of some of the information required. Do not forget to ask the receiving parent if they have this if CMS doesn't:

- Nino
- Address
- Phone numbers
- Description of paying parent
- Employment type - Employed, or self-employed
- What they paying parent does for work and who is their employer if not self-employed

- What time do they leave for work and come home
- What area are they working in if exact location is not known
- Details of how the paying parent is paid

## **CRA Check**

CRA information may appear to contradict the income figure held e.g. HMRC income figure is low but the paying parent has high credit availability, there are no or few defaults, or the paying parent has a mortgage that is close to or exceeds their income. These are indicators something may be wrong but does not mean criminal activity is taking place. Gather all possible information and consider a referral to FIU.