CONFIDENTIAL

FILE

CAJ

10 DOWNING STREET

MISC 111:
Chancellor Ex.
lord President
Chief Secretary, Treasury
Home Secretary
Chancellor of the Duchy
Chief Whip

From the Private Secretary

17 June 1986

Sec. of State Employment
Sec. of State ~~DHSS~~
Min. of State for Social Security

Dear Tony,

SOCIAL SECURITY BILL: HANDLING IN THE LORDS

The Prime Minister has seen your letter to me of 16 June which gave further information about methods of payment of Family Credit.

In the light of this further information the Prime Minister reluctantly agrees that the announcement of direct payment of Family Credit can now be made. This is on the basis that there is no alternative at this stage. But the Prime Minister believes the result will be new problems and new complaints. Among other things, as the pay of husbands goes up, the income of wives will go down, and the problems of Family Income Supplement will be repeated.

I am copying this letter to the Private Secretaries to the members of MISC III, to Jim Daniell (Northern Ireland Office), and Michael Stark (Cabinet Office).

Yours,

David

DAVID NORGROVE

Tony Laurence, Esq.,
Department of Health and Social Security

CONFIDENTIAL

CAJ

Prime Minister,
Content now with the proposed announcement?

Duty Clerk
pp D.R.N.

DEPARTMENT OF HEALTH & SOCIAL SECURITY
Alexander Fleming House, Elephant & Castle, London SE1 6BY
Telephone 01-407 5522
From the Secretary of State for Social Services

David Norgrove Esq
Private Secretary
10 Downing Street

16 June 1986

There is no alternative now - at this stage. But I think you have created a new problem + a new source of complaint - as the husband's pay goes up - so the wife's will go down

Dear David,

SOCIAL SECURITY BILL: HANDLING IN THE LORDS

In your letter today you asked for further information on the costs of paying family credit and on how direct payment would be made.

Paying family credit direct would be administratively simpler than paying through employers. Employers themselves would clearly find it much easier. And the staff cost for DHSS and Inland Revenue would be significantly lower by around 450 staff - mainly because the policing and reconciliation would be easier and because employers would not need to be reimbursed for their outlays. Against these savings would be additional post office encashment charges. The net administrative effect would be cost-neutral for Government and a significant easement for employers. Overall, therefore, the total cost of paying direct will be lower than paying through employers.

In paying family credit, we envisage issuing order books - not giros - but offering a new alternative, not currently available with FIS, of automated credit transfer. Payment by automated credit transfer, direct into bank or building society accounts, was always intended for self-employed claimants. Now it would be offered as an option to all claimants. To meet the strongly expressed views of many women's organisations and others, we envisage that payments would normally be made to the woman in the first instance, with the husband as alternative payee.

The relevant clause in the Social Security Bill could be reached by the Lords Committee tomorrow, or, failing that, on Thursday. It would be helpful, therefore, if you would let me know by return whether the Prime Minister is content with the proposal for direct payment.

I am copying this letter to the Private Secretaries to the members of MISC III, to Tim Daniel (Northern Ireland Office) and Michael Stark (Cabinet Office).

Yours

Tony.

A LAURANCE
Private Secretary

file

MISC 111:
Lord President
Ch Ex
Ch Sec HMT
S/S DHSS
Home Sec,
Min/Soc Sec (Mr. Newton)
CDL
Emp
Chief Whip

bc BG

10 DOWNING STREET

From the Private Secretary

16 June 1986

Dear Tony

SOCIAL SECURITY BILL: HANDLING IN THE HOUSE OF LORDS

The Prime Minister has seen your Secretary of State's letter to the Lord President of 13 June which discussed the handling of the Social Security Bill in the House of Lords.

The Prime Minister has noted the proposal that when family credit is introduced in 1988 it should be paid direct rather than with wages. The Prime Minister has asked how the costs of the two methods compare and how direct payment is to be made.

The Prime Minister would I believe wish to consider this information before any change in the proposed method of payment is announced.

I am copying this letter to the Private Secretaries to the members of MISC 111, to Jim Daniell (Northern Ireland Office) and Michael Stark (Cabinet Office).

Yours

David

(DAVID NORGROVE)

Tony Laurance, Esq.,
Department of Health and Social Security