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MUSIC

GAYLE: So, he says, ‘I’ve not slept for more than two to three hours on any night, but it has given me a great many hours in which to desperately think of a way to pay tax I owe.’

HANNAH: Thousands of people have been caught up in a controversial policy that means they now owe huge sums in backdated tax.

DUNCAN SMITH: They’re now getting these demands for money, which are literally destroying their lives and, you know, the consequences are terrible, so the human cost was enormous.

HANNAH: They were contractors and freelancers, and they were told they could keep more of their earnings.

EXTRACT FROM PCL PROMOTIONAL VIDEO

PRESENTER: Our clients will benefit from the peace of mind that appropriate taxes are paid away. Are you interested in taking home 85% of your current earnings?

HANNAH: Tens of thousands of people signed up to schemes like that - and it went on for years - until HMRC took action and started asking for large amounts in backdated tax. One man who profited from schemes like this is multi-millionaire Doug Barrowman.

BARROWMAN: I've got five homes around the world and this is certainly the biggest [LAUGHS]. Not bad for a rough-arsed Scots git from Glasgow really, you know, but there you go.

HANNAH: This is the story of a decades-long dispute over what can be taxed and what can't. It's changed many lives, some people have made fortunes along the way – while others now face financial ruin.

ACTUALITY OF SOUND CHECK

MEISEL: So if I just get some levels from you?

JOHN: Okay.

MEISEL: What did you have for breakfast?

JOHN: I had some fruit today – an apple and a banana.

HANNAH: We met our first guest in a hotel on the outskirts of the town where he lives. He seemed nervous, not about talking to us, more about talking about it at all.

JOHN: I had a fair bit of travel while I was contracting, and in the airports where I was going, there was advertisements on billboards. These companies was coming up to where I was working at the time.

HANNAH: This is John. Well, that's not his real name, but he hasn't yet told his wife he owes 180 grand to HMRC, so he's agreed to speak to us and we've agreed to call him John. Back in 2015, he was working as a contractor, meaning he had to sort out his own tax and national insurance payments. But there were plenty of companies telling workers like him that they could deal with all that admin for them.

JOHN: Some of the guys who I was working with used a company called PCL and I ended up going with PCL.

EXTRACT FROM PCL PROMOTIONAL VIDEO

PRESENTER: PCL offer a tax planning solution for self-employed contractors in the UK. We have in-house tax experts to ensure ongoing compliance. All your paperwork and tax calculations are taken care of for you, and you just send your timesheets to us and we will do the rest.

HANNAH: So, no more having to do all his own tax and paperwork, which had been a bit of a headache. Instead, a company called Principal Contracts Limited, or PCL, would manage it all for him.

JOHN: I would pay them for services and they would manage all tax, national insurance, etc, and they'd pay me a retainer payment and then a loan payment that they said was completely compliant and legal.

EXTRACT FROM PCL PROMOTIONAL VIDEO

PRESENTER: Our payment solution is endorsed by leading tax and employment opinions. It's time to start working smartly and join forces with PCL.

HANNAH: John had signed up to a company that diverted most of his pay to an offshore trust, which would then pay him money through a loan. There was almost no tax to pay on these loans and he would not be expected to pay them back. It's been estimated that 50,000 workers signed up to similar schemes. It's worth mentioning that the

HANNAH: He's a self-made millionaire, whose first business was a paintballing site outside Glasgow. He's also the founder and chairman of the Knox Group of companies, headquartered in the Isle of Man. They're a group of businesses that deal in private equity, property and wealth management. But File on 4 has been investigating businesses linked to Doug Barrowman, which were also promoting the kind of tax schemes John signed up to.

MONE: Doug is actually one of the biggest business guys here in the country and he is my inspiration as well.

HANNAH: That's Barrowman's fiancée, Baroness Michelle Mone, talking to the Bitcoin website, Bitsonline. Before Covid ruined everyone's plans, the couple were due to get married at a chapel in the Palace of Westminster. She's the entrepreneur who founded the international lingerie brand Ultimo, which she sold. And she has also done pretty well.

MONE: I was recently made a baroness by the Her Majesty the Queen and the former Prime Minister.

HANNAH: Doug Barrowman made a fortune - and he spends one too. Here he is showing the TV crew around his yacht.

EXTRACT FROM MILLION POUND MEGA YACHTS

BARROWMAN: I think I'd have to say that everything you look at's expensive on this yacht.

HANNAH: But part of his fortune was made through businesses dealing with contractors like John. Although that's not always obvious. So, what is the link between Doug Barrowman and PCL, the company John signed up with?

MUSIC

HANNAH: When we asked Mr Barrowman about his connection to PCL, he said he is neither a shareholder nor a director. So, to find out more, we need to travel – not on a yacht unfortunately, but still across the water [SOUND OF WAVES]. To the Isle of Man. Here's our producer, Anna Meisel.

MEISEL: Hello Felicity.

HANNAH: Anna, you've been looking into companies' registry in the Isle of Man?

MEISEL: Yes, that's where I found the annual return for PCL from December 2015. John got involved with them in March of that year. And Doug Barrowman is right, he wasn't a direct shareholder in PCL. Back then, PCL was owned by a company called Knox Limited.

HANNAH: Knox does sounds awfully similar to Doug Barrowman's Knox Group of companies.

MEISEL: Right. And company records for Knox Limited for the same period show that he owned 100% of the issued shares of that company. But I'm afraid, Felicity, we actually need to continue our travels.

MUSIC

MEISEL: To the British Virgin Islands.

HANNAH: It's a shame the budget only stretches to sound effects and not plane tickets. Okay, why are we off to the British Virgin Islands?

MEISEL: Because something very interesting happened in January 2020. PCL - that's the company John signed up with - submitted new amended annual returns for the previous years. Those returns no longer list Knox Limited as its shareholders, but instead it's a company registered in the British Virgin Islands. And BVI

MEISEL cont: is one of the most obscure offshore jurisdictions. You can't actually find out who is behind the companies registered there.

HANNAH: No clues at all?

MEISEL: Well, the address given for the BVI company is Knox House, back in the Isle of Man. And John got involved with PCL before its ownership was retrospectively moved to the British Virgin Islands.

HANNAH: Okay, this is complicated. It's difficult to see through the layers. It feels a bit like there's a mist on this tropical island.

MEISEL: Yes, it's very misty, and there's another layer, please bear with me. When we asked Doug Barrowman about his ownership of Knox Limited, we received a letter from his lawyers. It says that while he is indeed registered as a shareholder, he's not actually the beneficial owner. Instead they say, 'the sole purpose of this company is to act as a bare trustee corporate shareholder'. That's perfectly lawful – but means that Mr Barrowman is saying he holds these shares for the benefit of an unnamed third party. We can't find out who that is without the confidential trust documents.

HANNAH: Right. Okay, well that's where our travels appear to end, so let's get back to the UK. Where John, along with thousands of other people, has not enjoyed the last few years quite as much as Barrowman has.

When did you first hear about the loan charge?

JOHN: It was April – April 18, I had an email saying that, potentially, the way I was set up with PCL would be subject to the loan charge.

MUSIC

HANNAH: It's time to explain the loan charge. It's an enormously complicated bit of legislation, so here's a super simplified explanation. The Government had progressively tried to crack down on tax avoidance schemes, first in the Finance Act 2011,

HANNAH cont: when it took steps to prevent employees being paid in loans, and then eventually applying the same rules to freelancers and contractors like John. But it also wanted to get back some of the taxes that had been lost to these schemes and so brought in new rules. It allowed HMRC to add together any outstanding loans paid through a third party from the last ten years and tax them as income, all at once. This was the loan charge and it's been controversial.

EXTRACT FROM ARCHIVE RECORDING

CAMPAIGNERS: [SHOUTING] Stop the loan charge now! Stop the loan charge now!

HANNAH: Campaigners and many MPs argue it's a retrospective tax and it's been the subject of fierce debates. Certainly its impact on workers like John has been considerable and time-consuming.

JOHN: A nightmare, to be fair. Two and a half years of a nightmare.

HANNAH: What does HMRC say that you owe?

JOHN: I now owe around £181,000.

HANNAH: £181,000. John still looks shocked repeating that number, even though he has had years to come to terms with it. After the loan charge, many of the companies involved closed, but the individual taxpayers couldn't simply walk away. They still had the loan charge to pay, and for some of them the bills were staggering.

MUSIC

HANNAH: It was a big shock for them and their families, although not all of them could bear to tell their families.

JOHN: I've sort of kept it to myself. My family don't know about this and I've, I've often thought is that the right decision, but when I think of what I've been through without any clear end game, I wouldn't want to put them through this, you know, I'm glad I made that decision.

HANNAH: How have you been concealing the pressure that you're under from your wife?

JOHN: Difficult. A lot of the time in the bath, spending time on my own there, really, and just keeping it from her. It's tough, it's really tough, you know. I can't tell you the last time I slept.

HANNAH: It's easy to see the impact this has had on John. He looks tired, he's clearly distressed and exhausted by the last few years. But you could argue that the people who signed up to these schemes were trying to unfairly dodge tax and that the loan charge is about putting that right. I put that to John.

JOHN: That's not the case. I worked away on short sort of notice periods. It was more about the ease. I've regretted it for the last two and a half years I found out about it, but I did nothing illegal and we've been made out to be criminals and we're not. We're just normal people earning a living.

HANNAH: And the pressure on those normal people as they wait for a resolution can be overwhelming. Next we're going to meet Gayle. Her father had just retired when he was told by HMRC that they were looking into the scheme he had been in, this one with AML Tax Isle of Man Limited.

GAYLE: He was in his late sixties, a father to three and a grandfather to seven. He was an amazing grandfather. He enjoyed, he genuinely enjoyed their company and days out or even just sitting around chatting with them, finding out what they'd been up to.

HANNAH: Like John, her dad wanted to shield his family from his worries. They knew there was some sort of tax issue, but for two years he never told them about the pressure he was feeling.

GAYLE: I had a call. We didn't know straightaway that it was a suicide, so I just knew that he'd died - and that was a shock in itself. At first, I thought maybe it was a freak accident or something like that, but it, yeah, when they said that he'd been found and his letters, even to this day I can't believe, still in shock that he took his own life.

HANNAH: Gayle kept the letters her father wrote. She shared part of them with us and, as you might expect, they're quite difficult to listen to.

GAYLE: So, he says, 'I've not slept for more than two to three hours on any night. I say this not looking for sympathy, of course, because I deserve none. But it has given me a great many hours in which to desperately think of a way to pay tax I owe and also to mitigate any of the effects of my legal wrongdoings on my children. But of course, it didn't matter how many hundreds of hours I churned these matters over in my head. It is what it is and cannot retrospectively be changed.' And it was really brave for him to write it, those, those pages. There's, there is, just of how, what he had gone through and how he felt about the shame. And that was the biggest thing - the shame and the stigma. He thought he'd broken the law and he was going to go to prison.

HANNAH: Of course, he hadn't broken the law. After his death, Gayle was determined to settle her dad's tax bill. But when she finally heard the number, that was another shock.

GAYLE: It was under £20,000. It just seemed like such a small amount for him to, to take his own life and he could have paid it. That amount was, it was just like putting a price on his life.

MUSIC

HANNAH: If you're wondering whether AML Tax Isle of Man Limited was connected to Doug Barrowman, then the answer is yes. He was a director at the time Gayle's dad got involved. AML are initials that come up in a lot of companies associated with him. I asked Mary Aiston, Director of the Counter Avoidance Directorate at HMRC, about the anguish felt by some of those people hit by the loan charge.

AISTON: We have very dedicated colleagues who've worked really hard over this and seek to provide the best service possible. We have successfully supported thousands of people to settle. But I recognise we won't have got this right in every single case, so if somebody has concerns about the service they've had from HMRC, they can write to us about that. We review any complaint, take it seriously. We look at it independently from the people who were originally working with that taxpayer, so anyone who has concerns about their service should contact us. And where people have got big tax bills, we can give them as long as they need to pay what is legally due in a way that is manageable for them.

HANNAH: Gayle's dad is one of seven known suicides among those affected by the loan charge. The stress and trauma has hit some individuals hard - so hard, in fact, that the Loan Charge Action Group runs a helpline for people who feel overwhelmed or anxious. But there's been very little fallout for the people who made money from these tax schemes. Here's SNP MP Carol Monaghan speaking in Parliament in October 2019.

EXTRACT FROM HANSARD

SPEAKER: Carol Monaghan.

MONAGHAN: Seven needless deaths, seven families tragically left to deal with the consequences, and yet the companies who have promoted these schemes, companies such as AML are getting away scot-free. AML and its director, Doug Barrowman, appear to have moved away with no consequences whatsoever.

HANNAH: This was the reply to her from the minister responsible for tax, Jesse Norman.

NORMAN: Well, I think the honourable Lady is absolutely right to focus on the activity of the promoters. They are extremely ingenious in operating within the framework of law, but doing some very nasty and duplicitous things. They often operate offshore and it is extremely difficult to close them down when they are constantly mutating from one company to another. But I can assure the House that we are looking at this problem extremely closely, and I hope to return to the House at some point fairly soon with some thoughts.

HANNAH: Here's Gayle again.

GAYLE: There doesn't seem to be any consequences for promoters and Doug Barrowman, who was due to get married in Westminster Chapel this year, I just feel like he's protected, and there is no protection for these tens of thousands of victims, whereas, you know, someone like Doug Barrowman can just walk away unscathed.

HANNAH: Mr Barrowman declined to be interviewed for this programme. However, we did receive a statement from a spokesperson. They said the arrangements with AML had been notified to HMRC under the Disclosure of Tax Avoidance Schemes so that there was full transparency. All the relevant taxpayers were aware of that, and once the rules changed in 2011, AML stopped any activity relating to employee schemes with third party payments. After the 2017 loan charge rule changes, they stopped all self-employed schemes too and provided assistance to contractors. They also say that customers were warned of the risks when they signed up and that the conduct of AML has been lawful at all times. Doug Barrowman's fiancée, Michelle Mone, has also publicly defended him. Here she is talking to CNBC about AML back in 2017.

EXTRACT FROM CNBC BROADCAST

MONE: When legislation changed, they stopped doing it. So nothing was illegal, nothing was untoward. He is an amazing guy, very charitable, and a very successful business guy.

HANNAH: No one can deny that Doug Barrowman is a very successful business guy. He's made a fortune from fees paid by people like John and Gayle's dad and, unlike them, he's not suffered any of the fallout. It's a fact that angers many of the individuals left to settle big bills with HMRC.

JOHN: It's really frustrating. They've took, they've took whatever money they made and they've just left me, and it's up to us. It does make my skin crawl, if I'm honest.

HANNAH: It's not just the individuals caught up in the loan charge who want more to be done about the businesses that promoted the schemes. MPs, campaigners and even an independent review into the loan charge carried out by Sir Amyas Morse have all called for more action. Even some of the payroll firms who operate in this sector have asked why HMRC doesn't simply collect payroll taxes from big companies if they want to tax them as employees, rather than resorting to mechanisms like the loan charge. Sir Iain Duncan Smith, the former leader of the Conservative Party, is one of many MPs who've been contacted by constituents after they realised they would be subject to the loan charge.

DUNCAN SMITH: I think HMRC goes after the wrong target, because it's the easy target, the easy target to go after is those as individuals who are involved in it. But they've not really gone after the promoters, and I was aware of this rather ludicrous statement made, if you don't mind me saying so, by the minister, Jesse Norman, who said that the Government couldn't go after the promoters.

HANNAH: He's referring there to this comment made by the minister to BBC News back in July last year:

EXTRACT FROM BBC NEWS

NORMAN: The difficulty is that unless they have done something that's actually illegal, it is very hard, and of course we're not seeking in any case to pass retrospective legislation that would allow us to go after those promoters.

DUNCAN SMITH: But that's exactly what they've done for ordinary people, and gone after them. They've just gone after the people that were, you know, ordinary business people and families, often, you know, not on major, major incomes and who thought they were doing something which was quite right.

HANNAH: We asked the Treasury about criticisms that the loan charge was retrospective and unfair. A Government spokesperson told us:

TREASURY RESPONSE: The loan charge was introduced to ensure those who used disguised remuneration schemes to pay themselves income through loans, often via offshore trusts, contributed their fair share of tax. It is right that we continue to tackle these types of schemes.

HANNAH: So, we've looked at the loan schemes and how they were tackled, but it's also worth looking at how the original schemes adapted as the laws were updated.

MUSIC

HANNAH: Let's go back to John. He had signed up with PCL in spring 2015, and in autumn 2016 they got in touch to say they were moving him to a new company. He didn't question it at the time, but now he wonders whether in fact this was to get around the looming loan charge. The new company paid the loans to him directly rather than through a trust. He says he was later told that the direct loans are not captured under the loan charge, so he didn't need to tell HMRC about them. But he is worried that one day HMRC might ask for backdated tax on these loans too. It's a question that makes him very uneasy.

JOHN: I specifically asked them if the loans needed declaring, and I have an email where they say they don't need declaring.

HANNAH: But you were still concerned?

JOHN: Yes. Obviously my immediate thought was, what's to stop another retrospective legislation coming in that will capture direct loans in this?

HANNAH: A spokesperson for the company concerned told us that direct loans from an employer which have not been assigned to a third party are not subject to the 2019 loan charge and that there is no requirement to disclose them to HMRC. More broadly, HMRC's Mary Aiston says changes in the law around disclosure of schemes, brought in in the last five years, have made it more challenging for promoters of tax avoidance. And the Government has just finished consulting on how to strengthen those powers further.

AISTON: They're a very determined crowd, the people who are remaining promoting at tax avoidance, but fortunately, we are equally determined in tackling them. To give you an idea of other ways this can work out though, just the fact that the Government brought in additional powers for HMRC to tackle promoters of avoidance led to something like twenty promoters leaving this market altogether, and some of those were promoting disguised remuneration as well, and they packed up because they realised that the risk to them had increased significantly.

HANNAH: In 2018, John was reeling from the news of the loan charge and desperate for help. He was told he could contact Vanquish Options. It seemed that they had a solution that would make his 180 grand tax bill simply go away.

JOHN: I was desperate. I contacted Vanquish and we started the discussions. Basically, they were saying for a 5% fee of the total loans, they would get rid of this loan charge.

HANNAH: They claimed he could repay the loans through them for just 5% of their original value, much less than the loan charge would be. The solution they came up with sounds - well, it sounds incredible. And, although they wanted a way out, lots of people were worried about what Vanquish claimed it could do. One was concerned enough to record his conversation with Vanquish - which has been shared with us.

EXTRACT FROM PHONE CALL

JAMIE: Good morning, Jamie calling from Vanquish. You okay? The first thing you undertake, once you've signed all the documentation ...

HANNAH: Jamie explained. And explained. And explained. And it all sounded pretty confusing. He said that the entity which held this worker's loans would split them into 5% and 95%. The worker could then pay the 5%, bringing his balance to zero. That 5% is then invested into a third-party investment company, which also takes on liability for the remaining 95% loan. It wouldn't be written off, because that would trigger a tax charge, but the worker would no longer be associated with the loans and so wouldn't pay the loan charge. Totally clear, right? Anyway, so far, he hadn't convinced his potential customer, who wanted to know more about the investment company that would be involved. But Jamie said he didn't know - and there was a reason for that:

JAMIE: Because as soon as we know and we start getting quizzed by HMRC, that's when we can let details slip, which is kind of the opposite of what we want to do.

HANNAH: Jamie also said he would send through more information by email, because it wasn't available online.

JAMIE: Now the reason we're not all-singing, all-dancing online is because if we were, then it would be relatively easy to sort of track us down, if you follow me, on the side of people that really want to enquire as to what we're doing with regards to the 2019 loan charge, so that wouldn't be really beneficial for us. In some sort of capacity, I suppose you could say it's somewhat shady in that sense, but for what we are doing it kind of has to be.

HANNAH: We asked HMRC about Vanquish and they couldn't comment on individual companies, but they told us they are aware of a number of schemes that promised a workaround the loan charge. So far, they say, none of them have been successful. So, John steered clear of Vanquish Options and was right not to trust that they could make all his problems vanish for a fee.

JOHN: It just felt they was just attacking desperate people asking for more money, and I don't know how many signed up with Vanquish Options and what trouble they're in, but I don't doubt for a second that HMRC won't accept that. I just feel like they preyed further on vulnerable victims.

MUSIC

HANNAH: So, who is behind Vanquish Options? We did a bit more digging.

ACTUALITY WITH COMPUTER

HANNAH: I'm looking at this document that John was asked to sign by Vanquish. It has a Vanquish Options logo, but here in the small print it says Option 365 Limited, with an address in Malta. So, if I go to the Malta Business Registry and buy its annual return from March 2019, this document says Option 365 Limited was owned at the time by Knox Limited, owned by a very familiar name - Doug Barrowman. Here's what his spokesperson said:

READER IN STUDIO: Options 365 was established to assist contractors that had fallen foul of the retrospective loan charge. It provided an outsourced administration service for a nominal fee, collating information for individuals who were reviewing their options.

HANNAH: Doug Barrowman's lawyers tell us that neither he nor Knox have at any time owned or controlled Vanquish. They also say the shares held by Knox are held for the benefit of third parties, though they haven't said who they are. So, we've looked at a number of businesses with lines connecting them to Doug Barrowman, some making money selling loan schemes and another making money promising a way out of the resulting tax bills. But it doesn't end there. File on 4 has discovered something more.

EXTRACT FROM BBC NEWS ARCHIVE

NEWSREADER: The Government calls on retired doctors and nurses to come back to work and help fight the coronavirus outbreak.

MAN: We're saying to anybody who has had a recent qualification and has let that qualification lapse, is a doctor, as a nurse, to come back to the NHS. Your NHS needs you.

HANNAH: At the height of the pandemic, frontline health workers responded to the Government's plea, only for some to be targeted by yet more salespeople offering payment solutions. So now we need to add yet another new company name to add to the list as we meet ContractingWISE Limited.

EXTRACT FROM CONTRACTINGWISE PROMOTIONAL VIDEO

HANNAH: What you're hearing there is their very professional promotional video. And if you look at its website, it all looks very professional too. It provides a number of services to contractors, including acting as a broker to set them up with payroll companies. I spoke to Paul at ContractingWISE, posing as a would-be NHS worker.

ACTUALITY OF PHONE CALL

PAUL: Hello, Paul speaking. How are you?

HANNAH: Hello, I'm very well, thanks. They had been specifically targeting workers like this with a £150 signup incentive at the start of the pandemic. But I was offered far more than just payroll services. I recorded my call but, as you'll hear, the line wasn't great, so we've asked an actor to read the transcript.

PAUL [READ BY ACTOR]: So, we're responsible for getting you the best deal, getting you through the signup process, getting you on board, and then once you're at that point, we then pass you onto the umbrella company.

HANNAH: I told Paul I was an occupational therapist who was looking at jobs that would pay me around £850 a week, just over 40 grand a year. He told me

GORDON cont: a magic wand, £400 of that would be taxed as normal, but £450 of it would be treated as if it's not salary. And simply by saying, 'It's not salary,' Paul was telling you, you don't have to pay tax on it. The most generous way of describing it is naïve. Just simply by renaming part of your payment, they think that you can do away with the tax bill. Well, tax is complicated and, believe me, you can't simply do away with the tax bill by just pretending something is something else.

HANNAH: Tax barrister David Pett, the man who literally wrote the book on all this, Disguised Remuneration and the Loan Charge, says this is even more problematic than the loan schemes that got so many people into difficulties.

PETT: What is being asserted here is that black is white, that what we're paying you in part is not an amount of earnings, taxable earnings, it's something else. That is simply not correct.

HANNAH: We asked ContractingWISE whether these schemes could leave taxpayers open to challenges and bills from HMRC in the future. A spokesperson said, 'Our aim is to assist the contractor with the best support for their circumstances,' but added, 'ContractingWISE is not a scheme provider and therefore cannot offer any comment relating to questions around how the scheme works in practice.' However, they did say they will conduct an internal investigation to address any remarks that may place its clients at risk. When we contacted Doug Barrowman to ask about the schemes, a tax specialist at Knox Group plc said that the arrangements follow tax legislation and that loans or advances from your employer are not taxable income.

MUSIC

HANNAH: I'm looking at a section of the Government website about tax avoidance, and I can see that back in March, HMRC specifically said workers returning to the NHS should be careful because there were 'unscrupulous promoters of tax avoidance schemes' targeting them. And if I scroll down, there's quite a lot more information on the site. It says a common feature of these schemes is that they promise two separate payments, one declared as earnings and another one that they would describe as not

