

Dutch child benefit scandal: origin and latest developments

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Description

In recent years, the Dutch tax authorities unjustly stopped the childcare allowances of a large number of parents (mostly with dual nationality), who were wrongly treated as fraudsters. Many of them incurred considerable debts as they had to repay often tens of thousands of euros in benefits. Moreover, because of this erroneous accusation and the stringent approach towards (alleged) fraudulent behaviour, they were not entitled to other forms of assistance either and therefore faced additional hardship and discriminatory behaviour. In May 2021, the government announced plans to provide compensation for the unjustly reclaimed allowances and to take over most of the private debts of parents incurred as a result of its wrongful actions.

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In order to achieve social inclusion in the Netherlands, income-dependent social support (benefits/allowances) is provided. There are four main allowances: the healthcare allowance (zorgtoeslag), housing allowance (huurtoeslag), childcare allowance (kinderopvangtoeslag) and also a so-called “child budget” (kindgebonden budget). Depending on his or her situation, a person may be eligible for one or more allowances. These financial arrangements are managed by the Tax authorities/ Allowances (Belastingdienst/ Toeslagen).

The procedure of the tax authorities is as follows: when someone is entitled to a certain allowance, the amount is based on the financial situation of that person at that specific time. This means that a provisional amount is paid out during the year, but the final and exact amount can only be calculated at the end of the tax year based on their total income during that year. People whose income has changed during the year may have to repay part of the allowance received. This retrospective calculation makes the system susceptible to fraud.

Access to the childcare allowance had already become stricter in 2009 to prevent creative interpretations by parents and ensure that parents were not enabled to claim “free day-care”. But the major change made in order to tackle benefit fraud was put in place after the so-called “Bulgarian fraud” that came to light in 2013. Several hundreds of Bulgarian citizens had registered at a Dutch address and applied for allowances with retroactive effect.

Because back then the tax authorities only checked afterwards, this fraud was only noticed when the fraudsters were back in Bulgaria (VPRO, 2021). Between 2007 and 2013, 805 Bulgarians appear to have received unjustified allowances amounting to about €4 million (Trouw, 2014). In response to this scandal and the subsequent political debate, Parliament called on the government to ensure more systematic and stringent fraud prevention. Prevention was tightened in 2013 by creating extra capacity and a new approach to tackling systemic fraud, targeting individuals who knowingly organise or initiate large-scale system fraud (Ongekend Onrecht, 2020). In a letter sent to Parliament on 14 January 2014, the Minister in charge of security and justice announced further steps to prevent fraud in a proportional way, i.e. preventing, detecting and sanctioning fraud while still acting as a service-oriented government, erring on the side of trust (Kamerbrief I, 2014).

However, despite this basic principle and various indications of wrongdoing between 2012 and 2016, a first report was published in 2017 describing a disproportionately harsh approach taken towards 232 families who applied for the childcare allowance (VNG, 2017). Their allowance was unrightfully stopped and reclaimed by the Tax authorities/ Allowances. Because they were wrongly accused, labelled as fraudsters, and because of the strict approach taken towards (alleged) fraudulent behaviour, these families were not entitled to other forms of assistance either and therefore faced additional hardship, discriminatory behaviour, emotional distress and social problems. In the following years, more serious institutionalised malpractices

came to light, e.g. the use of “black lists” mostly listing people with dual nationality. A 2020 report indicated that people had also been treated wrongly with regard to the housing allowance, the healthcare allowance and child budget (NOS, 2020). Because thousands of parents were wrongly labelled as fraudsters and subsequently disproportionately sanctioned, the government took political responsibility by resigning in its entirety on 15 January 2021, and announced measures to be taken. In April more than 35,000 affected parents registered for financial compensation (Trouw, 2021). A difficult road to compensation lies ahead, with slow arrangements and failure to deliver on previous promises. In May 2021, the state secretary in charge of allowances informed the Parliament that the government planned to take over most of the private debts of parents who were the victims of this allowance affair in order for them to make a debt-free start (VNG, 2021). However, to date, many affected parents have still not received the compensation measures announced and there are many obstacles to the implementation process.



Outlook and commentary

Despite giving many indications, the government did not take any action. The ministers and civil servants responsible blamed each other, denied what had happened and failed to adequately inform Parliament – which in turn did not bring to bear the necessary checks and balances. When the government could no longer deny that because of a systemic lack of good governance, institutionalised (ethnic) profiling and (alleged) discriminatory behaviour, thousands of parents had been wrongly labelled as fraudsters and subsequently disproportionately sanctioned, it took political

responsibility and resigned in its entirety on 15 January 2021. (See inter alia Ongekend Onrecht 2020 and College voor de Rechten van de Mens 2021.)

This whole affair can be considered a failure of the social protection system, mainly (but not only) towards parents with dual nationality. It has caused a great deal of suffering and a major dent in parents’ confidence in the government (I&O research, 2021). It has also revealed the lack of a human approach in the broader social protection system and violation of the rule of law. To restore trust and prevent such or similar forms of social exclusion and institutionalised wrong behaviour towards certain groups, as well as to ensure that the government upholds the basic principles of the rule of law, fundamental changes are needed. Therefore, on 26 January 2021, the Parliament passed a motion calling on the government to commission an external investigation into other laws that may have harsh effects on particular groups of citizens (Motie 35510 nr. 13). On 12 February 2021, in a letter to Parliament, the Minister of Social Affairs and Employment emphasised the importance of balanced legislation adapted to individual circumstances. He stated that it is the task of the government to actively monitor how legislation and regulations affect citizens in practice and to intervene where necessary (Kamerbrief II, 2021). It is to be hoped that the announced measures will be effective and sufficient to prevent the occurrence of another benefit scandal like the one described above.

Further reading

College voor de Rechten van de Mens, [Nooit meer een toeslagenaffaire: pak discriminatie aan](#) [Never again an allowance

affair: tackle discrimination], 25-01-21.

I&O Research, [Vooral Toeslagenaffaire schaad vertrouwen in overheid](#) [Allowances affair in particular damages trust in government], 05-03-2021.

Kamerbrief I [Misbruik en oneigenlijk gebruik op het gebied van belastingen, sociale zekerheid en subsidies](#) [Letter to Parliament on Abuse and improper use in the areas of taxes, social security and subsidies], 14-01-14.

Kamerbrief II [Uitvoering motie Omtzigt over het doorlichten van wetten op hardvochtige effecten op burgers](#) [Implementation of Omtzigt motion on the harsh effects of laws on citizens], 12-02-2021.

[Motie 35510 nr. 13 van het lid Omtzigt c.s.](#) [Motion 35510 No 13 by Member of Parliament Omtzigt]

NOS, [Ook compensatie voor fouten bij huur- en zorgtoeslag](#) [Also compensation for errors with rent and healthcare allowance], 04-12-2020.

Parlementaire ondervragingscommissie Kinderopvangtoeslag, [Ongekend Onrecht](#) [Report - Parliamentary questioning on child care allowance “Unprecedented Injustice”], 17-12-2020.

Trouw, [Aanpak toeslagenfraude levert 250 miljoen op](#) [Tackling benefit fraud yields 250 million], 18-06-2014.

Trouw, [Geen 30.000 euro voor bijna helft gedupeerden in toeslagenaffaire](#) [No €30,000 for almost half of the victims in the allowance affair], 22-04-2021.

VNG, [Geen powerplay maar fair play](#) [No powerplay but fair play], 09-08-2017.

VNG, [Toeslagen neemt private schulden gedupeerde ouders over](#) [Tax Authorities take over private debts of victims of parents], 26-05-2021.

VPRO, [Dit iconische beeld bracht de Bulgarenfraude aan het licht](#) [This iconic image exposed the Bulgarian fraud], 03-04-2021.

Author

[Sanne Berends](#) (Regioplan)

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