

Overpayment Recovery Procedure

Title: OVERPAYMENT RECOVERY PROCEDURE 1.0

Owner: HR Operations with Payroll Services

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1. Introduction

The University makes every effort to ensure staff are paid correctly. However with a large workforce and a complex system of payments occasionally errors do occur and it is the responsibility of whoever finds the error to raise this appropriately. Errors may be identified by the manager, budget holder, HR or payroll department, or the employee through their pay advice notification.

Where an employee is overpaid the following principles and procedures will be applied to ensure:

- Overpayments are investigated and resolved promptly.
- Steps will be taken to recover the overpayment in a fair and consistent manner.
- The University complies with its legal obligations.

2. Legal context

Section 14(1) of the Employment Rights Act 1996 allows employers to recover overpayments from employees by making deductions from wages without requiring the employee's consent.

3. Scope of this procedure

The overpayment recovery principles and procedures outlined in this document apply only to payments made in error. Legitimate payments which later become repayable if the employee fails to satisfy certain conditions (for example: contractual maternity pay, relocation allowances, visa reimbursement etc.) are not in scope and the processes outlined in the applicable policies should be followed. If these policies are unclear please seek advice from Ask HR.

4. Principles of recovery

The following principles will inform the University's approach to recovering an overpayment:

- The University receives public funding and therefore has a duty to seek full recovery of all overpayments, regardless of how the overpayment occurred.
- The method of recovery will be by deduction from the employee's gross pay unless this is not possible.
- Employees will receive at least ten days' notice in writing prior to any deductions being made.
- One-off overpayments identified within one month of the overpayment occurring will be recovered in full in the next available pay run.
- All other overpayments will be deducted over the same period the overpayment occurred, except where this reduces an employee's gross pay by more than 20%. In such cases, the recovery period will be adjusted to ensure an employee's gross pay is not reduced by more than 20%.
- The outstanding balance of an overpayment will become immediately repayable if a person's employment at the University terminates.
- Additional monies owed to the employee upon termination (excluding redundancy pay) will be offset against any overpayment balance owed to the University.
- Former staff who fail to repay an overpayment may have the debt referred to a debt recovery agency.

Recovery Procedure

5. Current Staff member

The person who identifies the overpayment alerts HR providing the name of the individual and details of the overpayment by either:

- calling Ask HR on ext 27547
- emailing ASK_HR@soton.ac.uk or
- raising a ticket on [ServiceNow](#).

HR correct the employee's record on the HR/Payroll system and prepare a letter which explains:

- how the overpayment occurred;
- the amount to be repaid and how the debt will be recovered;
- the HR contact details if they have any questions;

Recovery of the overpayment is by deduction from gross pay. If the overpayment is a one off the full amount will be deducted from the next pay period.

If the ticket is raised by the 10th of the month after the overpayment occurred, the overpayment (either the full amount or the first instalment) will be deducted from that month's pay run. If the ticket is raised after the 10th, the deductions will commence the following month.

If the overpayment occurred over more than one month, the debt will be recovered over the same timeframe. If this reduces gross pay by more than 20% the repayment timeframe will be adjusted to ensure the monthly deductions do not reduce the employee's gross pay by more than 20%.

HR will attempt to call the employee to notify them of the overpayment and to advise them that HR will be sending them a letter with details of the overpayment.

HR then emails the letter to the employee (copying in the employee's line manager) and instructs Payroll to set up the deduction(s).

If HR is aware that the staff member's employment will end before the debt has been repaid the letter will also explain:

- that deductions will continue until termination and that any monies owing to the employee on termination (excluding any redundancy pay) will be offset against the overpayment debt.
- that any remaining balance will need to be repaid within one month of termination

6. Former staff member

The person who identifies the overpayment alerts HR providing the name of the individual and details of the overpayment by either:

- calling Ask HR on 27547
- emailing ASK_HR@soton.ac.uk or
- raising a ticket on [ServiceNow](#)

HR correct the individual's record on the HR/Payroll system and prepare a letter explaining:

- how the overpayment occurred;
- the amount to be repaid and the repayment options (i.e. bank transfer or cheque) ;
- the HR contact details if they have any questions;
- that the Finance department will send them an invoice for the debt in the coming days.

The letter is sent by post and email and the former line manager is copied in.

A copy of the letter and details of the overpayment are then emailed to the Finance team responsible for the faculty/department where the individual used to work; the Payroll team is copied in on the email. Finance send the individual an invoice.

Once Finance have confirmed that the individual has repaid the debt Finance will notify HR who will update the ticket and add a note on the employee's record.

Failure to repay the debt within a reasonable timeframe may see the debt referred to a debt collection agency.

7. **Appeal process**

If the employee/former employee does not agree with the recovery action being taken they may ask for the matter to be referred to the Directors of Human Resources and Finance (or their nominees) for adjudication. The recovery action will be suspended during this time. The Directors may meet with the employee and/or their representative to review the case. Their decision will be final and, if the appeal is not upheld, action to recover the overpayment will be taken.