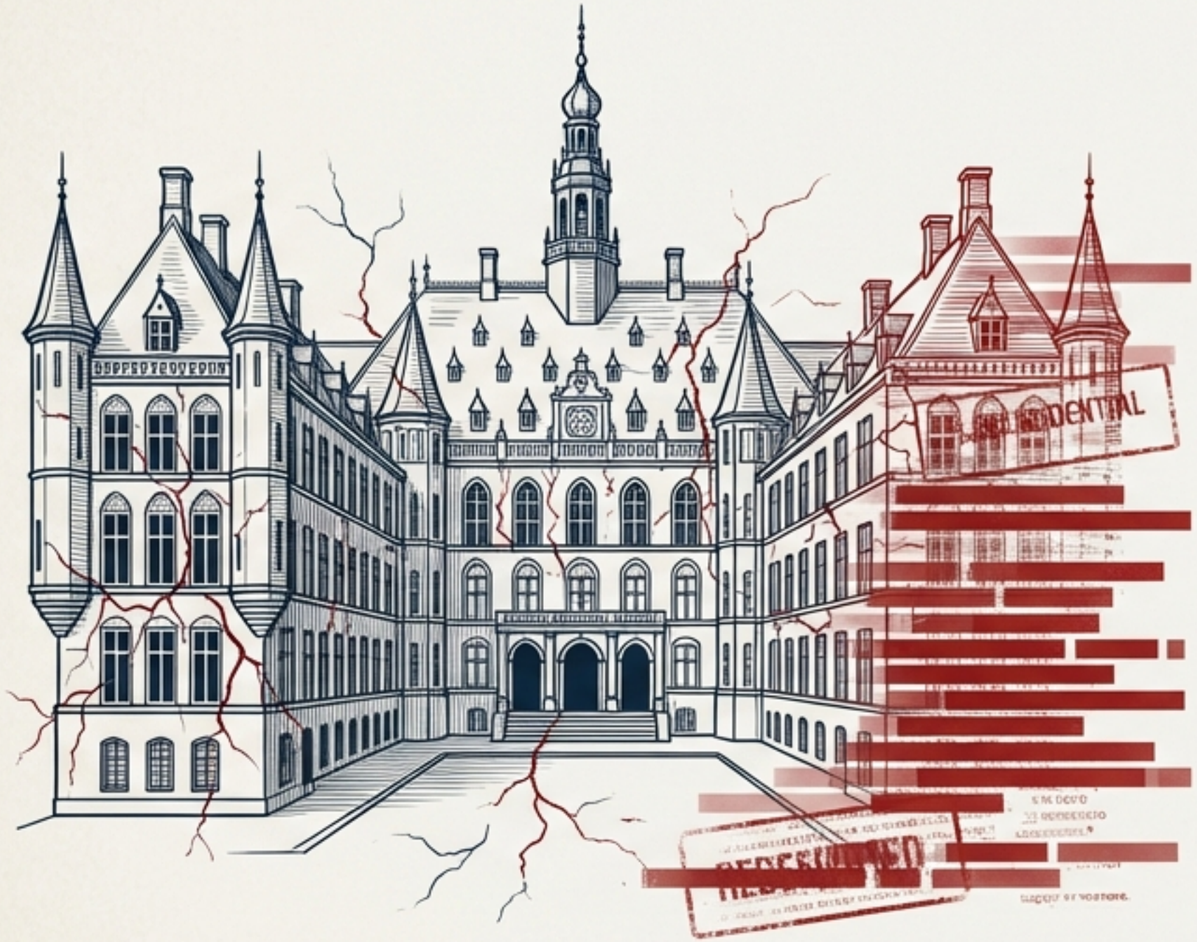
A Government Fell.



In January 2021, the entire Dutch government, led by Prime Minister Mark Rutte, resigned.

This was not due to a traditional political scandal, but the culmination of a devastating affair driven by an automated system within the Tax and Customs Administration.

A parliamentary inquiry concluded that **the handling of the affair "violated fundamental principles of the rule of law,"** describing the outcome as an **"unprecedented injustice."**

This presentation unpacks the story of the **toeslagenaffaire**—the Dutch childcare benefits scandal—a critical warning for the age of algorithmic governance.

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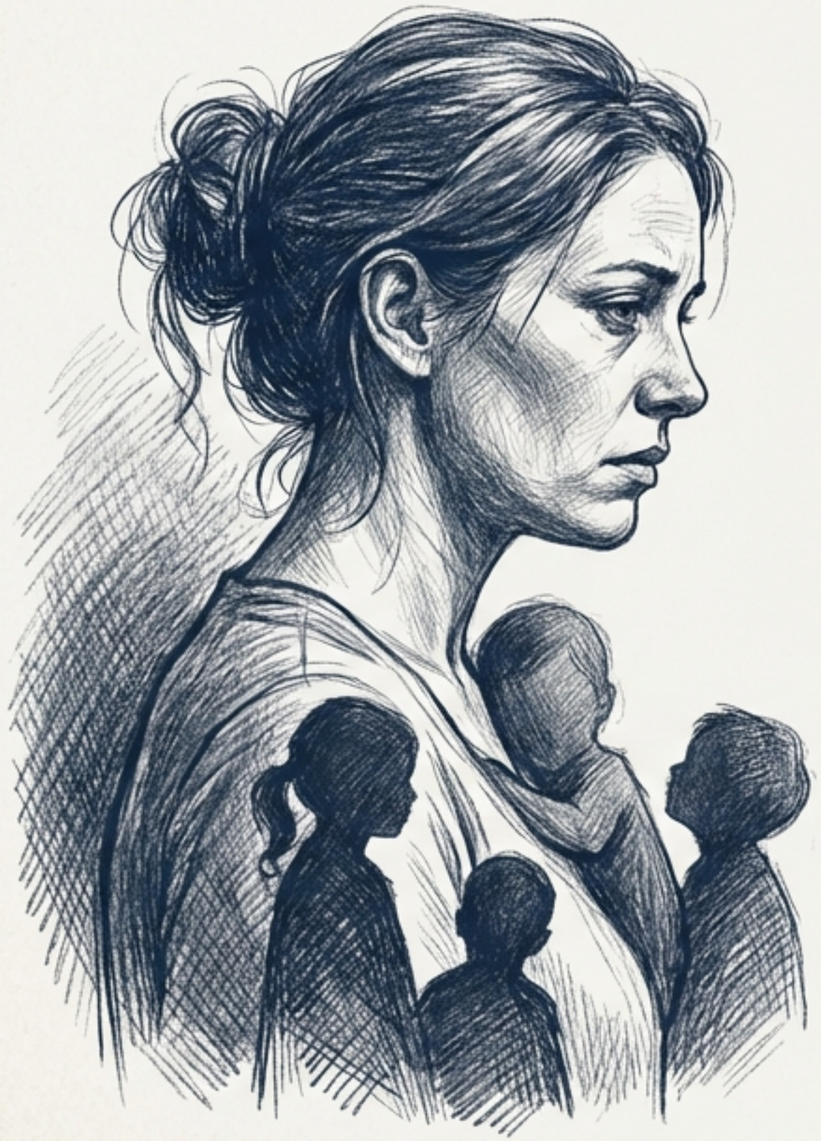
CONFIDENTIAL REPORT
ALGORITHMIC GOVERNANCE INVESTIGATION

“I Thought, “Don’t Worry, This is a Big Mistake.’”



The Experience of Chermaine Leysner

In 2012, Chermaine Leysner, a social work student with three young children, received a letter demanding she repay over €100,000 in childcare benefits.

She recounts her disbelief: “But it wasn’t a mistake. It was the start of something big.”

The Consequences: The ordeal consumed nine years of her life, leading to depression, burnout, and the separation from her children’s father.

> **“I was working like crazy… But I had times that my little boy had to go to school with a hole in his shoe.”**

REDACTED

Chermaine Leysner is one of tens of thousands of victims.

The Scale of the Devastation.

~26,000

Parents wrongly accused of fraud between 2005 and 2019.

€10,000s

The average debt forced upon each family, leading to financial ruin, job losses, and evictions.

>1,000

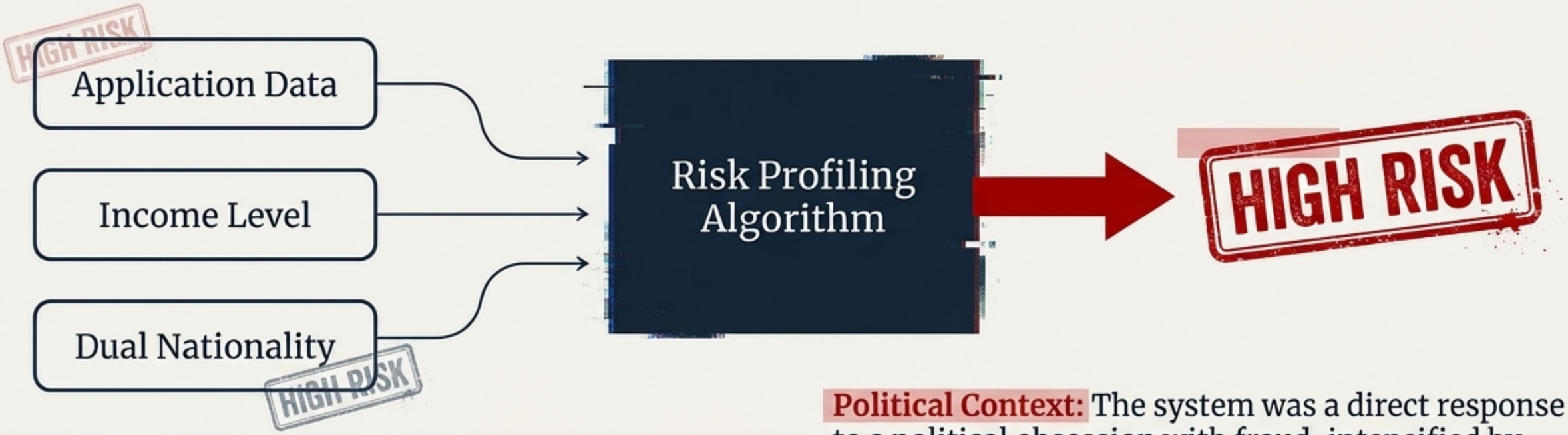
Children taken into foster care as a direct consequence of the financial and emotional strain placed on their families.

Unknown

Number of victims who died by suicide.

Families, often from lower-income or ethnic minority backgrounds, were systematically pushed into poverty by the state body meant to support them.

The Fraud-Hunting Machine



Name: A self-learning algorithm used by the Dutch Tax and Customs Administration (Belastingdienst) to create ‘risk profiles’ for spotting childcare benefits fraud.

Launched: 2013

Political Context: The system was a direct response to a political obsession with fraud, intensified by media reports of the ‘Bulgarian migrant fraud’ and fraudulent childminding agencies.

Stated Goal: To “weed out benefits fraud at an early stage.”

Actual Function: The system assigned risk scores to applications, flagging certain families for intense, often unforgiving, scrutiny.

Inside the System: Three Layers of Failure

1. Discriminatory Risk Indicators

The algorithm's criteria were developed by the tax authority itself. Key "risk" factors included having a low income and, critically, holding dual nationality. This baked discrimination into the model from the start.

2. Secret ‘Blacklists’

For two decades, the tax authority maintained secret blacklists. These lists tracked both credible and unsubstantiated "signals" of potential fraud. Being on the blacklist automatically led to a higher risk score in the benefits system. Citizens had no way to know they were on it or to challenge it.

3. A ‘Zero-Tolerance’ Policy

The system was paired with an "all-or-nothing" enforcement policy. Even a tiny administrative error—a missing signature or a minor undeclared change in income—could trigger a full clawback of all benefits received over many years.

Discrimination by Design.

This was not a neutral AI that went wrong.
The system was explicitly designed to treat certain characteristics as proxies for fraud.

“[redacted]:
“Found the tax authority’s processing of dual nationality data was “unlawful, discriminatory and therefore improper,” constituting a “serious… breach of the GDPR.”””

Dutch Data Protection Authority (DPA):

“[redacted]:
“Argued that the policy choice to treat nationality as a risk factor meant discrimination was ‘baked into the system from the beginning.’” ”

Amnesty International (“Xenophobic Machines” report):

The system’s true objective was optimised to ‘**maximise detection + deterrence of fraud**,’ with no comparable design requirement to ‘**ensure eligible families receive support fairly**’ or **minimise false accusations.**

‘A Total Lack of Checks and Balances.’

— Pieter Omtzigt, Dutch MP who helped uncover the scandal.

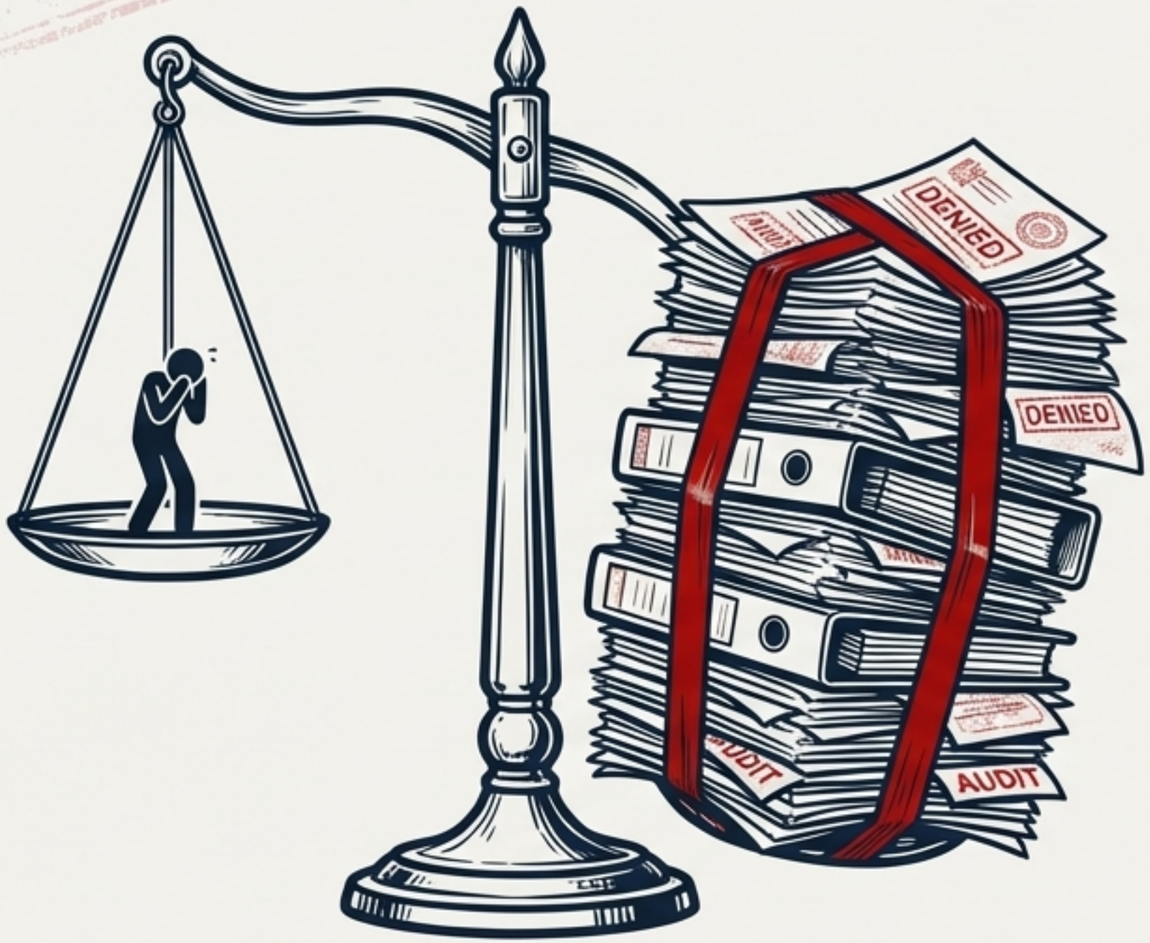
- **Opacity:** Citizens had no way of knowing why they were flagged or defending themselves against the algorithm’s conclusions.

- **Misleading Parliament:** A parliamentary report found authorities were guilty of hiding information and misleading parliament about the facts.

- **The ‘Rutte Doctrine’:** An informal policy where internal communications between officials and ministers were kept private, shielding the decision-making process from scrutiny.

- **Weak Redress:** The ability for parents to contest decisions was weak, slow, and largely ineffective against an automated judgment.

Justice Deferred, Trust Destroyed



Accountability

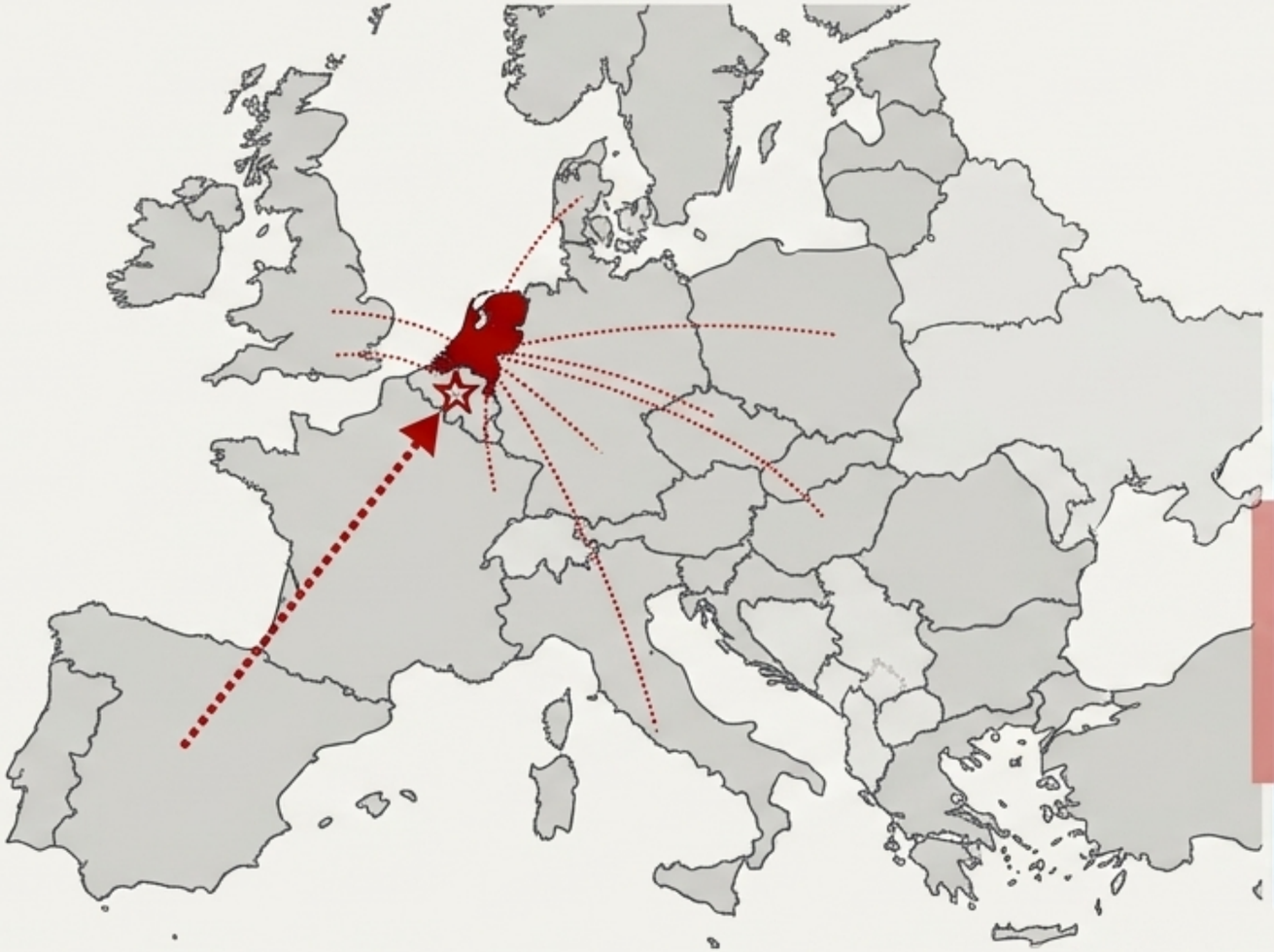
- **Fines**: The Dutch DPA issued fines totalling millions of euros (€2.75M and €3.7M) for GDPR violations.
- **No Prosecution**: In January 2021, the Public Prosecution Service announced it would not pursue a criminal investigation, citing the "administrative and political choices" behind the scandal.

Compensation

- The government promised a flat €30,000 compensation payment to all wrongly accused parents.
- However, for many victims, this does not begin to cover the years of lost income, legal fees, and profound personal trauma.

"If you go through things like this, you also lose your trust in the government. So it's very difficult to trust what [authorities] say right now." — *Chermaine Leysner*

A Warning for All of Europe.



The EU Context

As governments across Europe turn to AI and automated systems to manage public services, the Dutch scandal serves as the primary cautionary tale.

Quote from the Top

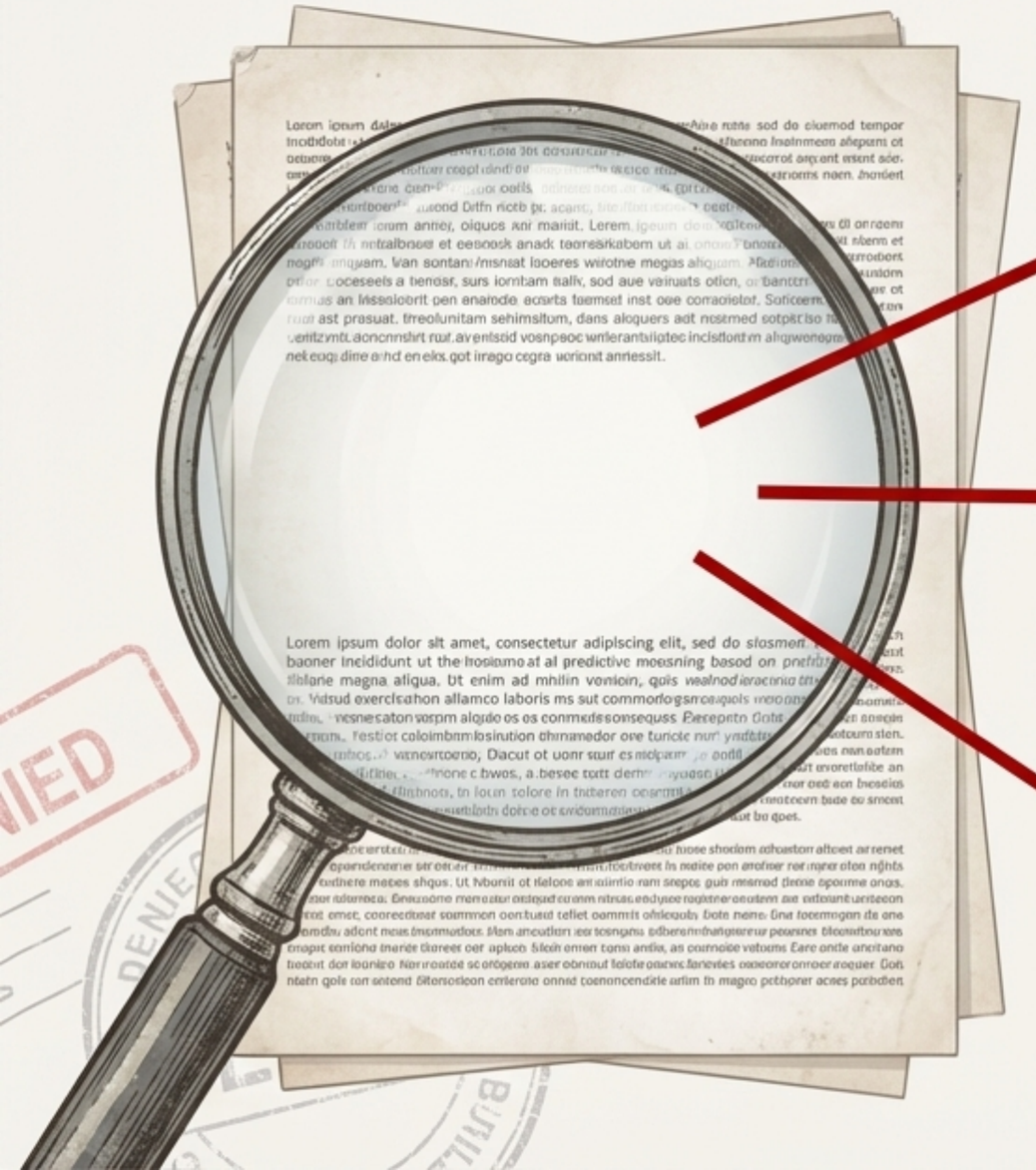
'We have huge public sectors in Europe... decision-making **supported by AI could be really useful, *if you trust it*."**

Vestager explicitly stated the Dutch scandal is **"exactly what every government should be scared of."**

— Margrethe Vestager, European Commission EVP

The scandal has become a central point of reference in the debate over the EU's landmark AI Act, which aims to regulate high-risk systems and create trust in artificial intelligence.

Is the EU AI Act Strong Enough?



Focus on Providers, Not Users: Renske Leijten, Dutch MP, argues the Act focuses too heavily on the obligations of AI *providers* (the companies building the tech) and not enough on the *users*—especially when the user is the government itself.

Lack of Mandatory Rights Assessments: MEP Kim van Sparrentak is pushing for mandatory fundamental rights impact assessments for all high-risk AI systems, which would need to be published in a public EU register.

Call for an Outright Ban: Van Sparrentak argues that certain use cases should be banned entirely: **"Fraud prediction and predictive policing based on profiling should just be banned. Because we have seen only very bad outcomes."**

Five Principles to Prevent Algorithmic Cruelty

1. Put Rights in the Objective

Design systems to 'Detect fraud while minimising false accusations and avoiding discriminatory impact,' not just to 'Maximise fraud detection.'

2. Ban Sensitive Features & Proxies

Exclude protected attributes (nationality, ethnicity) and their proxies (e.g., certain postcodes) from risk models.

Rule: *If you can't ethically defend a feature in public, it doesn't belong in your model.*

3. Design for Error Tolerance

Replace 'zero-tolerance' policies with proportionality. Build in grace mechanisms for honest mistakes instead of turning minor errors into catastrophic life events.

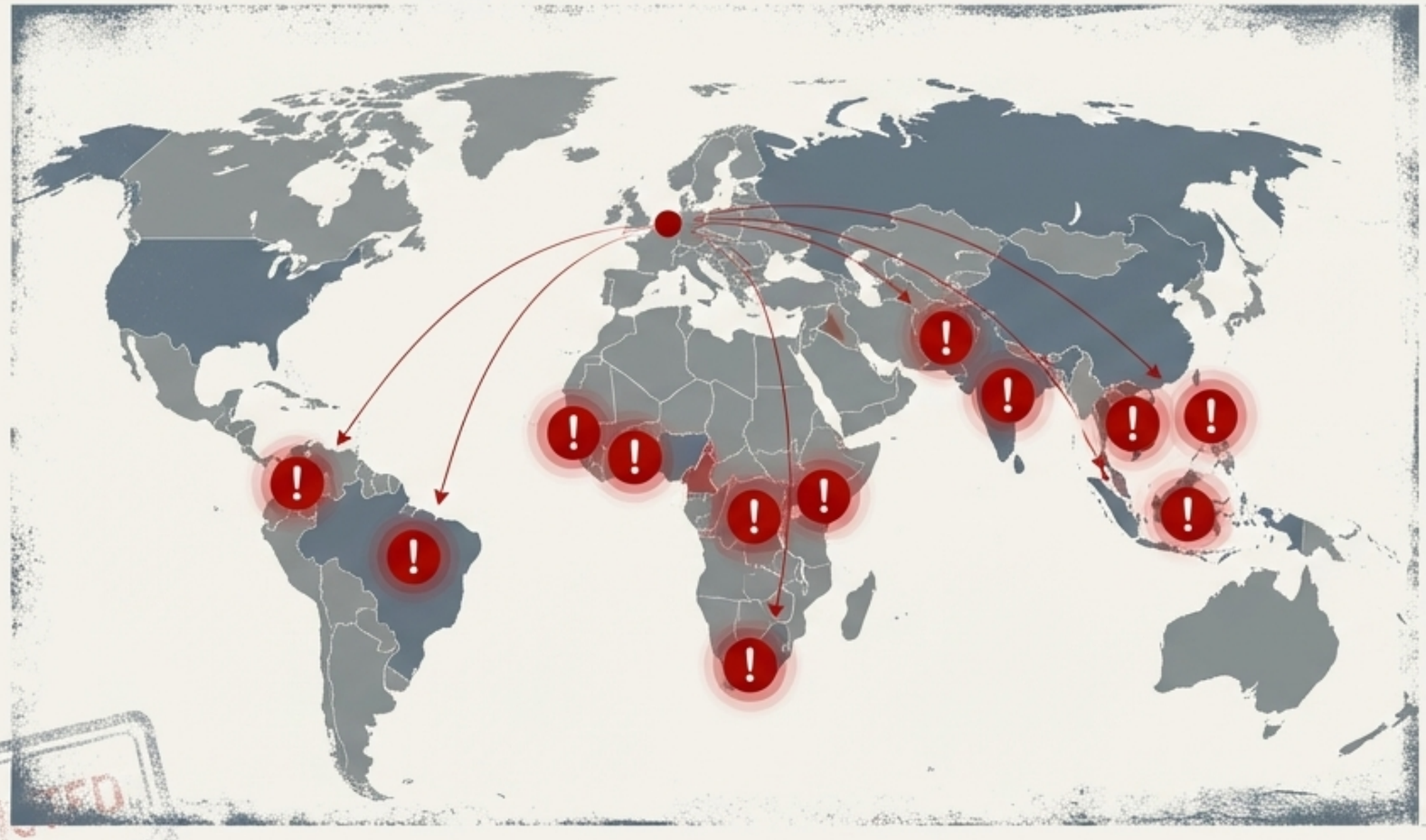
4. Build in Contestability & Appeal

Ensure the system is explainable and that there is a clear, independent, and timely process for citizens to challenge its decisions.

5. Mandate Human Rights Review

Involve human rights lawyers, anti-discrimination bodies, and community representatives in the design and audit of any high-stakes public sector AI.

A Warning From the Future



The Core Argument:

If a wealthy, institutionally strong country like the Netherlands can fail so catastrophically, the risk in the Global South is multiplied.

Amplifying Factors:

* Weaker data protection regimes.
* More fragile courts and appeals processes.
* Higher dependency on welfare and digital ID systems.
* Greater prevalence of ‘suspicious’ data patterns from informal work.
* Histories of caste, tribal, or religious profiling already baked into data.

For governments considering AI for welfare, subsidies, or digital ID, the Dutch case is not “someone else’s scandal”—it is a direct preview of the potential dangers ahead.

Unprecedented Injustice.

The final report from the Dutch Parliamentary Interrogation Committee was titled *Ongekend Onrecht*—"Unprecedented Injustice."

"The fundamental principles of the rule of law were violated."

The *toeslagenaffaire* was not simply a runaway algorithm or a data problem. It was a failure of governance, of institutional accountability, and of the basic duty of a state to protect its citizens—a failure that was automated, scaled, and ruthlessly executed by a machine designed to suspect.