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**HOUSE OF COMMONS
OFFICIAL REPORT**

**PARLIAMENTARY
DEBATES**

(HANSARD)

Thursday 4 December 2014

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The House met at half-past Nine o'clock

PRAYERS

[MR SPEAKER *in the Chair*]

Oral Answers to Questions

TRANSPORT

The Secretary of State was asked—

Tag Systems

1. **Michael Fabricant** (Lichfield) (Con): If he will take steps to encourage operators of toll roads, bridges and tunnels to recognise each other's tag systems. [906428]

The Minister of State, Department for Transport (Mr John Hayes): We have made life easier in several ways for people who pay to use crossings: cashless, free flow charging at Dartford; credit card payments at the Severn crossings; and the new Mersey gateway bridge will benefit from cashless tolling. The idea that the five tag systems work together is an interesting one, but I have not received representations from those who represent hauliers and others.

Michael Fabricant: Well, I shall make representations now. Some 40,000 people have M6 tag cards, but these cannot be used on any other crossing, and that seems madness to me. There was an attempt some years ago to get Transport for London and others to allow roaming of these tag cards, so will the Minister play a proactive part in trying to ensure that we have commonality among tag systems?

Mr Hayes: "Proactive" is my second name. My hon. Friend always brings originality to this Chamber and this is an interesting and original idea, which I would be more than happy to discuss with him. As I say, I have not received formal representations, but his representations are enough for me and I am more than happy to meet him.

Mr John Spellar (Warley) (Lab): In the changes the Minister was just extolling, he only touched on the recent ones at the Dartford river crossing. How does he justify raising the charge by 25% and the whacking £105 fine if someone forgets? How much are those fines estimated to raise during the next year? How much will the scheme cost to administer and, by the way, how will he ensure that foreign drivers pay the charge?

Mr Hayes: Unusually, the right hon. Gentleman is being rather critical and negative, and it is not in his character to be so. The changes we are making at

Dartford are important and forward-looking and they are succeeding. He is right about ensuring that all who need to pay do pay, and the progress report I can give the House today is that the changes introduced just a few days ago are on schedule, on time and in tune with the wishes of local people, who will get discounts, as he will know. By paying in advance, people will also pay less.

Mr Speaker: I am bound to say that I always regard the right hon. Gentleman as an English classicist, and to my mind the pronunciation "skedule" is an Americanism that I would not expect of him.

Stephen Metcalfe (South Basildon and East Thurrock) (Con): Following the welcome introduction of free flow tolling and the Dart charge, a number of my constituents have experienced problems accessing the residents' discount and transferring from the old system to the new. Will my right hon. Friend update the House on whether these are isolated incidents or whether there is a systemic problem?

Mr Hayes: I take your advice particularly seriously, Mr Speaker, as you know, but I did not want anyone to think that modernity was a foreign place for me, so I was adopting a little Americanism.

My hon. Friend is right to highlight the interests of his constituents, as he always does so forcefully. As these questions need to have a real and direct purpose, I shall set up a special line for my hon. Friend so he can feed into the system any concerns his constituents have. It will be a conduit by which he can articulate their needs and worries so that we can get this absolutely right.

Congestion

3. **Mr Robin Walker** (Worcester) (Con): What plans he has to relieve congestion on roads. [906430]

The Minister of State, Department for Transport (Mr John Hayes): The Government have an ambitious strategy for tackling congestion and improving the performance of our roads. Our road investment strategy sets out plans to invest no less than £15 billion to enhance strategic roads between 2015 and 2021. The investment plan includes upgrading the M5 from Droitwich to Worcester South, expanding junction 6, improving capacity at junctions 5 and 7, and upgrading the section between junction 4a and junction 6 to smart motorway. These improvements will support growth in housing and jobs in South Worcestershire, address safety issues at the junctions and lead to improved journey times and reliability.

Mr Walker: Like motorists in the north and east of Worcester, I am delighted to see the investment in junction 6 of the M5, which will de-bottleneck traffic and unlock a huge amount of growth in our city. However, the southern link is a huge concern to motorists in the south and west of Worcester. May I urge the Minister to engage closely with me, my neighbouring MPs and Worcester county council on the case for full dualling of the southern link, including the Carrington bridge?

Mr Hayes: Barely a night goes by when I do not dream about the Powick roundabout and the Carrington bridge, as my hon. Friend knows, and I shall certainly continue the dialogue that he described. I think it would be useful to have a meeting with him and other local people, including county councillors, to decide what can be done in this local scheme. It would, of course, be a matter for local discretion, but none the less, if we can play a part in helping, we will.

Mr Clive Betts (Sheffield South East) (Lab): The other week, my hon. Friend the Member for Penistone and Stocksbridge (Angela Smith) and I drove the Under-Secretary of State for Transport, the hon. Member for Scarborough and Whitby (Mr Goodwill), across the Pennines from Sheffield towards Manchester. I did not think he could understand how bad the Woodhead pass was, and why people willingly drove over it, until we took him back over the Snake pass. A few crawler lanes on the Woodhead might be a short-term sticking-plaster, but in the end it is a tunnel under the Pennines—after all, they are only 2,000 feet high—that is the real long-term answer. When is the review of such a project likely to start, who is likely to conduct it, and when, realistically, could work actually start if the go-ahead is given?

Mr Hayes: The hon. Gentleman is right to highlight the issues around the Snake pass. I know there are safety concerns there, and I have obviously used the road myself. He knows that this Government have at their very heart the idea of a northern powerhouse. We are championing the interests of the north of England, perhaps to a greater degree than any previous Government. To that end, I shall look at all the specific questions that the hon. Gentleman asks on timing, on detail and on planning, and I shall be more than happy to address them directly with him.

Sir Alan Haselhurst (Saffron Walden) (Con): Will my right hon. Friend direct his attention to junction 8 on the M11, the second name of which might be “Congestion”? Is he aware that the decision to site the motorway services area at the junction that is the main entrance to Stansted airport has been the cause of that and is now, apparently, being seen as a block to any plans for the housing that is needed in the area?

Mr Hayes: This is not the first time that my right hon. Friend has raised this matter. Indeed, since I became a Transport Minister, I have spent a good deal of my life answering his perfectly proper and assiduous inquiries and representations on behalf of his constituents on transport-related affairs. He is right that there is a history of congestion in that area, and I would be more than happy to look at it and take his advice and guidance on the matter.

Richard Burden (Birmingham, Northfield) (Lab): Back in September, the Public Accounts Committee described the Government’s approach to local road maintenance, which, as we know, is a major cause of congestion, as “ludicrous”. Now, despite the rather bashful claims that the Minister has made today about Monday’s road announcement, I have not actually heard members of the PAC queuing up to say that they have changed their mind. Does that not tell him something?

Mr Hayes: While I focus—understandably, I hope—on the major changes that we are making as a result of this unprecedented road investment strategy, this extraordinarily bold and long-term vision, the hon. Gentleman is right that local roads matter too. That is why we are spending just short of £1 billion a year, and why we have planned to resurface 80% of the roads in the whole country. All roads, in the end, are local, aren’t they, and local roads will not be neglected under this Administration.

East Coast Main Line

4. **Chi Onwurah** (Newcastle upon Tyne Central) (Lab): What assessment he has made of the recent performance of east coast main line services. [906431]

The Secretary of State for Transport (Mr Patrick McLoughlin): My officials meet East Coast and Directly Operated Railways on a regular basis to discuss the performance of the franchise. DOR’s financial accounts are published on its website on an annual basis.

Chi Onwurah: When the Secretary of State announced the reckless and ideologically driven privatisation of this beloved and excellently performing public sector service, he made a commitment on the frequency of services from Newcastle, but not their cost, so will he tell me now whether prices will go down or be frozen, or will they go up for the profits of Stagecoach and at the expense of my constituents?

Mr McLoughlin: As I announced last week on a very successful bid as far as Virgin-Stagecoach were concerned, they will reduce the costs on some of the most expensive tickets on that route. I would also point out that the Virgin-Stagecoach bid includes £140 million of investment, including £21 million on presentation and performance enhancements to the current fleet; £20 million on enhancements to the new intercity express programme fleet; and a £4 million fund for customer stakeholder improvement, among many, many more enhancements. If there was any party that reflected dogma last week, it was the Labour party.

Martin Vickers (Cleethorpes) (Con): My constituents will welcome the improved performance on the east coast main line, but in order to access services on the main line, they have to travel on the TransPennine network. Does my right hon. Friend have any information about future services on that line?

Mr McLoughlin: My hon. Friend, along with the *Grimsby and Scunthorpe Telegraph*, has led an interesting campaign. I am pleased to say that after consideration of the responses to our consultation on the Northern and TransPennine Express franchise, we have decided to retain the Cleethorpes services within the TPE franchise. The forthcoming invitation to tender for the TPE franchise will specify that direct services between Cleethorpes and Manchester airport should continue. I know that my hon. Friends the Members for Cleethorpes (Martin Vickers) and for Brigg and Goole (Andrew Percy) have both been at the forefront of this campaign, and I am very pleased to announce today that it has been successful.

Michael Dugher (Barnsley East) (Lab): Polling shows that a majority of the public oppose the Government’s plans to privatise the east coast main line, and people in their thousands are signing the petition launched by Labour this week. Given that the east coast service has

achieved the top customer satisfaction rating for a long-distance rail operator and improved performance, and given that the public sector operator will have returned over £1 billion to the Exchequer before privatisation, why is Directly Operated Railways not even allowed to bid for the contract? When will the Secretary of State finally listen to the travelling public and call a halt to this privatisation?

Mr McLoughlin: I welcomed the hon. Gentleman to the Dispatch Box last week when I answered his urgent question, but as this is his first Transport questions, I again welcome him to his post. I have to tell him how interested I was in the interview that he gave to the *Daily Mirror* on Tuesday, in which he said:

“I want to be a Transport Secretary not a train-spotter . . . there have been too many train-spotters in the job.”

Anybody in this job is not a train-spotter but is interested in what happens to the motorist, the passenger and the cyclist, and should not distinguish between them.

I come back to the point that I made last week. The tendering process has given great rewards to those areas, and will bring more services and better facilities to passengers on that route. I followed the route that the Labour Government followed for 13 years. When the last Labour Transport Secretary brought in DOR, he said that it would be a short-term solution.

Julian Sturdy (York Outer) (Con): I welcome the franchise announcements, which see major improvements across the network. In respect of the east coast main line, however, there are some local concerns in York about the future franchise headquarters. For generations York has been the beating heart of the east coast main line, so will the Secretary of State or the Minister responsible for rail, the Under-Secretary of State for Transport, my hon. Friend the Member for Devizes (Claire Perry), agree to look at what can be done to ensure that the headquarters stay in York?

Mr McLoughlin: I understand the point that my hon. Friend makes. The lease is up on the premises where the headquarters are currently located. I want the new franchise company to consider where its headquarters will be, but one of the announcements was that there would be training facilities in London, Derby and York to train people to operate that service. York will always be a very important part of the service.

Network Rail (Control Period 5 Investment)

5. **Andrew Jones (Harrogate and Knaresborough) (Con):** What assessment he has made of Network Rail's planned control period 5 investment. [906432]

The Secretary of State for Transport (Mr Patrick McLoughlin): Between 2014 and 2019 Network Rail will spend over £38 billion on running and expanding the British rail network. The Office of Rail Regulation's recent assessment of Network Rail's performance against the control period 5 delivery targets is that the company has not made the progress expected in some areas. The ORR has asked Network Rail to provide plans to demonstrate how it will bring about improvements and will hold the company to account for its delivery, as will I.

Andrew Jones: I thank the Minister for that interesting reply. The current CP5 plan includes electrification of the Leeds-Manchester TransPennine services, which is a great benefit to many of my constituents, but how will we get the benefits of electrification to more people, to put right the historical lack of progress that saw just 9 miles electrified in 13 years under the previous Government?

Mr McLoughlin: My hon. Friend serves on the wider taskforce that I set up to look into electrification in the north. I believe the taskforce is meeting today and I await its report. It is looking at 72 routes, some of which are freight routes. My hon. Friend rightly points to the massive expansion in rail electrification that will take place over the CP 5 period, which is widely welcomed across the rail industry and across the House.

Mrs Louise Ellman (Liverpool, Riverside) (Lab/Co-op): One North brings together local authorities right across the north to look at transport needs—road and rail. Does the current structure allow such integrated thinking to go ahead, whether in the current control period or the next, so that we can plan for people's transport needs looking at road and rail together?

Mr McLoughlin: I completely agree with the hon. Lady about the prospects for looking across the piece at not only rail but roads, which is indeed one of the things that One North is looking at. I hope that we shall have its interim report by the end of March. It looks not only at what we have set out in relation to HS3, but at other interconnectivities between the northern powerhouse.

Mr Philip Hollobone (Kettering) (Con): The next time my right hon. Friend is on the fast train to his Derbyshire constituency and sails through Kettering station without stopping, would he be kind enough to reflect on the fact that, with improved line speeds and electrification to the Midland main line, it might be possible to reinstate a half-hourly service northward from Kettering, which was lost under the previous Government?

Mr McLoughlin: I am very interested in the points my hon. Friend makes, one of which relates to the whole question of capacity on the railways. That is one of the principal reasons for developing HS2. He is right that ultimately that will allow more opportunities to provide more local services, as well as the services he wants for his constituents.

Lilian Greenwood (Nottingham South) (Lab): Listening to the Chancellor yesterday, you might have thought that he had announced major new investment for the railways, but as we all know, the devil is in the detail. He told the north that he would replace the ancient and unpopular Pacer carriages with modern trains, but the green book says that bidders would only be “encouraged” to buy new trains. Yet another study for the south-west was announced, shunting the issue further down the line. He also promised to put the “great” back into the Great Eastern main line, but not a penny of new investment was announced for East Anglia's railways. Is it not the case that across the country this Government are taking passengers for a ride? [*Laughter.*]

Mr McLoughlin: It's the way they tell 'em! That is from a party that over 13 years, as the Prime Minister reminded us, electrified only 13 miles of track—I think he inadvertently misled the House, because I understand that it was only 9 miles. We have put forward the most ambitious plans for the railways. The only people who seem not to want to praise that, or even acknowledge it, are those on the Opposition Front Bench.

HS2 Skills Academy

6. **Karen Lumley** (Redditch) (Con): What plans he has to set up a High Speed 2 skills academy. [906433]

The Parliamentary Under-Secretary of State for Transport (Mr Robert Goodwill): In September the Government announced that the high-speed rail college will be co-located in Birmingham and Doncaster. Work is now under way with the local authorities concerned to get the college up and running. Our goal is for students to be admitted in the academic year 2017-18, which incidentally will coincide with the start of construction.

Karen Lumley: We need more young people to take up careers in engineering. What is my hon. Friend doing to ensure that schools and colleges are aware of the opportunities that the HS2 academy can provide?

Mr Goodwill: HS2 is already engaging with schools and colleges. For example, in November it attended the Skills Show for the first time. We need 10,000 people in engineering just to cope with the demand for skills in the existing rail investment strategy, and we need another 25,000 to deliver HS2.

Mrs Cheryl Gillan (Chesham and Amersham) (Con): It is all very well helping young people with the HS2 skills academy, but it will be on the backs of the people whose properties are blighted by the project. The Minister need only read Melissa Kite's moving article in *The Spectator* on the plight of her elderly parents. There is still no final compensation package, after five years, and HS2 officials are trying to beat home owners down on the independent valuations of their properties. It is shaming that we have still not settled compensation matters after five years. When is the Minister going to sort out this shambles?

Mr Goodwill: The need-to-sell scheme will be operating in the new year, and we are currently consulting on it. I must point out that part of the skills agenda is investment in skills for tunnelling. We are engaging in unprecedented levels of tunnelling to limit environmental impacts. The skills college will be a hub-and-spoke arrangement, and we are looking for colleges that can teach environmental skills to engage with it so that we can deliver on our promise of no net biodiversity loss.

Congestion

7. **Sir Greg Knight** (East Yorkshire) (Con): What recent steps he has taken to reduce congestion on roads. [906434]

The Minister of State, Department for Transport (Mr John Hayes): The Government have an ambitious strategy for tackling congestion and improving the performance

of our roads. As I have said, the road investment strategy sets out plans to invest £15 billion to enhance strategic roads between 2015 and 2021. The investment plan includes 15 schemes in Yorkshire and the north-east. In addition, as my right hon. Friend will know, East Riding has secured £4.4 million from the local growth fund for the Bridlington integrated transport plan phase 2.

Sir Greg Knight: Will my right hon. Friend take a further step towards securing his reputation as a radical politician by dealing with avoidable congestion? Is he aware that thousands of motorists travelling at non-rush hour times often find themselves stuck in a traffic jam at traffic lights for no reason whatsoever? Why cannot some of these traffic lights be turned off, as is done in other countries?

Mr Hayes: Among my right hon. Friend's many distinctions is his chairmanship of the all-party historic vehicles group, of which I am merely a humble member. He will recognise that the kind of innovation—the kind of radicalism—that he suggests is always close to the heart of this Government and this Ministry. We do not have plans to do what he says, but I will certainly consider it. There are 15 schemes in Yorkshire and the north-east. Was it Pound who said that a genius can recognise 10 things but an ordinary man can recognise only one? I can recognise 15.

Meg Munn (Sheffield, Heeley) (Lab/Co-op): The use of the hard shoulder as an extra lane on motorways at peak times has been shown to be successful in improving safety and reducing congestion. However, using the hard shoulder outside peak times will lead to a greater number of accidents, and the police have warned that it should not be done. Will the Minister look again at this policy and ensure that we do not see more deaths and serious incidents on our motorways as a result of using hard shoulders outside peak times when they are not needed?

Mr Hayes: The hon. Lady is right to recognise that smart motorways are partly about using the capacity of the hard shoulder as an important way of easing congestion. She is right, too, that safety has to be a prime consideration in all such matters, so we will look at the evidence. If the evidence suggests that we need to alter policy, we will, but my judgment is that so far it does not show that this behaviour is dangerous.

Philip Davies (Shipley) (Con): The Secretary of State, in particular, will know how important the Shipley eastern bypass is in relieving congestion and stimulating economic activity in my constituency. The Government have given a considerable amount of money to the combined Labour west Yorkshire authorities for transport infrastructure schemes to relieve congestion. What steps will his Department take to make those Labour councils make sure that all parts of west Yorkshire benefit, not just their Labour heartlands?

Mr Hayes: My hon. Friend is right that when one looks at infrastructural spending one needs to do so on a consensual basis. For example, both Front-Bench teams will be working together on the Infrastructure Bill to make sure, irrespective of party, that it provides a

foundation for the future. It is absolutely right that when we look at these things we should cut across narrow party divides.

Andrew Gwynne (Denton and Reddish) (Lab): One of the best ways of tackling road congestion is to have proper inter-modal integration. The Minister might know that the M60-M67 junction interchange at Denton is not just one of the most dangerous in the country but one of the most congested, and currently subject to pinch-point infrastructure works. Next to it is Denton station, which has the most pathetic rail service in the country, with just one train, in one direction only, once a week. Will he bang heads together at Northern Trains, Network Rail and Transport for Greater Manchester so that we can have a proper train service from Denton into Manchester, as that will be crucial as part of the northern hub work?

Mr Speaker: I was going to suggest that the hon. Gentleman apply for an Adjournment debate on the subject until I realised that he had already had it.

Mr Hayes: Not for the first time, Mr Speaker, you took the words out of my mouth. The hon. Gentleman suggests that, as far as rail in his constituency is concerned, you can get there but you cannot get back. He is absolutely right to say that we should look at such things in an integrated way, and this is not the first time he has raised the issue: he has raised it a number of times in the Chamber. If he looks at the plans we announced earlier this week, he will see that, in relation to rail, ports and roads, we are working on the sort of integration he describes, to make sure that all modes of transport fit.

Rail North Electrification Taskforce

8. **Stephen Mosley** (City of Chester) (Con): When he expects the Rail North electrification taskforce to publish its report. [906435]

The Secretary of State for Transport (Mr Patrick McLoughlin): A wide range of electrification schemes is being considered by the taskforce of northern MPs and council leaders set up to explore the priorities for future electrification in the north. The taskforce expects to provide me with an interim report in February 2015 setting out its recommended priorities for scheme development in future rail funding control periods from 2019.

Stephen Mosley: The electrification of the Crewe-Chester line and beyond into north Wales has gained the support of local businesses, local councils, local MPs and even the Welsh Assembly, and the results of the report are eagerly awaited. How can members of the public also make sure that their views are heard?

Mr McLoughlin: I am interested in the points my hon. Friend has raised. That is one of the reasons we set up the taskforce and I think its membership is widely known. I understand that it will meet later today and I eagerly await the report in 2015.

Mr Barry Sheerman (Huddersfield) (Lab/Co-op): Many Opposition Members are fond of the Secretary of State, but this morning he has been unusually full of bluster

about the northern powerhouse and rail electrification. Will he not admit the truth that the botched privatisation that carved up the franchising between Railtrack and the operators was ruinous, and that nothing will happen in our rail system until we get rid of that botched privatisation?

Mr McLoughlin: I was informed that the hon. Gentleman sent out some interesting tweets when he was last on the east coast main line, saying it had been a disaster since it had been privatised, when actually it was being run by direct operators at the time. As far as blustering is concerned, I think the hon. Gentleman blusters too much. He is jealous of the success and work we are putting in to the northern powerhouse and to improving not only our railways but our roads right across the country.

Mr Sheerman: On a point of order, Mr Speaker. The right hon. Gentleman is misleading the House about my tweets!

Mr Speaker: I think the hon. Gentleman can raise his point of order, to which we look forward with eager anticipation, later on. We are saving him up—that is what we are doing.

Andrew Percy (Brigg and Goole) (Con): May I thank the Secretary of State for his earlier reply regarding direct services from Cleethorpes through Barnetby and from Scunthorpe to Manchester? That is really important. We are not ungrateful, but may I now push him on the electrification of the south Humber line? We know it is a complex project because of the amount of trade used on the route, but could some research be done on it?

Mr McLoughlin: I am glad that I have pleased my hon. Friend on one particular subject, on which he and my hon. Friend the Member for Cleethorpes (Martin Vickers) led a successful campaign. On electrification, we are now starting work on what will be in the next control period and I will take what my hon. Friend the Member for Brigg and Goole (Andrew Percy) has just said as part of those representations.

Andy McDonald (Middlesbrough) (Lab): If Tees valley and its mighty industries are to play their full role in the much vaunted northern powerhouse, it is essential that the electrification of the east coast line from Northallerton to Middlesbrough and on to Tees port—the UK's second largest exporting port—be prioritised. Will the Secretary of State ensure that that section of line is included in the forthcoming schedule?

Mr McLoughlin: I have set up a taskforce to give me a report, and I am not going to say what will be in the report before I have even received it. As I said earlier, the taskforce is looking at some 72 routes at the moment.

Andy McDonald: Give them a nudge.

Mr McLoughlin: The hon. Gentleman says from a sedentary position, "Give them a nudge." I think he has just done that.

FirstGroup (Great Western Main Line)

9. **Jessica Morden** (Newport East) (Lab): What recent discussions his Department has had with FirstGroup on service performance on the Great Western main line. [906439]

The Secretary of State for Transport (Mr Patrick McLoughlin): Officials hold meetings with First Great Western every four weeks to discuss franchise performance. Ministers and officials regularly meet senior figures from across the industry at a range of forums to discuss current issues, including performance. We have made it clear that we expect the industry to do its utmost to deliver the level of performance for which it is funded.

Jessica Morden: Will the Secretary of State ensure that the new Great Western main line franchise takes into account the very real present overcrowding problems in south-east Wales, and ensure that the operator provides an adequate number of carriages to service demand now and on future forecasts?

Mr McLoughlin: One of the things that I have done with that franchise is to make arrangements and instruct the operator, as it is doing, to convert first-class carriages into standard-class carriages. That will increase capacity a little on the line. The line has been very successful overall. In 2010-11, the number of passengers using the franchise was 90.5 million; on the latest figures available, for 2013-14, the number was 99.7 million. We are seeing such a rise across the whole rail franchise sector.

Duncan Hames (Chippenham) (LD): The Secretary of State was kind enough to meet me and nine other MPs to discuss improvements to our part of this franchise. My last two journeys from Chippenham to London began with me seated on the floor of the carriage—on one of them, alongside a young woman and her crutches. Does he accept that it will take not only converted buffet cars but additional services to meet the demand on the line?

Mr McLoughlin: I agree with my hon. Friend to a degree. We are seeing that right across the whole railway sector, and I am very proud of it: such revolutionary performance has been brought about by franchising and the imagination of franchising. It is rather disappointing that a party that used franchising for 13 years now condemns it.

Port Regulation

10. **Mrs Mary Glendon** (North Tyneside) (Lab): What the outcome was of the recent European negotiations on port regulation. [906441]

The Minister of State, Department for Transport (Mr John Hayes): The Government recognised the detrimental effect that the proposed port services regulation in its original form would have had on the UK ports industry. At the Transport Council in October, we succeeded in our main negotiating aim of ensuring that the Council text was amended to protect our ports industry by limiting its application and by taking better account of the interests of already competitive ports such as ours.

Mrs Glendon: What work has the Minister carried out with European partners through the process to ensure that trade union recognition and collective bargaining are explicitly protected, while still respecting the autonomy of social partners?

Mr Hayes: The hon. Lady may know that I am a trade unionist. My father was a shop steward, and my grandfather was chairman of his union branch.

Ian Lucas (Wrexham) (Lab): What went wrong?

Mr Hayes: I saw the light.

On the specific question the hon. Member for North Tyneside (Mrs Glendon) asks, I have had regular dialogue with unions to do just what she describes.

Mr Speaker: The Minister of State can deposit in the Library of the House a note on his family history, which I feel sure will be eagerly sought after.

Mr Gordon Marsden (Blackpool South) (Lab): If it ain't broke, don't fix it. In our thriving ports sector, everyone—businesses, unions, thousands of employees—are fearful of the regulation because it threatens competitiveness and workers' rights and protections. Given that his Department was so badly mauled in the European Committee in September that the Minister had to abandon his motion, why are we still waiting for concrete results? Despite his pledges, the Government got no support for blocking port regulations in Europe in October. If the Government did such a good job in October, why has he failed to bring his motion back to the House, as he promised?

Mr Hayes: In the deal we got in October, we got our ports excluded from the majority of this unwelcome, unnecessary and undesirable regulation, and on other matters not included in that exemption we agreed that this House should make the decision. I call that achievement a victory, and the hon. Gentleman would be well advised to welcome it.

Topical Questions

T1. [906448] **Rehman Chishti** (Gillingham and Rainham) (Con): If he will make a statement on his departmental responsibilities.

The Secretary of State for Transport (Mr Patrick McLoughlin): On Monday 17 November I announced £25 million to support community transport providers, and that fund will provide hundreds of new minibuses to community transport operators in rural and isolated areas. Those groups help keep rural communities alive and independent, and it is vital to do all we can to support local voluntary operators in those areas.

Rehman Chishti: Following the announcement that the c2c rail franchise will issue automatic refunds to commuters delayed by more than two minutes, will the Government apply pressure to other franchises such as Southeastern to follow that example?

Mr McLoughlin: One reason why c2c's franchise was awarded is that it came forward with imaginative schemes. What my hon. Friend has outlined is an important development on that commuter route, and I look to improve services across the whole of rail franchising.

T3. [906450] **Diana Johnson** (Kingston upon Hull North) (Lab): In light of the Chancellor making much of the northern powerhouse yesterday—but of course forgetting to mention Hull—when will the Secretary of State make a positive announcement about the privately financed scheme to electrify the line to Hull?

Mr McLoughlin: Yesterday my right hon. Friend the Chancellor made a number of announcements—indeed, he was criticised by some for putting too much in those announcements. As the hon. Lady will remember, I provided the money to move that scheme up to the next stage on the guide to rail investment process some time ago, and I await the outcome of that work.

T2. [906449] **Stephen Metcalfe** (South Basildon and East Thurrock) (Con): As a result of increased rail use, level crossings in my constituency, particularly at East Tilbury, are spending longer closed. Not only does that cause severe delays to traffic and commuters, it puts lives at risk. Will my right hon. Friend meet me and put pressure on the Treasury to make more money available to deal with level crossings?

Mr McLoughlin: A lot of work is currently being done with Network Rail and on that particular port and scheme. I will report back to my hon. Friend and ask for a direct report on that matter.

T4. [906451] **Karl Turner** (Kingston upon Hull East) (Lab): Hard working and dedicated rail workers on the east coast main line are worried about their jobs, following the ideologically driven privatisation of that line. What will the Minister do to ensure that those jobs are not put at risk?

Mr McLoughlin: Rail journeys have increased from 750 million to 1.6 billion and jobs on the railway are increasing, yet all Labour can do is start saying that somehow jobs will be cut. More services will be operating on that line than ever before, and that will mean more jobs.

T6. [906453] **Mr Philip Hollobone** (Kettering) (Con): Will the Under-Secretary of State for Transport, my hon. Friend the Member for Scarborough and Whitby (Mr Goodwill) be kind enough to meet me and a delegation from Kettering borough council to discuss how the potential future decriminalisation of parking in the borough of Kettering might best be handled?

The Parliamentary Under-Secretary of State for Transport (Mr Robert Goodwill): We are keen for local authorities to take over civil enforcement of their parking, but I know that the situation in my hon. Friend's constituency is not as simple as in other parts of the country. I would be delighted to meet him and discuss the issue further.

T5. [906452] **Tom Blenkinsop** (Middlesbrough South and East Cleveland) (Lab): In 2008 the Labour Government invested £18 million into Tees valley bus services, one of which—the 37—linked Park End with James Cook university hospital. That service is now under threat due to 24% cuts from this Government to local bus services. At the end of August the Government also closed Park End's medical centre, which had been opened by the previous Labour

Government. People in that area now have no access to medical services, except for the 37 bus, which the consultation at the time said linked Park End with the local hospital. Will Ministers meet me and the local authority to ensure that we keep that vital bus service?

Mr Goodwill: Outside London more than 40% of money going into bus services comes from the Government one way or another, but many local bus services are under pressure because of the pressure placed on local authorities. A new station at James Cook hospital means that people who use the rail line from Whitby in my constituency, or Middlesbrough in the hon. Gentleman's constituency, can access the hospital by train, which was not the case previously.

T7. [906454] **Neil Carmichael** (Stroud) (Con): With the renaissance of railways under way through this Government's excellent work, will the Secretary of State consider letting my constituents travel from Stonehouse to Bristol without going via Swindon, by reopening an existing station from some time ago?

Mr McLoughlin: It is for local authorities to determine whether a new station at Stonehouse on the Gloucester to Bristol line is the best way to meet local transport needs. It is for them to demonstrate the business case for securing it, but I am more than happy to work with my hon. Friend and to facilitate communications between him and Network Rail to see whether a solution can be reached.

Mr Speaker: Michael Connarty, not here.

T10. [906457] **Ian Lavery** (Wansbeck) (Lab): Following the Smith commission last week, I have a great fear that my constituency, which is lodged between the last city in England and the Scottish borders, will fast become a political no man's land. With that in mind, will the Secretary of State ensure that the Ashington, Blyth and Tyne line is reintroduced without further delay? Will he agree to meet me and other interested parties further to discuss the issue?

Mr McLoughlin: I understand that Northumberland county council intends to undertake a more detailed study into the reopening of the line. I will be interested to see the results when it is completed. In the meantime, I can confirm that the next northern franchise will be required to co-operate with the development of the project. I would be delighted to meet the hon. Gentleman if he wishes.

T8. [906455] **Julian Smith** (Skipton and Ripon) (Con): Will the Secretary of State confirm that the important daily service from Skipton to London and back is retained within the excellent east coast franchise deal, and that it will have all the benefits accruing from the rest of the deal?

The Minister of State, Department for Transport (Mr John Hayes): My hon. Friend will know that the service to Skipton will continue at today's levels. I can confirm that the changes to the east coast main line will not put that in jeopardy. As he will also know, those changes on that important line will bring more journeys, more opportunities and more investment.

Kate Green (Stretford and Urmston) (Lab): Last month, a child was hit by a car outside Flixton junior school in my constituency. Parents are worried about our children's safety—more so—because Trafford council plans to withdraw 31 school road crossing patrols in the borough, including 23 in my constituency. Will the Minister join me in condemning the local authority's short-sighted decision and urge it to put our children's safety first?

Mr Goodwill: Obviously, the safety of our children outside school is paramount, which is why, for example, we have made it easier for local authorities to introduce 20 mph limits. I am pleased that we have retained the use of cameras for enforcement of parking restrictions on those zigzag lines. Spending on the type of patrol the hon. Lady mentions is a matter for local authorities. I am sure they will consider their priorities in that regard.

Mike Thornton (Eastleigh) (LD): Sections of the M27 in my constituency—the busiest motorway per mile in the country—are so noisy that local residents are unable to open their windows in the stifling summers that climate change has brought us, and that affects their health and sanity. My constituency continues to wait for resurfacing, so will the Minister please investigate the provision of effective noise barriers to save my residents' health and sanity?

Mr Hayes: Yes, this issue is rightly raised by a number of hon. Members. We have taken action to reduce noise on some key roads and I hear what he says about the M27. There will be money for extensive resurfacing—we are talking about resurfacing 80% of the nation's roads—and I will look at his case in that spirit.

Ian Lucas (Wrexham) (Lab): Is the Secretary of State aware that the rail investment in Cheshire is between Wrexham and Chester, where the Labour Welsh Government are redoubling the single track line created by the Tories in the 1980s? Will he therefore commit to supporting investment in rail infrastructure in north Wales in the same way that the UK Government have invested in south Wales?

Mr McLoughlin: I am pleased the hon. Gentleman recognises the huge amount of electrification in south Wales. We need to look at how we improve connections in north Wales. I am talking to my right hon. Friend the Secretary of State for Wales about that.

HOUSE OF COMMONS COMMISSION

The hon. Member for Caithness, Sutherland and Easter Ross, representing the House of Commons Commission, was asked—

Commission on Digital Democracy

1. **Stephen Mosley** (City of Chester) (Con): What recent progress has been made by the Speaker's commission on digital democracy; and when he expects that Commission to publish its proposals. [906418]

John Thurso (Caithness, Sutherland and Easter Ross): Mr Speaker, the specifics of the work of your commission are not directly the responsibility of the House of Commons Commission. However, I understand that work is at an advanced stage, and that it is planning to publish its report on 21 January.

Stephen Mosley: Eighteen-year-old Rachael Farrington from Cheshire has established the successful "Voting Counts" website and social media campaign, which intends to engage young people with politics and encourage them to vote. How is the Commission working with young e-activists like Rachael to encourage young people to get involved with parliamentary democracy?

John Thurso: I congratulate my hon. Friend's constituent on her work. It sounds absolutely fascinating. All I can tell him, as far as the Commission is concerned, is that the commissioners heard evidence on this matter and it will be reflected in its report. However, it is not for me to anticipate that. In addition to the more traditional evidence sessions, the commissioners met a wide range of people in a number of towns and cities in the United Kingdom.

John Cryer (Leyton and Wanstead) (Lab): Is there not a fear that any introduction of electronic voting, which is partly what we are talking about, could give rise to abuses? Would it not be more sensible to stick with the system we have now on the basis that if it is not broken, don't fix it?

John Thurso: I have to again point out that the House of Commons Commission is not actually responsible for this matter, so as its spokesman I cannot comment on it. However, I know that Mr Speaker, whose commission it is, has heard what has been said and I am sure that it will be taken into account.

Robert Halfon (Harlow) (Con): Is my right hon. Friend aware that the Speaker's Commission on Digital Democracy is looking at innovative ways of engaging with the public on democracy, including e-voting and other matters? Does he not think that we should consider such important ways forward in conjunction with consideration of how the public regard voting and democracy in the present day?

John Thurso: My hon. Friend makes an exceptionally good point which I may personally support. However, as the spokesman for the Commission, I have to refer to the answer I have already given and say that I am sure his words have been heard by those who need to hear them.

Mr Speaker: I call Mr Andrew Bridgen. Not here.

LEADER OF THE HOUSE

The Leader of the House was asked—

Ministerial Announcements (Guidance)

3. **Nic Dakin** (Scunthorpe) (Lab): What guidance he has given to his ministerial colleagues on making announcements to the House before the media.

[906420]

The First Secretary of State and Leader of the House of Commons (Mr William Hague): The ministerial code is clear. When Parliament is in Session the most important announcements of Government policy should be made in the first instance to Parliament, and I regularly remind my colleagues of this.

Nic Dakin: I thank the Leader of the House for his answer. He said the ministerial code is clear. That seems strange to me, because the statement we heard from the Chancellor yesterday had a familiar ring to it—I had read most of it in the Sunday papers. Will he clarify again whether the ministerial code should be observed rather than ignored?

Mr Hague: Well of course it should be observed, but I think the hon. Gentleman chooses a rather poor example for his argument. There was a great deal in the Chancellor's statement yesterday that came as a complete surprise to this House and to the wider world, both in the economic forecasts of the Office for Budget Responsibility and in the many specific measures. The autumn statement truly showed that announcements are being made in Parliament.

Mr Philip Hollobone (Kettering) (Con): Will my right hon. Friend seek to build on his already fearsome reputation for parliamentary innovation by considering the use of Westminster Hall for oral ministerial statements?

Mr Hague: I am not sure how much that would add to my fearsome reputation, although I am always happy to attempt to add to such a thing. We have not had any shortage of capacity to make oral statements here on the Floor of the House. I think there have been 38 statements in this Session so far and we have always been able to accommodate them. If we ever get to the point where they could not be accommodated, we should look at the point my hon. Friend makes.

Kevin Brennan (Cardiff West) (Lab): May I disagree with my hon. Friend the Member for Scunthorpe (Nic Dakin)? Has the situation not gone so far now that everything in the autumn statement should be announced through the press? At least then we would have a chance to debate it all in advance, rather than it being used by the Chancellor to pull a rabbit out of the hat in a political sense by announcing it in the House in that very unfair way?

Mr Hague: Opposition Members cannot have it both ways. Well, they can try to have it both ways—we have heard both arguments from those on the Opposition Back Benches. That perhaps shows that everything relating to the autumn statement was presented in the correct way. As someone who served as Leader of the Opposition when Alastair Campbell was advising the Government of Tony Blair, I do not need any lectures from anybody about announcements being made in the press rather than elsewhere.

Written Answers

4. **Mrs Mary Glendon (North Tyneside) (Lab):** What guidance he has given to his ministerial colleagues about providing substantive answers to written questions.

[906421]

The Deputy Leader of the House of Commons (Tom Brake): The Office of the Leader of the House of Commons provides guidance to all Departments on the practice of answering parliamentary questions. The guidance advises Departments that Members should receive a substantive response to their named day question on the date specified and should endeavour to answer ordinary written questions within a working week of being tabled.

Mrs Glendon: The Government's official guidance on written questions requires answers to be both accurate and truthful, and not highly politicised. Yet written answers recently received from a number of Ministers, most notably a Minister of State from the Cabinet Office, have been of a party political character. Will the Leader of the House ensure that his ministerial colleagues are aware of the proper processes to be followed when answering questions?

Tom Brake: If the hon. Lady has issues about the speed with which questions are being answered or their content, that is clearly a matter she can raise with the Procedure Committee. It is best that she provides the background information, but if she wants to provide me with the examples she has mentioned, I would be happy to follow them up with the relevant Secretaries of the State.

Mr David Nuttall (Bury North) (Con): May I follow up that point and remind the House that in recent months the Procedure Committee has invited two Secretaries of the State and their permanent secretaries to appear before it to explain their lack of performance? If Members of any party have any concerns about the content or timeliness of their answers, they should bring the matter to the attention of the Procedure Committee.

Tom Brake: I am grateful for that point of clarification or information. When Departments want to respond promptly, they can do so. I have frequently quoted the ability of the Department of Health, for example, to respond to 99% of questions within the appropriate time scales, and I am now happy to be able to refer to the Foreign and Commonwealth Office, which has been able to respond to 100% of them within the appropriate time scales.

Thomas Docherty (Dunfermline and West Fife) (Lab): One of the Secretaries of State dragged to the Procedure Committee was from the Ministry of Justice, which provides one of the worst examples of Ministers dodging their responsibilities and parliamentary scrutiny. Under the current Lord Chancellor, fewer than one in five questions was answered on time in the last Session. That is because, as he has admitted, his own special advisers are vetting every answer. Do we not need more substance and less spin from Ministers?

Tom Brake: I am sure that the Ministry of Justice is not dodging its responsibilities. I do, however, think that there is a very strong case for that Ministry to improve its performance quite significantly. I will raise that issue with the Secretary of State.

Youth Parliament

5. **Robert Jenrick** (Newark) (Con): What representations he has received on the 2014 session of the Youth Parliament; and if he will make a statement. [906422]

The First Secretary of State and Leader of the House of Commons (Mr William Hague): I was very pleased to speak in the UK Youth Parliament's debate in this Chamber on 14 November. The level of debate was extremely high, and I have ensured that all relevant Ministers have been made aware of the contributions that took place.

Robert Jenrick: Mr Eddie Fenwick, the Member of the Youth Parliament for Newark, sends his thanks to the Leader of the House and Mr Speaker. He hugely enjoyed the day. One topic debated was the franchise and whether 16 and 17-year-olds such as Mr Fenwick should have the right to vote. Perhaps surprisingly, polls suggest that 16 and 17-year-olds do not want to vote because they feel they do not have the confidence to address the issues. Would my right hon. Friend consider providing a debate on raising the quality of political education in this country to increase confidence among young people?

Mr Hague: I send my regards to Mr Fenwick and everybody who took part in the Youth Parliament debate, which was an extremely encouraging spectacle, concerning the level of education and commitment of young people to political debate in this country. There are strongly held views for and against lowering the voting age to 16—including among young people, as my hon. Friend says—but I continue to encourage every possible effort to raise the level of political education and discussion, including this week at the 25th A-level politics annual student conference, which a couple of thousand students attended and I addressed.

Julie Hilling (Bolton West) (Lab): Without youth workers, there would be no election of, or support for, members of the Youth Parliament, so will the right hon. Gentleman make representations to the Cabinet Office against the destruction of youth services nationally, so that this great fantastic institution of the UK Youth Parliament can continue?

Mr Hague: I am sure that this great innovation will continue, because it has real momentum, and young people are fascinated by it. Hundreds of thousands took part in the decisions about which motions should be debated. Local authorities have an important role in supporting the Youth Parliament, and it is important that they continue that support in whatever way they can.

Tessa Munt (Wells) (LD): Let me again place on record my thanks to all the staff who made that day so successful. I wonder whether you, Mr Speaker, have discussed with the Leader of the House the possibility of extending the opportunity for young people to speak, perhaps in another Chamber such as Westminster Hall. It has been suggested that we might afford them slightly more time in which to deal with the issues that they feel are so important.

Mr Hague: I join my hon. Friend in placing on record the thanks of—I think—all Members to the staff of the House, who did a great deal to make the Youth Parliament

possible. It is worth considering the idea of extending the time available to them by enabling some of them to sit in other parts of the House, and I am sure that we can look into that together, Mr Speaker.

Smith Commission

6. **Mark Pawsey** (Rugby) (Con): What the implications are of the Smith commission report for further discussions of devolution in the House. [906423]

9. **Miss Anne McIntosh** (Thirsk and Malton) (Con): What the implications are of the Smith commission report for further discussions of devolution in the House. [906426]

10. **Geoffrey Clifton-Brown** (The Cotswolds) (Con): What the implications are of the Smith commission report for further discussions of devolution in the House. [906427]

The First Secretary of State and Leader of the House of Commons (Mr William Hague): The Government are committed to publishing draft clauses based on the Smith commission report by 25 January 2015. I will report to the House in due course on further progress in relation to the devolution of powers within the United Kingdom, and on the consequences for England.

Mark Pawsey: As the House considers the report, there will be much talk about how combined city authorities can become the vehicles for devolution in England. That will make it increasingly necessary for authorities to come together in the west midlands, where there is still no agreement. Will the Leader of the House ensure that the position of shire counties and rural areas is fully taken into account, so that everyone in England has an opportunity to benefit?

Mr Hague: That is an extremely important point, and, as a north Yorkshire Member of Parliament, I am certainly very conscious of it. There is a huge opportunity for local authorities to take up the challenge that has been taken up by Manchester, and to reach the same agreement with the Chancellor. However, this does not only involve metropolitan areas or conurbations; there are also major opportunities for county councils and rural authorities in general to make such plans, and we should encourage them to do so.

Miss McIntosh: I congratulate my right hon. Friend on delivering the Smith commission's conclusions into legislation, but does he share my worry that the voice of rural communities such as North Yorkshire county council, and indeed the moneys for transport infrastructure and other projects, may well be adversely affected if the plans for the city region and the northern powerhouse go ahead in the form that I fear that they may take?

Mr Hague: It is of course important for the whole concept of the northern powerhouse to work for people throughout the north of England and for rural as well as urban areas to benefit from it. Given the locations of our constituencies, my hon. Friend and I will both be very insistent that that should happen. It is certainly possible for the whole of the north to benefit from the uplift in prosperity, skills, transport infrastructure and

superfast broadband, because the Government have put together a stronger set of measures for the north of England than any other Government in recent decades.

Geoffrey Clifton-Brown: I am sure my right hon. Friend is well aware that my constituents are very keen on English votes for English laws. How will he implement that, and how does the Smith commission recommend that it—as well as devo-max in Scotland—should be implemented in a way that will not lead to a break-up of the Union?

Mr Hague: The Government will shortly publish a Command Paper setting out the options for what have become known as English votes for English laws, as well as plans for further decentralisation within England. I hope to publish it before Christmas, and will seek to make a statement in the House, following which we shall all be able to consider together how to proceed with those plans.

Andrew Gwynne (Denton and Reddish) (Lab): May I ask the Leader of the House how far he intends to take the logic of English votes for English laws, given that with the devolution to Greater Manchester I will no longer be able to vote, as a Greater Manchester MP, on many of those issues, but will be able to vote on those same issues in the right hon. Gentleman's constituency?

Mr Hague: I have invited the Opposition to present their own proposals, but they have refused to take part in any discussions with the Cabinet Committee. I wrote last week to the deputy leader of the Labour party to ask it to present its proposals that we could publish in the Command Paper I have just been talking about. I have not yet had any positive response to that. The hon. Gentleman might want to encourage that response. It is very important of course that whatever solution we arrive at is fair to all parts of the United Kingdom, but that includes being fair to the voters of England as well as to the rest of the UK.

Business of the House

10.35 am

Thomas Docherty (Dunfermline and West Fife) (Lab): Will the Leader of the House give us the business for next week?

The First Secretary of State and Leader of the House of Commons (Mr William Hague): The business for next week is as follows:

MONDAY 8 DECEMBER—Second Reading of the Infrastructure Bill [Lords].

TUESDAY 9 DECEMBER—Consideration in Committee of the Counter-Terrorism and Security Bill (day 1).

WEDNESDAY 10 DECEMBER—Second Reading of the Stamp Duty Land Tax Bill, followed by consideration of Lords amendments to the Wales Bill.

THURSDAY 11 DECEMBER—General debate on the fishing industry, followed by general debate on Ukraine and UK relations with Russia. The subjects for both debates were determined by the Backbench Business Committee.

FRIDAY 12 DECEMBER—The House will not be sitting.

The provisional business for the week commencing 15 December will include:

MONDAY 15 DECEMBER—Consideration in Committee of the Counter-Terrorism and Security Bill (day 2).

TUESDAY 16 DECEMBER—Conclusion of consideration in Committee of the Counter-Terrorism and Security Bill.

WEDNESDAY 17 DECEMBER—Opposition day (11th allotted day). There will be a debate on an Opposition motion. Subject to be announced.

THURSDAY 18 DECEMBER—Business to be nominated by the Backbench Business Committee.

FRIDAY 19 DECEMBER—The House will not be sitting.

Thomas Docherty: I thank the Leader of the House for announcing next week's business. I hope he is not too disappointed that my hon. Friend the Member for Wallasey (Ms Eagle) is unable to be here today—although we are disappointed every week by the continued absence of the Government Chief Whip.

This morning the Procedure Committee publishes its report on proposals for the introduction of the joint Parliament/Government e-petition system. Given that a number of Procedure Committee reports are now awaiting debate, may I press the Leader of the House to say when he will find the necessary time?

The House recently voted overwhelmingly on Second Reading in favour of the Bill of my hon. Friend the Member for Eltham (Clive Efford) to scrap the top-down reorganisation of the NHS. This Government have a tendency to fail to produce money resolutions for Bills they do not like, so will the Leader of the House confirm that the money resolution for this Bill will be brought to the House before Christmas—and, if not, why not?

The Leader will be aware of early-day motion 454, which has been signed by over 250 Members from across the House.

[That an humble Address be presented to Her Majesty, praying that the Firefighters' Pension Scheme (England) Regulations 2014 (S.I., 2014, No. 2848), dated 23 October 2014, a copy of which was laid before this House on 28 October, be annulled.]

Firefighters' pensions in England have been seriously mismanaged by the Government, and we will have another strike next week. We need a debate and a vote on the Floor of the House against the regulations, so will the Leader of the House provide us with one, and will he tell us when it will take place?

This week the Ministry of Defence's annual report showed that more than £5.5 billion has been wasted in the last year alone owing to a catalogue of procurement disasters—which, of course, is nothing new for this Government. In 2010, the Government, having scrapped HMS Ark Royal, sold Britain's Harrier jump jet fleet to the US Marine Corps. According to the US official who completed the purchase, the deal was

"like we're buying a car with maybe 15,000 miles on it. These are very good platforms."

Now, just four years later, after a pair of U-turns on the carrier's design that have cost the British taxpayer £100 million, the Royal Navy has been forced to go cap in hand to the very same US Marines to ask them to fly off our carriers, so they will be flying our former Harriers from our carrier because our replacement aircraft will not be ready for another three years. The Defence Secretary has refused to come to this House to explain what has happened, so will the Leader of the House now ask him to do so, and will he also tell the House when we can expect the Second Reading of the armed forces Bill that we were anticipating next week?

Is the truth not that on every test this Government have set themselves they have failed? Last Friday, the Prime Minister gave his latest speech to end all speeches on Europe, yet within hours Home Office Ministers were dragged to this Chamber to explain why their "no ifs, no buts" solemn promise to slash net migration had been broken. The hon. Member for Shipley (Philip Davies), in his ever-helpful manner, described the latest immigration figures as "catastrophic". On the NHS, the Government promised no top-down reorganisation and then delivered one that cost £3 billion. On VAT, they promised no rises but then raised it to 20% and now will not rule out another rise. They promised a bigger Army but have sacked thousands of combat soldiers. Yesterday's autumn statement proved comprehensively that this Government have failed every test and broken every promise they have ever made on the economy: they had a "five-year plan" to eliminate the deficit but their plan is now running four years behind schedule; they promised to bring down borrowing but they are going to borrow £12.5 billion more than they planned this year and next; and they promised that living standards would rise year on year, but their own figures reveal that those in full-time work are £2,000 a year worse off, while millionaires have seen their taxes fall. It is no wonder the Deputy Prime Minister felt the need to flee to Land's End. He apparently said that he thought it would be a nice change to leave Westminster—I am sure his constituents will be glad to assist in May.

Instead of working to build a recovery that works for everyone in our country, this Government seem more concerned with smoke and mirrors, and with playing parliamentary games. This was a microwave statement—a

reheating of leftover announcements that looks better than it tastes: on flooding, the Government just re-announced their announcement from last year; their roads announcement is a reread; and more than a third of their “new” NHS spending is old money being reallocated from within the Department of Health. To paraphrase a distinguished and retiring parliamentarian: its all right for them, some of them won’t be here in 30 or 40 weeks’ time.

Mr Hague: The hon. Gentleman was certainly right with his first sentence: we do miss the shadow Leader of the House. He was spot on with that comment, as she tends to be a little more entertaining. It is a shame because he can be very entertaining when he is not at the Dispatch Box, as he was in his wonderful interview on the World at One a few weeks ago, which bears revisiting. He said:

“The state that the Labour party is in right now is we are in a dreadful position.”

It is commendable honesty. That was only the beginning, because he went on to say that the Opposition have

“got to be honest about ourselves...The electorate looks at us and has no idea what our policies are.”—

[*Interruption.*] He says, “In Scotland.” So he is talking only about a large part of the Labour party. That is his defence. It is only the place where Labour has 40-odd Members of Parliament. He continued:

“We have a moribund party in Scotland that seems to think that infighting is more important than campaigning. And we have a membership that is ageing and inactive.”

There was something about his questions that was a little bit ageing and inactive.

Let me deal with the hon. Gentleman’s questions about the business of the House. On e-petitions, we look forward to the Procedure Committee’s report, which I believe is about to be published. I hope that we can ensure that in this Parliament, before the general election, we put in place a new system for e-petitions that will be helpful to the electorate, that will serve accountability and that will allow the House and the Government to run a system together. I look forward to that report and it will be important to debate it, but we cannot schedule such a debate until we have had the report.

I am not aware of any problem with the money resolution for the private Member’s Bill the hon. Gentleman mentioned. He will know that the Bill falls behind many other private Members’ Bills in the normal procedures for such Bills, but there is no issue at present with bringing forward a money resolution on it.

On early-day motion 454 and firefighters, the Opposition have now asked for a debate on this, but it was only in the past 24 hours or so that they did so. The regulations were laid on 28 October. The early-day motion was put down on 30 October. There have been three Opposition day debates since then, and it is only now that they ask for a debate. We will of course examine that request, but it has been made only in the past few hours. I must point out that Lord Hutton found the firefighters’ pension scheme to be the most expensive in the public sector and said that it has to be reformed to be sustainable. Members will need to bear that in mind.

The hon. Gentleman asked about the Ministry of Defence budget. I should remind him that those of us who sat on the National Security Council in 2010 had to wrestle with a £38 billion black hole that had been left by the previous Government and an over-committal of the defence budget greater than the annual defence budget. The Ministry of Defence had to wrestle with that, but now, for the first time in many years, its books actually balance. It has also undertaken many important procurement programmes.

The hon. Gentleman asked about immigration while neglecting to mention the fact that the previous Government had a completely open door on immigration. Some 4 million people came to settle in the United Kingdom without any control or restriction, so we do not have to take any lessons on that.

The Second Reading of the armed forces Bill will take place, but we must ensure that yesterday’s announcement on stamp duty is enacted in law as soon as possible to give certainty to the housing market, so we have included it in next week’s business. None the less, we remain very committed to the armed forces Bill.

The hon. Gentleman managed to argue that the Government had failed every test on the economy. Given that the Government have cut the deficit by more than half, that employment has reached record levels, that inflation is low, that growth is strong, and that we have had such an excellent week for the economy, we are left wondering what the Labour party thinks the test for the economy is. Perhaps the test is whether we, like the previous Government, have bankrupted the country and left the public finances in an appalling state. That was the only test that was passed by the Labour Government.

I will finish by referring to one of the hon. Gentleman’s previous statements, which he made in a letter to Members and not on the “World at One.” He called for a statue of Tony Blair to be put in the Members’ Lobby as soon as possible. I am pleased that he did not revive that idea today, because the right hon. Member for Kirkcaldy and Cowdenbeath (Mr Brown) might reverse his decision to leave the House in order to prevent such a thing from happening. Of course the right hon. Gentleman could always lend the hon. Gentleman his doll model of Tony Blair in which he stuck pins for so long in place of a statue. But his economic record is not one we want to emulate. This Government are passing their economic test.

Sir George Young (North West Hampshire) (Con): In response to my hon. Friend the Member for The Cotswolds (Geoffrey Clifton-Brown), the Leader of the House said, on English votes for English laws, that he planned to publish a command paper before Christmas, which we welcome, setting out the options. He then said that we would consider it together. Has he reached agreement with our coalition partners on the format of that debate, and is he aware that there is a very strong appetite among Government Members for a vote on the options?

Mr Hague: There is a very strong appetite, including on my part, for such a vote. I have reached agreement within the coalition on the publication and the format of the command paper. Shortly, I hope to reach agreement on the contents of the command paper, so my right hon. Friend must bear with me. Once we have published

[Mr Hague]

the command paper, we will then be able to discuss how we debate it in Parliament and what the format and structure of any debate might be.

Mr Barry Sheerman (Huddersfield) (Lab/Co-op): Will the Leader of the House join me in congratulating the International Rescue Committee on becoming the charity of the year for the *Financial Times*? It is of course led by David Miliband, a former Member of the House. Indeed, my daughter works for the same charity, so I have a vested interest. We are facing two crises—on Ebola and on the running out of the food vouchers and stamps the UN provides to Syrian refugees. There will now not be food for those refugees. Does the Leader of the House not feel concerned that this House cannot have a major debate in Government time on either of those issues when there is so little business anyway?

Mr Hague: I join in the hon. Gentleman's warm words about the International Rescue Committee, which, as he said, David Miliband heads up, and I wish his daughter well in working for it. The committee does very important work around the world, and this country has a strong record of supporting that work. We are the second-largest donor to the refugees and others suffering in the Syrian crisis, and, as the House knows, we have led the way in tackling Ebola, particularly in supporting Sierra Leone. Over a long period, we have had regular reports from the Secretary of State for International Development; on Ebola, we have also had statements from the Health Secretary; and the Prime Minister has incorporated these matters into his statements as well. There is, of course, always room for further discussion. The Government do not have general time for debates following the creation of the Backbench Business Committee, but he could make a very good case on these matters to that Committee. I will also encourage my colleagues to make regular statements.

Mrs Cheryl Gillan (Chesham and Amersham) (Con): The Leader of the House knows there have been debates on the Home Office's inquiry into child sex abuse, but is there time for a further debate so that we can explore the worries of my constituent who is a survivor of abuse and of many others? It would give us an opportunity to discuss the continuing concerns about the attendant experience of the panel members, as well as what is considered by some to be the still inadequate terms of reference. The problem is that while it remains a panel inquiry, not a statutory inquiry, there is no due process or due diligence in respect of members and therefore a lack of understanding by the survivors about how the panel members were appointed and why. I am sure he agrees it is important that the inquiry commands the confidence of the survivors and their representatives, and I would be grateful if he considered giving a bit more time to this serious issue.

Mr Hague: I have listened carefully to my right hon. Friend. Of course, the House has just had a debate on these matters, so I cannot promise an immediate debate, but I know that my right hon. Friend the Home Secretary will be determined to keep the House up to date on the progress of the inquiry, and I will tell her about my right hon. Friend's remarks. After the difficulties with the previous two chairs, the Home Secretary is determined

to ensure that the inquiry has the credibility and confidence of which my right hon. Friend rightly speaks. That has to be ensured in the appointment of the chair and the way the panel works together, and I will certainly encourage the Home Secretary to keep the House fully informed and up to date.

Pete Wishart (Perth and North Perthshire) (SNP): One of the most impressive features of the independence referendum was the participation of 16 and 17-year-olds, who made such a solid contribution to the national debate. The Smith commission proposes devolving electoral administration to the Scottish Government, meaning that 16 and 17-year-olds could be enfranchised for Scottish elections, but there are concerns it might not happen in time for 2016. Will the Leader of the House work with the Scottish Government to ensure that it will take place, including by considering a further section 30 order?

Mr Hague: The Secretary of State for Scotland referred to that matter in his statement, so I think the hon. Gentleman has already had a clear answer. Whatever side we argued on in the independence referendum, we are all clear that young people played an active part and took their duty to vote extremely seriously, but I do not want to add anything further to the reply given by my right hon. Friend the other day, because I think he dealt with the matter definitively.

Philip Davies (Shipley) (Con): May we have a debate on the extensive use of bail in the criminal justice system? Mr Waqar Akhtar was sentenced with three co-accused to 17 years in prison for what the judge described as a "despicable and inhuman plot" to abduct a schoolteacher and rape her in a dark and lonely Bradford park. He was sentenced in his absence, however, having fled the country after giving evidence. Surely, somebody on trial for such a serious offence should be in custody during their trial and should not be allowed to escape the country. May we have a debate to stop such cases ever happening again?

Mr Hague: My hon. Friend is assiduous in raising cases in which the operation of justice can be criticised, sometimes legitimately. He certainly raises an alarming case about which many hon. Members are likely to be concerned. Although I cannot promise an immediate debate, he will know that Justice questions will take place on 16 December, so he, in his usual energetic way, will be able to raise the matter with the Lord Chancellor and Secretary of State for Justice just as he has today.

Diana Johnson (Kingston upon Hull North) (Lab): In Hull, parents with children seeking a diagnosis of autism are told that they have to wait 20 weeks for that diagnosis, but in reality it takes 14 to 15 months. May we have a debate on whether the new structures in the NHS are serving children and parents well?

Mr Hague: I cannot offer a debate on the subject, but health matters are regularly discussed in the House, as the hon. Lady knows. It is entirely right to raise such matters in questions to the Secretary of State for Health or to press for debates on health matters from the Backbench Business Committee. I am sure that there are many opportunities to raise these issues.

Mr Speaker: Or in an Adjournment debate.

Simon Wright (Norwich South) (LD): Thousands of young carers in Norfolk are at risk of falling behind their peers at school. May we have a debate on how best to support the education of those children who care for family members at home, including perhaps through the extension of the pupil premium?

Mr Hague: This, like many of the issues raised already, is important and will concern many people around the country. My hon. Friend might wish to take up all the normal means of pursuing a debate. There is a Carers Trust reception in the Palace on 10 December that will help Members to understand these issues and to pursue them.

Mrs Emma Lewell-Buck (South Shields) (Lab): The credit union expansion project was supposed to help to provide an alternative to payday lenders, yet credit unions are now reporting that the cost of the scheme is rising and their contributions are having to rise in line with it. They are now questioning whether the scheme is even viable. Will the Leader of the House ask his colleague, the Secretary of State for Work and Pensions, to come to the House to update Members on the progress of the project before it becomes the latest in a long line of DWP disasters?

Mr Hague: The hon. Lady will have every opportunity to ask the Secretary of State for Work and Pensions, as he will be coming to the House on Monday for questions. It will be Treasury questions the next day, so I imagine that there will be a good many opportunities to raise these issues next week.

Guy Opperman (Hexham) (Con): May we have a debate on air passenger duty following the autumn statement and the Smith commission? My constituents were delighted yesterday by the changes in the autumn statement that mean that they will no longer have to pay £71 per child for under-12s, and for under-16s as we go forward. We need the regionalisation of APD for the northern airports, so that there is no problem with competition.

Mr Hague: Airports in the north of England are benefiting from the decisions the Chancellor has made on APD, as well as from the reductions to long-haul rates from April, the four-year freeze on the short-haul rates and the very important announcement in the autumn statement about the abolition of APD for children. Newcastle airport is eligible for support under the regional air connectivity fund, which we have expanded. My right hon. Friend the Chancellor gave my hon. Friend a helpful reply yesterday, and I cannot add to that at the moment.

Steve Rotheram (Liverpool, Walton) (Lab): Last week, I attended a lobby of Parliament and a well-attended meeting in Parliament, which I chaired, on umbrella companies that use tax loopholes to rip off construction workers. The Chancellor specifically said in his statement yesterday that he will look at the use of umbrella companies. Will the Leader of the House find time in the parliamentary timetable for a debate on this issue?

Mr Hague: The Chancellor and the Treasury take that issue very seriously. As the hon. Gentleman says, the Chancellor referred to it specifically yesterday; he feels very strongly about it. As I have mentioned, as it is Treasury questions on Tuesday, that is the first and obvious opportunity to ask further questions of Treasury Ministers, but the hon. Gentleman can be sure that the Chancellor wants to deal with any abuses that are arising through these companies.

Mr Lee Scott (Ilford North) (Con): Following the tragedy at the end of the Sri Lankan conflict, when thousands of Tamil women and children were killed, may we have a debate on the progress being made, since the United Nations resolution earlier in the year, towards an inquiry into what took place?

Mr Hague: There would be a good case for such a debate. Terrible events took place at the end of that conflict. The United Kingdom has pressed consistently for the international inquiry; indeed, we won the vote in the UN Human Rights Council earlier this year to establish such an inquiry. We must now see what that inquiry produces, but there is a good case for a debate in the House and my hon. Friend might want to pursue that through the Backbench Business Committee as well as with Foreign Office Ministers.

Mr Frank Roy (Motherwell and Wishaw) (Lab): The Leader of the House will be aware that earlier this week, the UN announced the end of the World Food Programme food voucher system for nearly 2 million refugees in Syria. Will he, or one of the Ministers, make a statement on the Government's attitude to that serious and tragic issue?

Mr Hague: These are very important issues. The scale of the refugee crisis, particularly as it affects Lebanon, Jordan and Turkey, is extremely serious; I saw that for myself while serving as Foreign Secretary. I saw the importance of the support in the form of food being given to many of those refugees. This is, therefore, a legitimate concern for hon. Members and I will encourage the Department for International Development to make it clear to the House how we shall now proceed.

Dr Matthew Offord (Hendon) (Con): On Monday, thousands of my constituents were put to great inconvenience and uncertainty as the National Union of Rail, Maritime and Transport Workers called yet another strike on the Northern line. The case was about one individual failing a breath test. While I would not speak about that specific case, may we have a debate on the Floor of the House to look forward to legislating to prevent huge parts of this country from being held to ransom by unions over specific issues?

Mr Hague: My hon. Friend speaks up very well for his constituents, who should not be held to ransom in that way; they should be able to go about their business without such unnecessary and mindless disruption. There is a good case for such a debate, and I would encourage my hon. Friend to seek that by all the usual methods.

Jim Fitzpatrick (Poplar and Limehouse) (Lab): In December 2013, the groceries code adjudicator consulted on the level of fines she should be able to impose on

[*Jim Fitzpatrick*]

companies transgressing the codes and regulations introduced by the Government—regulations that were welcomed by British farming—but 12 months later, we have yet to see the statutory instrument to enact the fine that she can introduce. Has the Leader of the House had any indication from the Department for Business, Innovation and Skills when we might see the statutory instrument, and if not, may I prevail upon his good offices to inquire when we might see it?

Mr Hague: The right hon. Gentleman can prevail upon my good offices. It is obviously important that these decisions are taken forward, so I will ask questions of the Business Ministers, and ensure that they are in touch with the right hon. Gentleman to explain what the position is.

Alec Shelbrooke (Elmet and Rothwell) (Con): Mr Speaker, you may have noticed the reports this morning that this year, the BBC at Christmas is showing more repeats than ever before. When I buy a DVD, I do not expect to keep paying for it year on year. May we please have a debate on the BBC getting back to its remit in its charter on public broadcasting, instead of lazily repeating more often than a hearty Christmas dinner?

Mr Hague: Initially, when I saw the headline about the proportion of repeats, I thought it was talking about speeches by the shadow Chancellor, but it turned out to be about Christmas shows on the BBC. I am sure—I hope—that those in the BBC have been listening to what my hon. Friend says, so although I cannot offer a debate, and in any case a debate before Christmas would be unlikely to change the broadcasters' Christmas schedules, I hope that they will be trying to give real quality to the public this Christmas season.

Nic Dakin (Scunthorpe) (Lab): Some 79% of dentists lack confidence in the General Dental Council and are concerned about its impact on dental services. This weekend 28 local dental committees will be meeting to consider a vote of confidence in the General Dental Council. May we have a statement or a debate about the effectiveness of the General Dental Council in relation to dentistry in the United Kingdom?

Mr Hague: I clearly cannot offer such a debate at present, although the hon. Gentleman is well aware of how to pursue such a debate, and he can raise the matter at Health questions. I do not want to be drawn into a controversy within the dental profession in any comment that I make now, but there clearly are some concerns and the hon. Gentleman will be able to pursue the matter in all the normal ways in the House.

Miss Anne McIntosh (Thirsk and Malton) (Con): I support the points made about the groceries code adjudicator. The only power she has is the power to levy fines. The fact that the statutory instrument has not been laid means that that important groceries code is toothless.

Mr Hague: None of us wants to see a groceries code entirely toothless. There are clearly concerns on both sides of the House about this, so, as I said when the

matter was raised by the hon. Member for Poplar and Limehouse (Jim Fitzpatrick), I will ask Business Ministers for a report of progress on it.

Gemma Doyle (West Dunbartonshire) (Lab/Co-op): The Glasgow office of the Centre for Radiation, Chemical and Environmental Hazards is a UK facility that is facing severe cuts and, I understand, possible closure, which would mean that the closest site was the one located in Leeds. Given the role of the centre in the event of a nuclear incident or emergency, its current proximity to the Clyde naval base, the home of the nuclear submarine fleet, is vital. May we have an urgent statement on the matter, please?

Mr Hague: I cannot promise an urgent statement, but the hon. Lady has raised the case powerfully, so I will refer what she has said to the Ministers responsible so that they can consider it and consider how to keep her and the House informed about the situation.

Mark Pawsey (Rugby) (Con): We heard in Transport questions of the concern about congestion around school gates across the country. I recently joined pupils at Brownsover community school in Rugby outside in the rain at going-home time to look at the careless parking outside the school by parents collecting their children. May we have a debate to consider measures to improve road safety around school gates and to consider what the barriers are to parents allowing their children to walk or cycle to and from school?

Mr Hague: Road safety around schools is a very important issue. My hon. Friend is right to raise it. Local authorities have a statutory responsibility to provide appropriate traffic management schemes, and they can put in place “school keep clear” markings, which are legally enforceable, to prohibit parking on a designated length of highway, including near a school, to improve road safety. I know that my hon. Friend will want to keep pursuing the issue with Transport Ministers, and they will be able to respond to him.

Kevin Brennan (Cardiff West) (Lab): May we debate inequality? GDP per head in the poorest UK regions is lower than in any region of France, Germany, Belgium, Luxembourg, Austria, Ireland, Sweden, Finland or Denmark, and nine out of 10 of the poorest regions in northern Europe are in the UK. With real income continuing to fall for the poorest, do the Government not need to do more to favour the weakest over the wealthiest?

Mr Hague: What is actually happening, of course, is that many more people are getting into work. As the hon. Gentleman knows, we have record levels of employment, and since 2010 there are 600,000 fewer people in relative poverty and 670,000 fewer workless households than there were just four and a half years ago. That is real progress in addressing poverty in this country, and we can continue to address it only if we have a growing economy and strong finances, which is the basis of the statement that we heard yesterday.

Mr Peter Bone (Wellingborough) (Con): I had wanted to ask the Leader of the House why money resolutions for two private Members' Bills have not been laid,

despite the convention of the House, but there is a more important matter: the debate on firefighters. May we have a wider debate on firefighters so that I can offer my thanks to the firemen and women of Northamptonshire, who do such a great job, and to the Government for their very good record on firefighting?

Mr Hague: I am sure that in any debate on firefighters my hon. Friend will be able to make that powerful point about the strong performance of firefighters in Northamptonshire, and indeed in so many parts of the country, and about the Government's good record. If we have such a debate, I will look forward to hearing him make those points again.

Gordon Banks (Ochil and South Perthshire) (Lab): May I begin by congratulating Alloa Athletic, which last night beat Rangers 3-2 and found a way to the challenge cup final?

In 2010, I served as a Front-Bench spokesperson on the Postal Services Bill, which paved the way for the privatisation and sell-off of Royal Mail. I told the right hon. Member for Kingston and Surbiton (Mr Davey), who was leading for the Government at the time, that it would lead to the ending of the current universal service obligation. We have now heard the chief executive of a privatised Royal Mail predict just that. Will the Leader of the House commit to a statement or a debate in Government time on ending that disgrace?

Mr Hague: I do not think that the chief executive would necessarily agree with that interpretation of what has been said, but I cannot speak for Royal Mail at all. The universal service is of course an important issue for hon. Members across the House and their constituents, and it will be wholly legitimate for the hon. Gentleman to pursue that with Business Ministers and to seek debates on the matter by all the normal methods.

Henry Smith (Crawley) (Con): The Foreign and Commonwealth Office's independent feasibility study into resettlement of the Chagos islands is due to be published early in the new year. May we please have a debate in January on the Floor of the House to ensure that the matter is properly discussed?

Mr Hague: I am sure that the House will want to discuss that in some way. Until we have seen the feasibility study and the timing of its publication, we cannot make any decisions on it. However, I take my hon. Friend's request as an early bid. I set up the feasibility study when I was Foreign Secretary and, like him, am looking forward to seeing its results. We are committed to ensuring that the review of any potential for resettlement is as transparent and inclusive as possible. I hope that will be welcomed by the many people of Chagossian heritage and origin who live in his constituency.

Julie Hilling (Bolton West) (Lab): The Chancellor said yesterday:

"We have shown in this Parliament that we can deliver spending reductions without damaging front-line public services".—[*Official Report*, 3 December 2014; Vol. 589, c. 309.]

We need only look at the destruction of youth services, the closure of Sure Start centres and the slashing of support for disabled people, among so many other

things, to see that that patently is not true, so may we have a debate on the damage that this Government have done to front-line services?

Mr Hague: I am sure that we will discuss the economy and all the implications of Government policy a great deal, but the Chancellor pointed out yesterday that when the shadow Chancellor complains and says that the deficit should be brought down even more quickly, Opposition Members always say that more should be spent on a whole range of items. It is not sustainable for the Labour party to have it both ways: to criticise the Government on the deficit, yet to oppose every reduction in spending that makes it possible to control the deficit. The hon. Lady is falling into the same trap.

Tessa Munt (Wells) (LD): May we have some parliamentary time to consider the disused railway line between Cheddar and Wells, which could provide a much safer alternative for pedestrians and cyclists who currently have to use the very dangerous A371? All the preparations have been done, involving hours of voluntary time and slugs of taxpayers' money, by way of county council officers' time, but the county council has prevented the Strawberry Line campaign submitting its planning application because it says that funding for the path is not in place. Will the Leader of the House encourage the council to dust the application off, as it is shovel-ready and funding is available, but it is dependent on planning permission?

Mr Hague: My hon. Friend has made her case. I do not think that we in this House would be able to tell the county council what to do. She is clearly campaigning and putting forward her arguments on this issue, and no doubt she will be able to discuss it further with the county council and others. I cannot offer her a debate, but I know she will continue to pursue the issue until it is resolved.

Kate Green (Stretford and Urmston) (Lab): May we have a statement on the Government's position on humanist marriage? During the passage of the Marriage (Same Sex Couples) Act 2013, there was strong support across both Houses for the principle of humanist marriage, but there are now reports that the Government are receiving spurious advice that it is not possible to proceed with legal marriage on the basis of licensing a celebrant rather than premises. May we have a statement soon from the Government as to their intentions and the advice that is being received by Ministers?

Mr Hague: Many people will be interested in this issue. I cannot offer the hon. Lady an immediate statement or debate, but it is a long-running issue and a legitimate subject for discussion, so I encourage her to keep pursuing it in all the normal ways. I will tell my ministerial colleagues what she has said so that they can also respond to her.

Mr Henry Bellingham (North West Norfolk) (Con): May I take the Leader of the House back to the Firefighters' Pension Scheme (England) Regulations 2014? I recently met a large delegation of firefighters from King's Lynn who do a superb job in protecting our community. Does he agree that this subject warrants a debate on the Floor of the House, or at least a full

[*Mr Henry Bellingham*]

debate in Committee? I have written today to the relevant Minister. Will the Leader of the House ensure that I get a quick reply, and will he support me in this quest?

Mr Hague: I am certainly always in favour of hon. Members receiving quick replies from Ministers. My hon. Friend is right to pay tribute to his local firefighters. I remind him that the reformed pension scheme for firefighters remains one of the very best in the public sector. As I said earlier, Lord Hutton found that the firefighters pension scheme is the most expensive in the public sector, and that has to be reformed. It will be important across the House to bear these points in mind.

Alison Seabeck (Plymouth, Moor View) (Lab): The debate on the fishing industry will be welcomed by fishermen and fishing communities, and it is nothing less than they deserve. However, there are wider issues. For the past 18 months, I have questioned the accuracy and transparency of data that the Marine Management Organisation is supplying to the Government, and the hon. and learned Member for Torridge and West Devon (Mr Cox) has called for an independent review. There is a wider issue about the importance of accuracy and transparency of data across Departments, because clearly Government decisions on investment depend on accurate data. May we find time for a debate on the collection of data for Government?

Mr Hague: As the hon. Lady acknowledges, a debate on the specifics of the fishing industry will take place a week today. That is a general debate, so if she is able to catch your eye, Mr Speaker, she will be able to make those points in so far as they relate to the fishing industry. I cannot offer a wider debate on data collection. She can make her case to the Backbench Business Committee, but the Government do not currently have any time to allocate to the subject.

Mr Andrew Robathan (South Leicestershire) (Con): My right hon. Friend will recall that the previous Government, in their desperation to appease the IRA, brought forward measures to give Sinn Féin MPs, who do not recognise this House, do not play any part in this House and do not look after their constituents in this House, all the privileges, allowances and pay of this House. Will he now make time for the House to revisit that decision and ensure that people who do not recognise this House should not be rewarded for not being here?

Mr Hague: As the House knows, it is established in legislation that only MPs who choose to take their seats by swearing the Oath are eligible for an actual salary of a Member of Parliament, and I do not detect any appetite for a change in those arrangements. Sinn Féin Members do not qualify for Short money either, as they have not taken their seats and therefore cannot participate in parliamentary business. Since 2001—the House passed a resolution on this in 2006—they have been able to claim some expenses in relation to what is called representative business. It would be a matter for the House to change that, or not to change it, in future. My right hon. Friend has made his point very well.

Andrew Gwynne (Denton and Reddish) (Lab): About 15 years ago, Langtree Group purchased the Oldham Batteries site in the centre of Denton. It demolished the buildings and promised a large-scale urban regeneration scheme based on retail and leisure. Since then, it has done nothing and left the site to rot. Could we have a statement from the Secretary of State for Communities and Local Government on what the Government intend to do to clamp down on land banking so that no community in the future faces the uncertainty, dereliction and blight that Langtree has left us in Denton?

Mr Hague: No community wishes to suffer dereliction and blight, and I absolutely understand that this is an important issue for the hon. Gentleman's constituents. There will be questions to the Secretary of State for Communities and Local Government on 15 December—in 11 days' time—so I encourage the hon. Gentleman to raise the issue directly with DCLG Ministers on that occasion.

Andrew Stephenson (Pendle) (Con): Following the autumn statement, could we have a debate on manufacturing? We heard yesterday that manufacturing is growing faster than any other sector of the economy, and manufacturing is doing particularly well in Pendle, with a number of major employers expanding at present. We have also seen 3,810 new apprenticeship starts since 2010 and unemployment has now fallen 52% since its peak in August 2009, so could we have a debate on manufacturing and the Government's long-term economic plan?

Mr Hague: I hope those issues will feature in all our debates and discussions about economic matters and in questions to Treasury Ministers next week. My hon. Friend points to some very important trends and huge improvements in economic performance around the country, including in his constituency. I know from visiting his constituency what a strong advocate he is for local businesses, apprenticeships and employment in his area, and his constituents benefit greatly from his work.

Richard Fuller (Bedford) (Con): The change in how VAT is charged on digital products, which is due on 1 January, is causing sole traders and small businesses great concern, as it will impose on them new, onerous record-keeping requirements, data protection and other costs, and potential exposure to unanticipated HMRC liabilities. Could we have a statement from the Secretary of State for Business, Innovation and Skills so that he can explain why he will not use his discretion to exempt small payments or uphold the VAT threshold for digital products, and to reassure us that he is not unnecessarily damaging our digital micro-businesses?

Mr Hague: I cannot promise an immediate statement, but my hon. Friend is clearly concerned about the implications in a few weeks' time, so I shall draw his point to the attention of Ministers at the Department for Business, Innovation and Skills and ask them to respond to him directly.

Andrew Jones (Harrogate and Knaresborough) (Con): One of the most significant elements of the autumn statement was the progress on the northern powerhouse, covering many different policy areas, infrastructure

investment, support for the economy in terms of exports, manufacturing and skills, and the devolution of decision making and budgets. That is very good news, but we have not yet had the chance to debate it, so please may we?

Mr Hague: I hope there will be many opportunities to do so, although the Opposition are not very good at choosing the economy for Opposition day debates. It does not happen very often. There will be Treasury questions on Tuesday. My hon. Friend is right to say that the further announcements about the northern powerhouse, including in particular the improvements in rail services across the north of England and the proposals for a new advanced material science centre in and a new sovereign wealth fund for the north of England, are all major proposals. They add up to the strongest platform for the north of England that any Government in modern times have presented, and I hope we will have many opportunities to debate it.

Rehman Chishti (Gillingham and Rainham) (Con): Recently my constituent Tommy Willan was named regional trainee of the year for 2014 for his hard work during his electrical apprenticeship, organised by JTL, which has also arranged 31,000 extra apprenticeships around the country. Will the Leader of the House allow a debate on the excellent work the Government are doing on apprenticeships around the country, equipping our young people with the skills to succeed in life?

Mr Hague: I join in congratulating my hon. Friend's constituent on his award, which I am sure was very well deserved. Although we will not be able to accommodate a separate debate on every aspect of the economy, a debate on this subject would be extremely welcome and would help to highlight the positive effects the 1.9 million apprenticeships starts in the past four and a half years have had on our economy since the election. Of course, many of us hope it will be possible to go on in the next Parliament to have 3 million apprenticeships and to abolish youth unemployment entirely, and that is what the Chancellor is setting out to do.

Mr Philip Hollobone (Kettering) (Con): We now pay more than £10 billion a year as our annual membership fee to the European Union, and we have recently received a demand for £1.7 billion more; yet the UK's trade deficit with the EU is increasing at an alarming rate. The Government's own figures, released this week, show that our trade deficit with the EU was £28.5 billion in 2010, as much as £56.2 billion in 2013, and already £25.5 billion in the first half of 2014. May we have a

debate on the Floor of the House, opened by the Business Secretary and closed by the Foreign Secretary, in which we demolish the myth that 3 million jobs in this country are dependent on our membership of the European Union? The figures prove that they are not.

Mr Hague: Our trade with all parts of the world, including Europe, is an extremely important issue. Given the poor performance of the eurozone and the flatness of our export markets in Europe, which is driving some of the figures that my hon. Friend cites, the proportion of Britain's exports going outside the European Union has increased in recent times. There have been particularly sharp increases in our exports to countries in the far east and to some countries in Latin America. It is vital to continue that, and to improve our export performance overall. That is why the Chancellor yesterday announced further resources for the Foreign Office and UK Trade & Investment to do that. This is one of the important issues to discuss in all our debates on yesterday's autumn statement.

Robert Halfon (Harlow) (Con): As we approach small business Saturday, may we have a statement on white van woman? Under this Government, more women than ever are in employment, 20% of small businesses are now run by women compared with 14% under the previous Government, and the majority—55%—of apprenticeship starters are now female. Given those figures, is it not correct that this Government are the true Government of white van woman, and may we look at what further help can be given?

Mr Hague: Yes, absolutely. We do not know where the former shadow Attorney-General, the hon. Member for Islington South and Finsbury (Emily Thornberry), is at the moment, but she might be in training to be a white van woman after what happened a couple of weeks ago.

My hon. Friend has coined an important new phrase. It is very important that we continue our progress in making sure that women participate fully in our economy, and that is happening under this Government. The gender pay gap for those under the age of 40 has been closed for the first time. There are now women on the boards of all the FTSE 100 companies, which was certainly not the case when the previous Government were in power. I think that white van woman must also play her part, and the measures announced yesterday—to support small businesses, encourage enterprise, and help people who work hard and try to get on in life—will be very supportive of white van woman.

Pensions and Benefits Up-rating

11.28 am

The Minister for Pensions (Steve Webb): With permission, Mr Speaker, I should like to make a statement about the uprating of pensions and social security benefits for 2015-16. I shall place in the Library full details of the new rates that are due to come into force from the week of 6 April 2015 for each pension and benefit. As part of his autumn statement yesterday, my right hon. Friend the Chancellor announced the rates of tax credits for 2015-16. Today, I shall announce the uprating of the pensions and social security benefits for which my Department is responsible.

The coalition Government continue to stand by our promise for those who have worked hard all their lives. We shall honour our commitment to the triple lock to increase the basic state pension by the greatest of earnings, prices or 2.5%. I can therefore confirm that the basic state pension for 2015-16 will increase by the value of the third element of the triple lock, 2.5%. Even at a time when earnings growth remains constrained, we will not repeat the mistakes of the past, such as the 75p rise in 2000.

From April 2015, the new basic state pension for a single person will be £115.95 a week, which is up by £2.85 a week, and we estimate that the basic state pension will be around 18% of average earnings—its highest comparative level for more than two decades. Thanks to the coalition commitment to the triple lock, a person on the full basic state pension will receive around £560 a year more in 2015-16 than if it had been uprated only by earnings during this Parliament. That commitment means that since coming to office, the coalition has increased the basic state pension by around £950 a year.

Let me turn to additional state pensions, which are often referred to as SERPS—state earnings-related pension schemes. Unlike the Labour party, which froze SERPS in 2010, the coalition has uprated them by the full value of the consumer prices index since 2011, and they will rise again by the full value of the CPI for 2015-16. For pension credit the statutory increase for the standard minimum guarantee is in line with average earnings, which on this occasion would mean an increase of just 0.6%. If left at that, pensioners on the lowest incomes would receive an increase of less than £1 a week, which we believe would be unacceptable. I am therefore pleased to announce that we shall over-index the standard minimum guarantee so that the increase for our poorest pensioners—those with least opportunity to increase their income in later life—will be in line with the cash value for the basic state pension.

From next year, the single person rate of the guarantee credit will rise by £2.85, which means that income from that safety net benefit will be worth £151.20 a week. For couples the increase will be £4.35, taking the new total to £230.85 a week. Of course, I look forward to a world where the new state pension is in payment, which will significantly reduce the number of people in the scope of means-tested pension top-ups.

As in previous years, resources needed to pay the above-earnings increase to the standard minimum guarantee will be found by increasing the savings credit threshold, meaning that those with higher levels of income may

see less of an increase than they would otherwise have done. Measures in the Welfare Benefits Up-rating Act 2013 commit the Government to a 1% increase in the main rates of working-age benefits again this year, which includes jobseeker's allowance, income support, and universal credit, as well as the main rate and work-related activity component of employment and support allowance. Those tough but important decisions were taken in the face of the ongoing challenge to our national economy, and debated during the passage of that Act.

This year, the coalition will again ensure that those who face additional costs because of their disability and have less opportunity to increase their income through paid employment, will see their benefits increase by the full value of the CPI. Personal independence payment, disability living allowance, attendance allowance, carer's allowance and incapacity benefit will rise by the statutory minimum of 1.2% from April 2015, as will the ESA support group component and those disability-related premiums that are paid with pension credit and working-age benefits.

At a time when the nation's finances remain under pressure, the Government will spend £2.5 billion extra in 2015-16. Around £2 billion, or 80% of the money, will be spent on state pensions, around £300 million will be spent on disabled people and their carers—we have over-indexed the earnings threshold for the carer's allowance this year—and nearly £200 million will be spent on people who are unable to work because of sickness or unemployment.

The ongoing commitment to pensioners means that we have increased the state pension by around £950 during the course of this Parliament, which is £560 more than if we had uprated it by earnings alone. We have committed to spending £10 billion more on the basic state pension over this Parliament than would have been the case without our commitment to the triple lock, and we have protected our poorest pensioners with the over-indexation of the standard minimum guarantee, so that they too benefit from the triple lock. We have continued to ensure that benefits that cover the additional costs of disability maintain their value in line with the CPI. I have outlined the Government's sustained commitment to ensuring that even in these difficult times, no one is left behind, and I commend this statement to the House.

11.33 am

Gregg McClymont (Cumbernauld, Kilsyth and Kirkintilloch East) (Lab): Every year the Minister comes to the House and declares to what is supposed to be a grateful nation that the wisdom and generosity of the Government is reflected in the uprating of pensions and benefits. Sadly, the reality is rather different. The Minister said at the end of his statement that “no one is left behind”, and he rushed through the Government's changes to working-age benefits. How do those who are working or looking for work feel about the fact that the benefits they rely on are being raised by only 1%? It is the price of economic failure. Those individuals are the same individuals who are suffering the consequences of the hated and ludicrous bedroom tax. Let us get this in context: the Government are not treating people equally. The statement makes that clear.

Some £25 billion extra has been spent on social security since 2010 because of the Government's failures. In the end, Government spending on the most vulnerable in our society—pensioners, those looking for work and those who rely on other benefits—depends on how the economy is performing. The Government have borrowed £219 billion more than they predicted they would in 2010. Is it any surprise that those in need are not seeing the benefit?

May I pick the Minister up on his wonderful use of the term “over-indexing”? In the context in which he uses the term, “over-indexing” means simply that earnings growth has been so weak and paltry under the Government that, to ensure that those relying on benefits that would have been uprated by average earnings have some sort of reasonable increase, he is forced to increase benefits by a measure other than average earnings. That was an Orwellian use of the term “over-indexing”.

Let us put the statement in context. The Government expect the nation to be grateful for their generous and munificent benefits uprating, but they are working within a narrow economic framework imposed by their own policies. People who depend on help to get into work and help to make ends meet will not be grateful for the paltry increases.

Interestingly, universal credit is included in working-age benefits in the statement. The Chancellor claimed yesterday that the welfare cap will be met, but is that because of the excessive delays in the introduction of universal credit rather than because the Government have got to grips with the underlying drivers of welfare spending—high rents drive up costs and low pay drives up tax credit claims? The welfare cap is related fundamentally, among other things, to the progress of universal credit. Will the Minister comment on that?

The context of the statement is that the Government have been forced to borrow much more than they believed they would have to borrow. Their failing economic policy means that those in most need are paying the price. The Minister trumpets the increases to pensioner benefits and the state pension, but let us not forget—*[Interruption.]* From a sedentary position, the Minister says, “Questions.” The question is this: why has his economic plan failed so badly that those who depend on help from the Government are not getting it?

The context is clear: the Government's economic plan has failed, Government borrowing is so much higher than they expected, and, in the end, those who pay the price are those most in need.

Steve Webb: The House is not clear whether the hon. Gentleman is saying that we should spend more or less on welfare. As far as I could tell, he was arguing for both at the same time.

The hon. Gentleman referred to a failed economic policy. Is that an economy that is growing faster than any other developed economy in the western world, and an economy in which unemployment has fallen for 24 consecutive months? If that is failure, I am not sure what success looks like.

The hon. Gentleman asked about getting to grips with underlying economic issues. Worklessness is, of course, the most fundamental underlying economic problem, and worklessness is down substantially on 2010. Unemployment is down. Full-time and part-time

work are up. Those are the things that helped us to announce yesterday that welfare spending is lower than had previously been forecast.

The hon. Gentleman mocked the term “over-indexing”, which means putting something up by more than one is legally obliged to. We have done that for the poorest pensioners. I am not sure whether he opposes or supports that, but I can tell the House one thing: we have looked at what the Opposition would have done had they been in our position and had put the state pension up in line with their announced policy. We assume their policy would have been RPI until 2012 and earnings thereafter, as that is what their manifesto said. We have discovered that had Labour been in office the state pension would now be £7 a week lower than the coalition is paying. I do not think we have any questions to answer from the Opposition.

Alistair Burt (North East Bedfordshire) (Con): As a former Minister for people with disabilities, I welcome the protection given to the benefits that my right hon. Friend has announced this morning. It is an object lesson in the fact that it is only a strong economy that can provide that degree of protection, in stark contrast to what we saw before. Will he say from the Dispatch Box whether he is confident that the degree of protection offered by the Chancellor is likely to continue in the future if the Government are returned in due course?

Steve Webb: I am grateful to my right hon. Friend. He is right that our ability to afford the substantial increases in the state pension in particular depends on a sound economic strategy. He will know that what we have been seeking to do is make sure that we have both a strong economy and a fair society, as delivered through this statement today. In terms of what happens post-2015, my right hon. Friend the Prime Minister has indicated that he wants to see the triple lock continued and I certainly want to see it continued. Indeed, I would like to see it as the law of the land after the next election.

Mr Alan Reid (Argyll and Bute) (LD): I congratulate my right hon. Friend on his statement and on the tremendous work he has done over the past four and a half years after inheriting economic disaster from the Labour party. Will he confirm that the rise in the state pension next year will be more than double the rate of inflation as measured at the end of September as normal?

Steve Webb: Indeed. Those who follow our proceedings will note that we have had two consecutive questions from Government Members, because not a single Labour Back Bencher has any views on this subject. My hon. Friend is right. The increase of 2.5% is double the rate of inflation and quadruple our statutory duty to increase in line with earnings. Four times the statutory minimum seems like a fair deal to me.

Robert Halfon (Harlow) (Con): I welcome the statement. Will my right hon. Friend confirm that the Government have a relentless focus on helping poorer pensioners? Contrary to what was said by the shadow Minister, the single room supplement does not apply to pensioners. Does he also agree that the poorer pensioners in my constituency will be on average roughly £800 better off thanks to this Government's policies and help on pensions?

Steve Webb: Yes, my hon. Friend is right that the measures we have applied to those with spare rooms in social housing do not apply to pensioners. We have specifically prioritised the poorest pensioners. Under the law, the link to earnings would have meant relatively small cash increases. We did not feel that a rise of less than £1 a week was acceptable and that is why we have passed through the full value of the cash increase in the basic state pension to the poorest pensioners—those only on the guaranteed credit.

Richard Graham (Gloucester) (Con): I absolutely welcome what the Minister has had to say about the increase in the basic state pension: £950 more than in 2010 is a remarkable achievement by the Government. As he points out, it is £7 a week more than Labour policy would have paid.

In terms of some of the other remarkable comments made by the shadow Minister, the Minister might be interested to know that I was in Hammersmith Jobcentre Plus this morning. Paul, who has worked in benefits for 27 years, told me that this is the real deal. Dawn, who works there, says that what is happening is a revolution—it is the best thing happening. Does the Minister agree that there is a wonderful opportunity for the shadow Minister and all four of his Back-Bench colleagues present to visit Hammersmith Jobcentre Plus and learn for themselves what universal credit is doing for the country?

Steve Webb: My hon. Friend is highly expert in these matters, and he will know that the Hammersmith jobcentre has become something of a tourist attraction in demonstrating the excellence of universal credit. What is so exciting is that in previous years we would talk about something hypothetical, whereas now we are talking about something real that thousands of people are already receiving. We are rolling it out more extensively as the months and years go by. It is a very profound change in our welfare state—one that we can all be proud of.

Steve McCabe (Birmingham, Selly Oak) (Lab) *rose*—

Mr Speaker: Order. The hon. Gentleman did not appear to be in the Chamber at the start of the statement. Was he present then?

Steve McCabe: I think I was 25 seconds late, Mr Speaker.

Mr Speaker: If the hon. Gentleman was not in the Chamber at the start of the statement, it is not seemly for him to seek to participate. I would not want him to behave in an unseemly manner—wittingly or unwittingly. I am in a sense saving the hon. Gentleman from himself in saying that he should not participate on this occasion. We will store him up and look forward to his words of wisdom subsequently.

Ian Swales (Redcar) (LD): I congratulate my right hon. Friend on today's pension announcement and on getting the Liberal Democrat policy of a triple lock increase into this Government's programme. Does he agree that with a safety net of 2.5%, the minimum pension increase that people can look forward to in the future is nearly £3 a week and that they will have no more insulting 75p a week increases?

Steve Webb: My hon. Friend is quite right that when the previous Government paid 75p, they were sufficiently embarrassed that they had to put the pension up by £5 the following year—almost to apologise. That is no way to treat pensioners. My hon. Friend is right about the triple lock, too. This morning, I did one of the many radio phone-ins I have been doing, and people have been asking me why the pension is not more. I pointed out that we had 30 years of decline to reverse from when the earnings link was broken in 1980 through to 2010, and that we are now starting to restore the real value of the pension to give pensioners some dignity and security.

Mr Philip Hollobone (Kettering) (Con): There was so much good news in the Minister's statement that I was struggling to write it all down. So that I get it right for my Kettering constituents, will he confirm that what he has just announced is a 2.5% increase in the basic state pension, which is equivalent to an increase of £2.85 a week for a single person; that the basic state pension is now 18% of average earnings, the highest comparative level for 20 years; and that since the start of this Parliament, pensions have gone up by £950 a year, which is £560 a year more than if they had simply been increased in line with inflation?

Steve Webb: Indeed. My hon. Friend obviously writes very quickly, and he was correct in every particular. The increase in the pension rate for a single person is £2.85 a week and it is £4.55 a week for those on what we loosely call the couples rate. I can confirm that all the figures he gave were correct.

Henry Smith (Crawley) (Con): Pensioners in Crawley will very much welcome what is a generous and fair increase in the state pension. What is my hon. Friend's observation on the fact that barely more than half a dozen Labour Members have attended this statement, particularly given the fact that this is clearly good news for pensioners up and down the country?

Steve Webb: My hon. Friend puts his finger on it. The Opposition have struggled to find anything to criticise in the statement. So few of them have turned up because it is a positive measure both for pensioners and for vulnerable people in our society.

Roger Williams (Brecon and Radnorshire) (LD): I, too, congratulate my right hon. Friend on his statement, which will be warmly received by pensioners in my constituency and throughout the country. Some time ago, my right hon. Friend was kind enough to meet representatives of the community from Coelbren, who were concerned that they rarely qualified for the severe weather payment. The Minister explained that it was due to the postcode, but I think he realised that qualifying for that payment was a fairly rough and ready matter. Has he been able to reflect further on that, and can I give the people of Coelbren some good news?

Steve Webb: I well remember our meeting, poring over maps of the Welsh valleys with my hon. Friend and his constituents. As he knows, the trigger for the cold weather payment of £25 a week—let me confirm that we are retaining that payment, not the cut to £8.50 a week that Labour had planned—is linked to postcode

sectors. We use just under 100 of those. We review the scheme each year, and where there are fresh representations from hon. Members, we look at them afresh. Although the system is up and running for this year, if my hon. Friend wanted to make further representations, we would of course continue to look at them.

Stamp Duty Land Tax

Mr Speaker: I call the Minister to move the motion.

Is the Minister not present? [HON. MEMBERS: "No."] In that case, I call the Minister for Pensions to move the motion.

Motion made, and Question proposed,

That, pursuant to section 5 of the Provisional Collection of Taxes Act 1968, provisional statutory effect shall be given to the following motion:

Stamp duty land tax (residential property transactions)

That—

(1) Part 4 of the Finance Act 2003 (stamp duty land tax) is amended as follows.

(2) Section 55 (general rules on calculating the amount of stamp duty land tax chargeable) is amended as follows.

(3) In subsection (1) for "a percentage of the chargeable consideration for the transaction" substitute "determined in accordance with subsections (IB), (1C) and (2)".

(4) After subsection (1A) insert—

"(IB) If the relevant land consists entirely of residential property and the transaction is not one of a number of linked transactions, the amount of tax chargeable is determined as follows—

Step 1

Apply the rates specified in the second column of Table A below to the parts of the relevant consideration specified in the first column of that Table.

Step 2

Add together the amounts calculated at Step 1 (if there are two or more such amounts).

Table A: Residential

<i>Part of relevant consideration</i>	<i>Rate</i>
So much as does not exceed £125,000	0%
So much as exceeds £125,000 but does not exceed £250,000	2%
So much as exceeds £250,000 but does not exceed £925,000	5%
So much as exceeds £250,000 but does not exceed £925,000	10%
<i>The remainder (if any)</i>	12%

(1C) If the relevant land consists entirely of residential property and the transaction is one of a number of linked transactions, the amount of tax chargeable in respect of the particular transaction under consideration is determined as follows—

Step 1

Apply the rates specified in the second column of Table A in subsection (IB) to the parts of the relevant consideration specified in the first column of that Table.

Step 2

Add together the amounts calculated at Step 1 (if there are two or more such amounts).

Step 3

Multiply the amount given by Step 1 or Step 2, as the case may be, by—

$$\frac{C}{R}$$

where—

C is the chargeable consideration for the transaction, and

R is the relevant consideration."

(5) In subsection (2) for the words from the beginning of that subsection to the end of Table A substitute—

“If the relevant land consists of or includes land that is not residential property, the amount of tax chargeable is the percentage of the chargeable consideration for the transaction determined in accordance with Table B below by reference to the amount of the relevant consideration.”

(6) In subsection (3) for “subsection (2)” substitute “subsections (IB) and (2)”.

(7) In subsection (4) at the beginning insert “For the purposes of subsections (1C) and (2),”.

(8) Omit subsection (7).

(9) Section 74 (exercise of collective rights by tenants of flats) is amended as follows.

(10) In subsection (1A)—

(a) in the opening words, for “rate” substitute “amount”,

(b) in Step 2—

(i) for “rate of tax and the” substitute “amount of”, and

(ii) for “subsections (2) and (3)” substitute “subsection (IB)”,

(c) in Step 3—

(i) for “rate of tax and the” substitute “amount of”, and

(ii) for “subsections (2) and (3)” substitute “subsection (IB)”, and

(d) in Step 4 for “subsections (2) and (3) do” substitute “subsection (IB) does”.

(11) For subsections (2) and (3) substitute—

“(IB) Where step 2 or 3 of subsection (1A) requires the amount of tax chargeable to be determined in accordance with this subsection, it is determined as follows.

Step 1

Determine the amount of tax chargeable under section 55 as if the relevant consideration for the chargeable transaction were the fraction of the relevant consideration calculated under step 1 of subsection (1A).

Step 2

Multiply the amount determined at step 1 by the number of qualifying flats contained in the premises.”

(12) In section 75 (crofting community right to buy) for subsections (2) and (3) substitute—

“(1A) In that case, the amount of tax is determined as follows—

Step 1

Determine the amount of tax chargeable under section 55 as if the relevant consideration for the chargeable transaction were the fraction of the relevant consideration produced by dividing the total amount of that consideration by the number of crofts being bought.

Step 2

Multiply the amount determined at step 1 by the number of crofts being bought under that transaction.”

(13) In section 77(1)(b) (notifiable transactions) for “which tax is chargeable at a rate of 1 % or higher” substitute “any part of which tax is chargeable at a rate of more than 0%”.

(14) In section 77A(2)(a) (notifiable transactions: exception of certain acquisitions of major interests in land: interpretation) for “1% or higher” substitute “more than 0%”.

(15) In section 80(2) (requirement to make return where contingency ceases, or consideration is ascertained, and tax or additional tax is payable etc)—

(a) in the opening words, after “before” insert “(calculated in either case according to the effective date of the transaction)”, and

(b) omit paragraph (c), but not the “and” at the end.

(16) In section 80(4) (cases where less tax payable) after “in respect of a transaction” insert “(calculated according to its effective date)”.

(17) In section 81ZA(1)(c) (alternative finance arrangements: additional tax where reliefs withdrawn to be calculated by reference to effective date) for “by reference to the rates in force at” substitute “according to”.

(18) In section 81A(1) (requirement to make return in consequence of later linked transactions where tax or additional tax is payable etc)—

(a) in the opening words, after “before” insert “(calculated in either case according to the effective date of the earlier transaction)”, and

(b) omit paragraph (c), but not the “and” at the end.

(19) In section 109(2)(b) (general power to vary Part 4 of the 2003 Act: power to alter descriptions of transaction chargeable at any existing rate or amount) after “amount” insert “, or in respect of which tax is calculated in accordance with any particular provision”.

(20) In section 122 omit the entry for “rate of tax”.

(21) In paragraph 3(1)(b) of Schedule 4A (certain high-value transactions not linked to other transactions for purposes of section 55(4)) for “55(4)” substitute “55(1B), (1C) and (4)”.

(22) Schedule 6B (transfers involving multiple dwellings) is amended as follows.

(23) For paragraph 4(1) substitute—

“(1) If relief under this Schedule is claimed for a relevant transaction, the amount of tax chargeable in respect of the transaction is the sum of—

(a) the tax related to the consideration attributable to dwellings (see paragraph 5(1) and (2)), and

(b) the tax related to the remaining consideration (if any) (see paragraph 5(7)).”

(24) Omit paragraph 4(4).

(25) For the italic heading before paragraph 5 substitute “The amount of tax chargeable”.

(26) For paragraph 5(1) and (2) substitute—

“(1) For the purposes of paragraph 4(1)(a), “the tax related to the consideration attributable to dwellings” is determined as follows—

Step 1

Determine the amount of tax that would be chargeable under section 55 on the assumption that—

(a) the relevant land consisted entirely of residential property, and

(b) the relevant consideration were the fraction produced by dividing total dwellings consideration by total dwellings.

Step 2

Multiply the amount determined at Step 1 by total dwellings.

Step 3

If the relevant transaction is one of a number of linked transactions, go to Step 4.

Otherwise, the amount found at Step 2 is the tax related to the consideration attributable to dwellings.

Step 4

Multiply the amount found at Step 2 by—

$$\frac{CD}{TDC}$$

where—

“CD” is the consideration attributable to dwellings for the relevant transaction, and “TDC” is total dwellings consideration.

(2) But if the amount found at Step 2 of sub-paragraph (1) is less than 1% of total dwellings consideration, for the purposes of paragraph 4(1)(a) “the tax related to the consideration attributable to dwellings” is an amount equal to 1% of the consideration attributable to dwellings.”

(27) For paragraph 5(7) substitute—

“(7) For the purposes of paragraph 4(1)(b), “the tax related to the remaining consideration” is the appropriate fraction of the amount of tax which (but for this Schedule) would be due in respect of the relevant transaction.

(8) In subsection (7) “the appropriate fraction” means—

$$\frac{\text{RC}}{\text{TDC} + \text{TRC}}$$

where—

“RC” is the remaining consideration for the relevant transaction,

“TDC” is total dwellings consideration, and

“TRC” is total remaining consideration.

(9) For a transaction that is not one of a number of linked transactions, “total remaining consideration” is the remaining consideration for that transaction (see paragraph 4(3)).

(10) For one of a number of linked transactions, “total remaining consideration” is—

(a) the total of the chargeable consideration for all those transactions, less

(b) total dwellings consideration.”

(28) In paragraph 6(1) (change of circumstances after relief given) for paragraph (c) substitute—

“(c) had the event occurred immediately before the effective date of the transaction, more tax (calculated according to the effective date of the transaction) would have been payable, whether because the transaction would not have been a relevant transaction or otherwise.”

(29) In paragraph 6(3) (requirement to make return where more tax payable than was paid) omit paragraph (c), but not the “and” at the end.

(30) In paragraph 8(1) of Schedule 7 (acquisition relief)—

(a) for “rate” substitute “amount”, and

(b) for “0.5%” substitute “an amount equal to 0.5% of the chargeable consideration for the transaction”.

(31) In paragraph 4B(1) of Schedule 9 (shared ownership transactions) for “rate” substitute “amount”.

(32) In paragraph 12 of Schedule 9 (shared ownership trusts) for “rate” substitute “amount”.

(33) In paragraph 30(2) of Schedule 15 (partnerships) in paragraph (a) for “rate of tax chargeable under that section is 1% or higher” substitute “amount of tax chargeable under that section is not zero”.

(34) In paragraph 3(3) of Schedule 17A (leases that continue after a fixed term: additional tax to be calculated by reference to effective date)—

(a) in the opening words, after “before” insert “(calculated in either case according to the effective date of the transaction)”, and

(b) omit paragraph (c), but not the “and” at the end.

(35) In paragraph 4(3) of Schedule 17A (treatment of leases for indefinite term: additional tax to be calculated by reference to effective date)—

(a) in the opening words, after “before” insert “(calculated in either case according to the effective date of the transaction)”, and

(b) omit paragraph (c), but not the “and” at the end.

(36) In paragraph 7(1) of Schedule 19 (old linked transactions relevant to rate of tax) for “rate” substitute “amount”.

(37) In paragraph 9(4) of Schedule 19 (exercise of option or right of pre-emption acquired before implementation date) for “rate” substitute “amount”.

(38) In consequence of amendments made by preceding provisions of this Resolution—

(a) in the Finance Act 2006, omit section 162(1),

(b) in the Finance Act 2010, omit section 7(1), and

(c) in the Finance Act 2012—

(d) omit section 213(1), and

(e) in Schedule 35, omit paragraphs 2(4) and (6) and 5(3).

(39) The amendments made by this Resolution have effect in relation to any land transaction of which the effective date is, or is after, 4 December 2014.

(40) But those amendments do not have effect in relation to a transaction if the purchaser so elects and either—

(a) the transaction is effected in pursuance of a contract entered into and substantially performed before 4 December 2014, or

(b) the transaction is effected in pursuance of a contract entered into before that date and is not excluded by paragraph (42).

(41) An election under paragraph (40)—

(a) must be included in the land transaction return made in respect of the transaction or in an amendment of that return, and

(b) must comply with any requirements specified by the Commissioners for Her Majesty’s Revenue and Customs as to its form or the manner of its inclusion.

(42) A transaction effected in pursuance of a contract entered into before 4 December 2014 is excluded by this paragraph if—

(a) there is any variation of the contract, or assignment (or assignation) of rights under the contract, on or after 4 December 2014,

(b) the transaction is effected in consequence of the exercise on or after that date of any option, right of pre-emption or similar right, or

(c) on or after that date there is an assignment (or assignation), subsale or other transaction relating to the whole or part of the subject-matter of the contract as a result of which a person other than the purchaser under the contract becomes entitled to call for a conveyance.

(43) In paragraphs (40) to (42)—

“land transaction return”, in relation to a transaction, means the return under section 76 of the Finance Act 2003 in respect of that transaction;

“purchaser” has the same meaning as in Part 4 of that Act (see section 43(4) of that Act);

“substantially performed”, in relation to a contract, has the same meaning as in that Part (see section 44(5) of that Act).

And it is declared that it is expedient in the public interest that this Resolution should have statutory effect under the provisions of the Provisional Collection of Taxes Act 1968.—(*Steve Webb.*)

Mr Speaker: I am sure that the Minister who should be here is exceptionally grateful to the Minister for Pensions. I now call Shabana Mahmood.

11.50 am

Shabana Mahmood (Birmingham, Ladywood) (Lab): I am, frankly, stunned. I am not entirely sure what is meant to happen in the House of Commons when a Minister is not present. However, I am sure that the Minister would have spoken in favour of the proposals that were introduced in yesterday’s autumn statement—

Thomas Docherty (Dunfermline and West Fife) (Lab): On a point of order, Mr Speaker. As far as I can see, no Minister is present. [*Interruption.*] I mean that no Treasury Minister is present. Is this normal practice? How can my hon. Friend the Member for Birmingham, Ladywood (Shabana Mahmood) proceed with her speech when there is no Treasury Minister here to respond?

Mr Speaker: Let me say to the hon. Gentleman, on the strength of having been in the House for 17 years, that I have from time to time observed quite a lot of things that do not constitute normal practice. Let me also say to him, for the avoidance of doubt, that government is seamless in procedural terms, and any Minister can move the motion on the Order Paper.

[Mr Speaker]

Is it commonplace for the Minister who has direct responsibility to be absent at the material moment? It is not, although, in fairness, it having happened now under this Government, I should point out that it did happen on one occasion under the last. It is an irregular state of affairs, but the Minister who should be here will, as I have said, be immensely grateful to the Minister for Pensions, both for his presence and for his quickness of mind and fleetness of foot in taking to the Dispatch Box. I think that we will leave it there for now.

It must be said that this sort of thing is to be deprecated—very strongly deprecated—but it does not happen very often, and I hope that it will not happen again. No doubt words can be had. It is everyone's responsibility to keep an eye on the Annunciator. The Minister has a duty to be present at the appointed moment, and the appointed moment can be a movable feast. It is the responsibility of the Minister and the Whips to make sure that the Minister is present. He or she was not present, but the Minister for Pensions has helped out.

Steve McCabe (Birmingham, Selly Oak) (Lab): On a point of order, Mr Speaker. I just want to clarify something. If the Minister eventually manages to turn up, will it be seemly for him to take part in the debate, having not been here at the beginning?

Mr Speaker: The point about being here at the start relates to statements. I hope that the hon. Gentleman does not feel too sore about that.

Steve McCabe: Not at all.

Mr Speaker: I am grateful to the hon. Gentleman for his rather adroit piece of time-wasting.

Mr Alan Reid (Argyll and Bute) (LD): On a point of order, Mr Speaker. This is indeed a day on which we are witnessing parliamentary events that are not very common.

One possible reason for the Minister's not being here on time is that he was caught unexpectedly—surprised—by the fact that only one Member of the Opposition asked a question in response to the statement by the Minister for Pensions. It is the first time in all my years in the House that I have been present when Opposition Members—apart from the Front-Bench spokesman—have had absolutely nothing to say in response to a statement. Is it not possible that the Minister was held up because he expected the statement to last for the normal length of time?

Mr Speaker: The hon. Gentleman is not only dexterous in parliamentary terms, but he is, in my experience, an unfailingly loyal man, and he has done his best to rescue those on the Treasury Bench in the current circumstances. All that I will say is that Ministers, in any Government, should not be surprised. They must not allow themselves to be put in a position in which they are surprised, and therefore not present. The Minister has not spoken, and therefore if the Minister turns up—and we are grateful to him or her if he or she does—the Minister will have an opportunity to speak.

The Secretary of State for Work and Pensions (Mr Iain Duncan Smith) *rose*—

Mr Speaker: I will take a point of order from the Secretary of State for Work and Pensions, but then we must proceed with Shabana Mahmood's speech.

Mr Duncan Smith: On a point of order, Mr Speaker. May I, on behalf of the Government, unreservedly apologise to you if any indiscretion has been performed or any bad opinion has been made? This is not intentional. My Ministers and I will see this debate through to its conclusion on behalf of the Government.

Mr Speaker: I am very grateful to the Secretary of State. We will see whether the Treasury Minister turns up, but the willingness to help of the Secretary of State for Work and Pensions is noted and appreciated, and I thank him for his typical courtesy in what he has just said. Let us now proceed in a pragmatic way and listen to Shabana Mahmood.

Shabana Mahmood: Thank you, Mr Speaker. I am not sure that I can respond to an opening speech that I have not heard. [*Interruption.*] Well, the case has not been made by the Government—the motion has only been made formally—so may I take some guidance from you, Mr Speaker, on how best to proceed?

Mr Speaker: Yes, the hon. Lady is welcome to take guidance from me, and it is this: the hon. Lady's responsibility is to speak to the motion on the Order Paper rather than to any particular speech that might be made, so while I understand that this is an unusual state of affairs, the responsibility is to speak to the motion. The hon. Lady knows what the purport of the motion is, so she should not unduly trouble herself by trying to anticipate what the Minister might say if he were here—because he can't, because he isn't.

Sir Oliver Heald (North East Hertfordshire) (Con): On a point of order, Mr Speaker. Yesterday we heard from the Chancellor of the Exchequer about a change to stamp duty land tax on residential property transactions, and I notice that the information he gave yesterday is set out at step 2 of the motion before the House. Would it therefore be in order for the hon. Member for Birmingham, Ladywood (Shabana Mahmood), in making her speech and her remarks, to go through those points which are already clearly on the record and are contained in the motion?

Mr Speaker: It would be. It would be perfectly orderly, and it is good of the hon. and learned Gentleman to offer to help, but I think we can get by without his assistance for now.

I hope my guidance to the hon. Lady is clear. I realise this is an unusual situation for her to face, but if I remember rightly she is a product of Lincoln college, Oxford, so she is what they call prodigiously bright, and I am sure she can cope with the situation.

Shabana Mahmood: Thank you, Mr Speaker, and forgive me for seeking clarification on just one further point: I wonder whether it might be more helpful and

conducive to bringing the debate along if I come in later, once the Minister has been able to present himself in the Chamber.

Mr Speaker: The answer is that the hon. Lady would need the leave of the House to proceed in that way, but my strong sense is that the leave of the House would be forthcoming. [*Interruption.*] I am in receipt of intelligence on this matter—[*Interruption.*] The Minister is here! I was just about to say he was a minute away. The Minister is with us and we are grateful to the Minister. [*Interruption.*] Order.

Thomas Docherty: Good afternoon!

Mr Speaker: Mr Docherty, calm yourself. You are aspiring to be a statesman, but you have got some distance to travel.

If the Minister is content, he can now speak to his motion and the hon. Member for Birmingham, Ladywood (Shabana Mahmood), the shadow Minister, can then respond. I think that will be the most orderly way to proceed. I am trying to give the Minister, who has rushed to the Chamber, a chance to recover his breath. In fairness to the Minister, I should say that he came to see me about these matters the other day, displaying his usual courtesy, which was much appreciated by the Chair, and I know that it is inadvertent on his part that he is late. These things happen. We do not need to dwell on it. The Minister is here, and I thank him for that, and in the hope he has now recovered his breath, I look forward to him opening the debate on his own motion.

11.59 am

The Financial Secretary to the Treasury (Mr David Gauke): Inadvertent though it may have been, may I begin by apologising to you, Mr Speaker, and to the House for my late arrival for this debate? May I also thank my right hon. Friend the Minister for Pensions for moving the motion and the hon. Member for Birmingham, Ladywood (Shabana Mahmood) for permitting me the opportunity to address the House on this important matter? May I also thank you, Mr Speaker, for your encouragement and support on delivering this important reform and for having the opportunity to discuss the parliamentary procedure in advance?

Yesterday, as we have heard, the Chancellor, in his autumn statement, announced an important reform to stamp duty land tax. Moving from a slab to a slice arrangement is right in terms of fairness and economic efficiency. As the Chancellor set out, 98% of people who pay the tax will benefit, and the previous economic distortions in the system have been removed, benefiting the housing market generally.

Sir Oliver Heald: The Minister will be aware that in north Hertfordshire house prices are challenging for first-time buyers. I believe that 91%-plus of people will benefit from this reform and that the relief for the purchaser of an average house costing £275,000 is as much as £4,500. I do not know whether he can confirm that, but I just wish to pay tribute to the reform, which will help a lot of people to get on to the housing ladder.

Mr Gauke: I thank my hon. and learned Friend for his thoughtful and timely intervention. He raises an important point and is exactly right in saying that the

purchaser of a house worth £275,000, which is the average house price in the UK, will pay £4,500 less in stamp duty land tax than they would have done under the old system. The purchaser of a property worth the London average of £510,000 will pay £4,900 less SDLT, and in every region, nation or city of the UK people will pay less in the vast majority of transactions.

Mrs Anne Main (St Albans) (Con): I am delighted that the Treasury has been persuaded of the argument I have been making for some time. I recall saying to the Minister that this would be on my Christmas wish list for my constituents, and I have already received e-mails congratulating the Chancellor and his Department on doing this. It is going to save a lot of young people a lot of money when they are trying to get on in the difficult housing market.

Mr Gauke: I am keen that this does not become a Hertfordshire-dominated debate, but let me thank my hon. Friend, who has been tireless in campaigning on this issue. Indeed, she attracted attention to it in an Adjournment debate earlier this year, expressing her views clearly. In particular, she made the case for helping those who want to get on to the housing ladder, and I know that is a big issue in her constituency, as it is in mine, where house prices are above the average. She has made some important points in this area.

Richard Graham (Gloucester) (Con) rose—

Mr Gauke: In an attempt not to keep this debate restricted to Hertfordshire MPs, let me give way to my hon. Friend.

Richard Graham: I stand to speak on behalf of my constituents of Gloucester, providing the geographical diversity the Minister was seeking, where the average house price is about £165,000—considerably less than the national average of £275,000. So the vast majority of my constituents buying houses will benefit from either a zero rate of SDLT or the 2% rate he has mentioned. Does he agree that it would be helpful if the Treasury were able to provide information to all of us as to what the savings will be for our constituents, based on the average house price?

Mr Gauke: My hon. Friend raises an interesting and important point, and we could provide information on the basis of local authorities figures. What I can tell him is that in the Gloucester local authority area—I am not sure whether it is coterminous with his seat—more than 99% of those who pay SDLT will pay less as a consequence of these changes.

It is striking to note the diversity of commentators who have been positive. Estate agents, professional bodies and others have all shown support. The Royal Institution of Chartered Surveyors has called it a “long overdue” reform. The director-general of the Council of Mortgage Lenders said:

“This fundamental reform has been a long time coming...the vast majority of mortgaged transactions will benefit from lower tax as a result of this move.”

The Building Societies Association has welcomed the announcement. It said:

[Mr Gauke]

“It will help individuals and families buy their own home, and smooth out the crazy tax jumps buyers have suffered around the top of each band.”

This is a principled reform that exemplifies the Government’s commitment to a fairer and more efficient tax system.

The previous SDLT regime created distortions in the housing market, imposed perverse incentives and made it harder to get on and move up the property ladder, or indeed move down the property ladder for those wishing to downsize. This major and, as some have argued, overdue reform demonstrates that even in the past six months of this Parliament, we are a Government who are continuing to make radical change for the benefit of the British people.

We realise that this is a big change, even for those who will benefit at such a significant moment in their lives. We have ensured that the changes have been properly explained. Her Majesty’s Revenue and Customs has produced full guidance on the Government website, including a calculator that compares the old and the new systems. As of 9 am this morning, that calculator had been used almost 500,000 times, with no significant delays reported, showing the level of interest in this reform among the public. Critically, HMRC’s specialist call centre was manned until midnight last night when the changes took effect, and is open now. HMRC specialists responded to around 250 inquiries by telephone and all but 3% were resolved immediately, and the remaining handful are being followed up.

Steve McCabe: Will the Minister confirm that, under the Labour party’s mansion tax proposals, it would take more than five years for a person in a £2 million property to pay the same amount of tax that they will pay on a single transaction under these proposals? Is that a recognition that people in those properties are simply not paying enough tax?

Mr Gauke: The point I would make, as the hon. Gentleman draws me into that issue, is that it is better to collect this tax at the point at which people are entering into transactions, the revenue is available, and there are not the same cash-flow difficulties and problems with the asset-rich cash poor. This is a much better policy than a mansion tax, which would create very significant difficulties—a point that was repeatedly made by a number of Opposition Members who represent London seats.

Sir Oliver Heald: My hon. Friend talks about Opposition Members, but they are not here in the Chamber. The hon. Member for Birmingham, Selly Oak (Steve McCabe) is the only one and he has come in to moan about a policy that will help 98% of homebuyers. What sort of party is that?

Mr Gauke: Again, my hon. and learned Friend makes a valuable point. Just on percentages, in Birmingham, more than 99% will benefit from this change. I am sure that the hon. Gentleman’s constituents will welcome these matters.

Mrs Main: The other point that the hon. Gentleman fails to realise is that the mansion tax that Labour proposes would be on top of this measure, so therefore

he is doubly worried about the millionaires whom he wishes to protect. On top of that, Labour would roll up the mansion tax into a death tax for millionaires.

Mr Gauke: As my hon. Friend has raised that point, I will make this observation. Labour says that more money should be raised from properties worth more than £2 million. In 2015-16, this measure will raise more than £300 million from such properties. Obviously, that is a useful sum for the Exchequer, but if the view is that Labour wants to raise £1.2 billion from the mansion tax on those properties, will it drop that figure down to £900 million? That is a question that the hon. Gentleman will no doubt be seeking to respond to later.

Robert Jenrick (Newark) (Con): This policy was hugely welcomed in my constituency—Newark and Bingham, two of the fastest-growing towns in the east midlands, have lots of first-time buyers—but will the Minister provide some reassurance over rates? Will the rates, which are very high at the top, keep pace with rising house prices? We do not want reasonably affluent people on middle incomes being drawn into these rates in five, 10 or 20 years.

Mr Gauke: We have set out the rates as they stand. If there is to be any uprating, it will be a matter for future Budgets and autumn statements, but I stress that across the country 98% of transactions where stamp duty is paid will see a reduction in SDLT. My hon. Friend raises a matter that might be an issue in the future, but in every city, town and county the majority will benefit.

So far, I have touched on the administrative transitional steps for the major reforms introduced yesterday and on HMRC’s support. We have also put in place arrangements for individuals who have exchanged contracts but not yet completed. When the new system came into force, transitional rules ensured they would not lose out compared with what they expected to pay in SDLT. In those cases, people have the choice to choose the lesser of the tax rates under the old and new systems. That is only fair.

I look forward to debating the reforms in full as the stamp duty land tax Bill progresses. As my right hon. Friend the Leader of the House made clear earlier, that discussion will begin on Second Reading next Wednesday. However, today, I would like briefly to explain our rationale for introducing the measures via two motions under the Provisional Collection of Taxes Act 1968. First, it was important to act quickly, because reform to SDLT was long overdue. Usually, the measures would have formed part of the annual Finance Bill following a Budget, which is why the stand-alone Bill I am introducing today is premised on the same financial motions as those that would follow a Budget. The first motion, which the Chancellor moved yesterday at the end of his statement, gave effect to the changes from midnight. That was important to give people certainty and to avoid forestalling.

Secondly, hon. Members will understand that the measure was subject to strict confidentiality. Given the potential impacts on the housing market of a tax change of this significance, it was right that the measure was announced first by the Chancellor to the House. We ensured that the motion passed yesterday was available in the Vote Office immediately as the Chancellor sat down after his main speech and then voted on at the end

of questions and answers. The motion is effectively the Bill I hope to introduce in a few moments. For the reasons I set out, it was necessary to have two motions under the Provisional Collection of Taxes Act and today to allow for a fuller discussion.

I look forward to discussing the Bill in greater depth next Wednesday, but today is also an opportunity for the House to debate the matter, and I commend the motion to the House.

12.13 pm

Shabana Mahmood: With the leave of the House, I wish to respond to the Minister's speech. I thank him for eventually making it to the Chamber to move his motion and introduce the debate—just when I thought I had this place sussed out, something else happens to remind me of the many different ways of interpreting parliamentary procedure and rules. I have learned something new today, for which I am grateful.

As we indicated yesterday, once the Chancellor had made the autumn statement, we will support the measures today and the Bill next week. I have seen the draft clauses and explanatory notes—there are only two clauses and one schedule—and we will consider the technical detail ahead of the debate next week, but in the meantime I have a few questions for the Minister. If he cannot answer them today, I hope he will give us further details in time to inform our debate next week.

The reforms to SDLT apply only to residential properties; the previous stamp duty system—the so-called slab system—remains in place for commercial properties. Beyond mere electioneering, what is the Government's reason for focusing the proposals on the residential market? As he knows, in Scotland, where the Scottish Government will take control of stamp duty next April, the land and buildings transactions tax will apply to both commercial and residential properties, meaning that Scotland will have the system for both types of property, whereas we will retain two different systems. It would be helpful to understand the Government's thinking and any assessments the Treasury has done on having two different systems.

In the context of corporation tax possibly being devolved to Northern Ireland, where different circumstances apply, have the Government done any modelling on the potential for unhealthy tax competition if we have this differential in the way in which stamp duty operates on commercial property in Scotland and England? It would be helpful to know how much work the Government have done on that point and whether they plan to introduce further proposals.

What assumptions have the Government made regarding house price increases as a result of the stamp duty changes? It looks like we are seeing a 1.4% increase in prices against a 1% reduction in stamp duty at the lower end, and it seems also that the tax take from stamp duty will rely on a 5% annual increase in property prices. Have the Government assessed whether that might price more people out of the property market? As the Minister will be aware, the OBR's assessment accompanying the autumn statement states that house prices will continue to rise faster than incomes, which will risk pushing home ownership further out of reach for many people. Will he share with us the Treasury's assessment and modelling in relation to the stamp duty changes and the impact on home ownership and prices?

The last time the Minister and I debated stamp duty—in a debate introduced by the hon. Member for St Albans (Mrs Main) in Westminster Hall—it was one of the only debates the House has had on stamp duty in recent times. It was a good opportunity for Members to raise issues of concern, and we discussed at length the difficulties with the system of stamp duty that the Government have now changed—the slab structure and so-called cliff edges, which no doubt created significant price distortions around the thresholds.

Many Members from all parties, housing specialists and commentators have long complained about the structure of stamp duty. The Institute for Fiscal Studies, the Mirrlees reviews and others all agreed that the tax was badly designed. Furthermore, it has undoubtedly been an increasing burden on buyers. From 1997 to 2005, house price inflation averaged more than 10% a year, and the proportion of property transactions attracting stamp duty rose from about half to more than three quarters over roughly the same period.

Measures to alleviate the burden focused primarily on thresholds and stamp duty holidays: the threshold was doubled in 2005; temporarily increased by £50,000 for one year in 2008; and doubled again for first-time buyers for three years from March 2010. Stamp duty has continued to be a significant burden, however. It has increased by 30% between 2009-10 and 2013-14. We have seen continued growth in the housing market and more people have been brought within the higher tax bracket, all of which have increased the burden significantly. This is therefore a sensible measure, and we will support it.

Measures to alleviate the burden on buyers are welcome, but we are experiencing the worst housing crisis for a generation, and we need much more action on housing supply if we are to get our housing market into better shape and help more young people and families to realise their dream of home ownership. I made this point to the Minister in the Westminster Hall debate as well. I am sure the Government will say that they are taking action on supply through the measures in the autumn statement and in their national infrastructure plan, but most of the announcements made in the flurry of activity over the past couple of days were in fact reannouncements of existing schemes and money, and many of the projects are already in the planning system.

The truth is that this Government have presided over the lowest levels of house building in peacetime since the 1920s. We are not even building half the homes we need to keep up with demand. We also know that home ownership is at its lowest level for 30 years and that, in the next few years, the average deposit is going to rise to £72,000, a sum that is far beyond the reach of many of our constituents, and certainly of my constituents in Birmingham, Ladywood. We needed to see much more action from the Government yesterday on getting homes built as well as on dealing with the issues on the demand side. We have set out our proposals, including a policy of getting 200,000 homes a year built by 2020. It would have been good if the Government could have taken a similarly ambitious approach to house building in their autumn statement yesterday. We also need to deal with the underlying causes of the housing crisis.

Sir Oliver Heald: The hon. Lady seems to have forgotten about the great recession that her party visited on this country. It is not surprising that, in those circumstances, fewer houses were built during that period.

Shabana Mahmood: I find it interesting that Government Members are happy to plead global circumstances to explain their failures in Government yet conveniently forget that we had a global financial crisis in 2008. I think the hon. and learned Gentleman made that point in a slightly petty way.

Steve McCabe: If we are supposed to have recovered from the recession, why is house building now at its lowest level since the 1920s? To me, that sounds like a failure rather than a success.

Shabana Mahmood: My hon. Friend is absolutely right. The Government said in their autumn statement that everything was on course. If the finances are in such a good state, why will they not adopt an ambitious programme of house building? Until we have action on the supply side, we will not be able to get to grips with this lop-sided housing market.

We need to get more homes built, and we also need to deal with the underlying causes of the crisis. For example, we know that too much land is being held as a speculative investment even though local people need homes, and that the trickle of new developments that are being built are snapped up long before people from the area can benefit from them. We also know that our country's capacity to build homes has shrunk drastically. Fifty years ago, the public and private sectors between them built more than 300,000 homes a year; now we rely on a small number of volume house builders and, as a result, we build far fewer homes.

A number of measures are needed to deal with the underlying causes of the housing crisis and to get the number of homes built that this country needs. We have proposed new powers for local authorities, as well as a help to build scheme to run alongside the Government's Help to Buy scheme, which we support. We particularly want to see an increase in the role of small and medium-sized construction firms, because the resulting diversity in the market would help to get more homes built and deal with the underlying causes of the crisis. As I have said, we need to see supply-side measures in conjunction with the proposals on stamp duty and the Help to Buy scheme. That would help us to get to grips with the crisis and arrive at a position where the dream of home ownership was not so far out of the reach of our constituents across the country.

I also want to mention our proposal for a tax on high-value properties—the so-called mansion tax. We believe that that is a necessary measure to get an annual sum of money into our national health service, which is in crisis and in desperate need of further, stable funding. It is interesting that the Chancellor has accepted, in his stamp duty proposals, the principle that very high-value properties in this country are under-taxed. Earlier in this Parliament, he introduced the annual tax on envelope dwellings—the ATED—which is described as a kind of mansion tax for high-value properties held by companies in a corporate envelope. Now, the Government are characterising the new stamp duty changes as their version of a mansion tax. I wonder why, as they creep towards an actual mansion tax, they will not make that

final leap and simply adopt our proposal, thereby guaranteeing an annual sum for our national health service.

The Prime Minister is reported to have remarked some time ago that the Government could never introduce a mansion tax because the Conservative party's donors would not accept it. I wonder whether that is the only thing holding the Government back. The truth is that they should go further and adopt our proposal. There is a difference between what they are doing today and our proposal. Stamp duty is a transaction tax, but our tax on high-value properties would be an annual charge that would provide a stable source of revenue for the national health service.

One of the Government's regular criticisms of our proposal is that it would hit those who were asset rich but income poor. However, we have already set out how that could be dealt with through a system of deferral for anyone with an income of less than £42,000 a year—in other words, a basic rate taxpayer. That would be a perfectly sensible and adequate way of helping those people. We could then fairly and progressively introduce a tax that would help to get the national health service's finances back on track.

Mr Gauke: I should like to ask the hon. Lady a practical question about her policy of excluding from the mansion tax those with an income below £42,000. She will be aware that some of the richest people in this country live off their capital rather than their income. Does she acknowledge that such people could conceivably fall within the proposed exemption?

Mr Deputy Speaker (Mr Lindsay Hoyle): Order. We need to be a bit careful here. We should not really be discussing the policies of the Opposition. The debate is about stamp duty. We have already had a difficult start, and I do not want things to get any more difficult.

Shabana Mahmood: Thank you, Mr Deputy Speaker. I would be happy to discuss those technical details with the Minister on another occasion when we would not fall out of order.

I reiterate that we expect our policy to raise the £1.2 billion that, according to the Chief Secretary to the Treasury, internal Treasury modelling has shown it could raise. We have seen nothing to change our assessment of those figures. As I was saying, the NHS is in dire straits. There is a crisis in accident and emergency, and it is getting harder to see a GP. This Government have made things worse with their £3 billion top-down reorganisation of the NHS. If that money was available at the beginning of this Parliament, it should have gone into front-line services. We therefore need an annual source of revenue to help to deal with those issues, and a tax on the highest-value homes—the so-called mansion tax—will help the next Labour Government to do that. As I said at the outset, we believe that the proposed changes to stamp duty represent a sensible measure, and they will have our support today and next week when the proposed legislation is formally brought forward.

12.29 pm

Mrs Anne Main (St Albans) (Con): I am delighted to speak in this debate and am pleased that the Treasury has been persuaded of the need to do this and to find a

way of doing it, which was the crucial point. I know that there is no great pot of money out there to throw around, but this measure is vital for young people struggling to get on the housing ladder and for people across the country. Having looked at the average house price in the UK, I know that it will help many families in many constituencies, including my own. If I was being very greedy, I would have said that I would have liked the bands to have been moved up, but I shall rest happy with the fact that we have now got rid of the hated slab structure that caused what I called zombie prices, which no family ever paid. Nobody paid £251,000 for a property, because it incurred an enormous jump in the tax they had to pay.

I believe that one of the reasons why the Help to Buy scheme was not taken up well inside St Albans was that our average house price is so high compared with that in the rest of the country. I found one property at the time that was under £125,000, and that was a studio. Barely any properties came under £250,000. If people cannot save up a deposit, how on earth will they afford to save the tax as well?

This measure is hugely welcome. I am sorry to say to my hon. Friend the Financial Secretary that Lori, who served me my coffee this morning in Lori's Café, said that her new pin-up is now the Chancellor, because he will save her thousands of pounds when she moves into her retirement bungalow early next year. I said that I would give Lori's good wishes to the Chancellor, because she has had a happy Christmas present from him.

Jonathan Edwards (Carmarthen East and Dinefwr) (PC): I share the hon. Lady's sentiment that this seems to be a very progressive measure, but is she not slightly concerned that the result might be increased house price inflation?

Mrs Main: I think that house prices will even out. If there are more transactions and people put house prices up, there will be house price inflation, but I believe that the Government are trying to tackle that by having a big house building programme. The measure will stop the pressure on people who fall around the bands. People have been told that they cannot charge a certain amount for their house, even if they have put a conservatory on it or improved their kitchen. Some have not made those improvements because they would have been pressed into a different band that would have incurred a large amount of tax.

One point that has not been mentioned so far is the possible knock-on effect on other industries. People were telling me that they were reluctant to put in double glazing, to build conservatories or to do any improvements to their houses, that they were struggling to find enough money to buy furniture as well as to pay the deposit because they had to save for the tax, which they could not roll up into their mortgage if they were first-time buyers, and that they were struggling with the multiples. People were telling me that they were struggling with the concept of the high fees that they would have to pay and worrying how on earth they would buy anything else to do with their property. I think that people selling home improvements, bathrooms, kitchens, carpets and so on will suddenly find that people who were expecting to pay a large tax bill have a little bit extra in their pocket, thanks to the Treasury, that they can afford to

use to improve their house. They will say that it is worth their moving house, as they will not have the deterrent. This will free up the market and there will be a lot of knock-on benefits.

We have to be mindful of house price inflation, because it excludes a lot of people from the market, but I am absolutely certain that in my area the majority of people who will benefit will be young first-time buyers who are desperately trying to save that awful combination of a very large deposit, solicitors' legal fees and a large bung to the taxman. I am truly grateful that the Treasury was persuaded of that argument.

I have crunched a few numbers, and I know that somebody asked whether the Treasury would do this. In St Albans, a young couple buying their first flat would have paid an average of £8,132 in the stamp duty levy and they will now pay £4,597. That is a large chunk of money when people are starting out in life. Similarly, in a terraced property they would save just over £2,000, in a semi-detached property nearly £5,000 and in a detached four-bedroom property nearly £2,500. At every level of average house prices, people will save thousands of pounds. Many young people, unfortunately, are having to try to rely on the bank of mum and dad. There will be quite a lot of relieved mums and dads who have been digging deep and helping with these heavy burdens who will be grateful about the measure.

I raised this issue with the Prime Minister in April and asked whether he would use his good offices to influence the Treasury on the question of places like St Albans, with barely one house worth less than £250,000. I thank the Prime Minister if he did that.

I accept that people higher up the ladder will not find this good news. In a high-value area such as mine, people will say that if they were to move up from their £1.5 million house or even to move down to a £1 million house, they will pay higher stamp duty. As I said, there is no golden pot of money out there to throw around. I hope that coming in to the next general election we as a party will say that we are acting responsibly and that we have looked at where help is most needed, which is where it is being delivered. Unfortunately, there must be a bit of give in the system somewhere and, unfortunately for the people affected, the give in this case is at the higher end of the market.

I would like to think that stamp duty was originally meant to target higher-value houses and was never meant to catch the people it is catching, including, in my constituency, young people starting out on the ladder and people on the lower income scales. Although I regret that some people will find the measure not to their liking, especially just before Christmas, the majority of people trying to get on the housing ladder—in my constituency, the figure is something like 97%—will find it a huge bonus. The people who sell double glazing, carpets or kitchen and bathroom improvements whose small businesses have been struggling as people have not been making the investments that would push them over the threshold will, I hope, find that people are now making those investments.

I wholeheartedly welcome the measure and the only Scrooge-like bit that I would add at the end is, as colleagues have mentioned, to ask that we keep an eye on the drag. I would not like to think that other people would soon be sucked in to the wrong bands. I say the wrong bands, because I think at the heart of the Treasury's

[Mrs Main]

proposal is a wish to deliver home ownership to lower income families, young families and people starting out while expecting those with the broadest shoulders to pay a bit more. I welcome these changes.

12.36 pm

Mark Reckless (Rochester and Strood) (UKIP): It is a pleasure to follow the hon. Member for St Albans (Mrs Main), who has set a superb example to those on the Treasury Bench of how to extol this policy. She also secured a Westminster Hall debate, which was useful in pressing the arguments for it.

Notwithstanding today's procedural issues, the Treasury deserves credit for introducing this measure. It has taken four and a half years of this Government, but the previous Government had 13 years and the one before that had 18 years without introducing this overdue but incredibly important and beneficial reform.

The hon. Member for St Albans has done a lot to push the argument forward and so have other Members. I recall having a conversation with the right hon. Member for Welwyn Hatfield (Grant Shapps)—at that stage at least, he was my friend—in which I made the case for reforming this tax, and he said very clearly that, if we were to do it, it would need to be revenue neutral. However attractive the reform might have been, the number of losers would have made it difficult without the £700 million or £800 million a year that the Treasury are putting in, so there has been a change. If that money oils the wheels of a reform that gets rid of substantial distortions, such as those under the previous tax system, that is a good use of it, and I believe that the Treasury has made the right choice.

My constituents will benefit. Much of our housing stock has been around the £250,000 mark, with rather less around the £500,000 mark. At both levels, the fixed charge of £5,000 once people move past those points has been a significant problem for the housing market and, as the hon. Member for St Albans has said, a lot of the subsidiary industries based around it. That has never been more the case than with the mortgage market review and the general reduction in appetite for some of the riskier lending among banks that has made it difficult for young people and those on the early steps of the housing ladder. They are often capital-constrained and having to find the extra money for the stamp duty almost invariably means that it cannot be spent on something else. It actually often leads to those transactions not happening.

I would criticise, not the Treasury, but the Office for Budget Responsibility for the lack of detailed workings and the lack of comprehensiveness in its forecast for the housing market and how that relates to its estimates for the cost of the stamp duty measure. The OBR has estimated that transactions would rise by 1.1% on account of the reform; I am sure that is a great underestimate. Similarly, the OBR has made an assumption—or a forecast—of a 0.2% increase in residential investment relative to GDP, yet it has assumed that that will be offset by reductions elsewhere in the economy, which it fails to particularise or explain.

I am not impressed, in this area or in others, with the three-men-and-a-dog approach that the OBR has often taken. No wonder it cannot be expected to take on the

Opposition spending proposals as well, not least because it just looks at parts of them, casts its eye over them, scans them a bit and says, "That sounds reasonable," and nods them through. On the housing side, it has not come anywhere near to taking into account the positive impact that the stamp duty reform will have on the economy, in freeing up transactions and increasing labour mobility, especially around the £250,000 and £500,000 pinch points.

I think that the reform will be very significant. The cost estimates are £365 million for this year, £760 million for next year and £840 million the following year. An assumption has obviously been made of a rise in transactions that leads to the annualised costs falling off once we get into the next fiscal year, because there will have been time for the lags to work through and we will be witnessing a rise in transactions on account of the reform. My strong suspicion, however, is that that rise in transactions will be quite a lot more than the OBR has stated, and as the hon. Member for St Albans said, there will be significant add-ons to other industries that depend on the housing market. In my view, as a result of getting rid of the significant distortions that we have had, there will be dynamic, positive impacts on the economy, which the OBR and—as so often—the Treasury have not taken into account. Such thinking has held back good reforms of taxes in these areas.

Mrs Main: The hon. Gentleman rightly said that labour mobility would increase. People have told me that they were deterred from moving into higher house value areas because they would not only have to take on a higher mortgage but find the tax—almost a tax on their ability to find a job—if they moved to a place where there were more job opportunities but higher house values.

Mark Reckless: The hon. Lady is absolutely right, and that requirement comes when people are most capital-constrained, especially in the current mortgage market. So charging the tax in that way restricts mobility, restricts spending on moving home and leads to fewer transactions.

I have had constituents who have moved from St Albans to Rochester and Strood, attracted by our better-value housing stock. The hon. Member for Broxbourne (Mr Walker) made a forecast that my return to the House as the UKIP Member for Rochester and Strood would lead to falls in house prices across my constituency. I am not sure that that will happen, and in any event, I strongly welcome this real supply-side reform. When the Government do the right thing, particularly in an extremely sensible supply-side reform that should free up the market and lead to significantly greater economic activity around the housing market, I am happy to support that reform, for my constituents and for my party.

12.43 pm

Ian Swales (Redcar) (LD): It is a pleasure to follow the hon. Member for Rochester and Strood (Mark Reckless), who made some good wider economic points. The key point about this reform is that the Government are making a very large cash input, in effect, to make the housing market more liquid and help people move house when they want or need to.

The Government and the Treasury should look at every system where there are huge slab effects, whether on the tax or the benefits side. Slab systems, by their nature, produce cliff edges; and cliff edges, by their nature, produce strange behaviour. We see that in the current benefits system, where interactions between benefits can produce behaviour that was never intended. In this case, those boundaries have led to elaborate avoidance. Overpricing of carpets and curtains is commonly used to reduce the apparent house price to below a threshold. Smoothing out the profile of stamp duty charging reduces the necessity to engage in such above-board avoidance, or nefarious avoidance, which I am sure has gone on as well, owing to the large sums of money involved.

I very much welcome the changes. I should declare an interest, in that my daughter, who lives in Basingstoke, is likely to benefit from them very soon. The reform could have been carried out in a cash-neutral way, but would have been difficult to implement because of the losers involved, so I welcome the injection of money that has enabled it to be framed in such a way that 98% of people will see no change or a saving.

This progressive reform is another example of how the Government are making the people with the broadest shoulders bear the biggest burden. Houses sold at over £937,000 will incur an increase in stamp duty, and a £5 million house will incur a stamp duty increase from £350,000 to half a million pounds—so an extra £160,000 on a large house.

Mark Reckless: May I put on the record a correction in relation to figures that were mentioned earlier in the debate? Purchasers of houses between £937,000 and £1 million lose out. Then there is another quite significant area from £1 million up to, I think, between £1.15 million and £1.2 million that will benefit from the reform.

Ian Swales: I thank the hon. Gentleman for that clarification. It is not something that I have examined closely, given the nature of my constituency, which I shall mention.

The reform is yet another example of increasing tax on millionaires, which has happened on so many fronts under this Government, including capital gains and pensions contributions. Also, with the exception of the very last day of the previous Government, income tax is 5% higher than it was in their 13 years. I welcome that; it is important that we make those who are most able to do so pay more, and this is yet another measure by which we are doing that.

There are some oddities. People will gain all the way up the chain, but for those buying at exactly £250,000 and exactly £500,000 there is no gain.

The effect in my constituency of Redcar is pretty good. I do not think that there is a property worth £937,000 in the entire constituency, so every one of my constituents will benefit from the change. I have to welcome it from that point of view. I simply ask the Minister for clarification on the point that we always have to raise on Treasury measures: whether there is any possibility of avoidance. Will these arrangements be applied clearly to overseas buyers? Will they be applied to corporate buyers when the house is being moved through a share transfer—and is that loophole being, or

has it been, closed? Will they be applied where the house is being bought to let, either by individual landlords or a corporate structure?

With those few questions on avoidance, I fully support these measures. Making the housing market more liquid will lead to a stronger economy, and the way in which the reform is being implemented leads to a fairer society.

12.48 pm

Mr Marcus Jones (Nuneaton) (Con): I warmly welcome the motion. I congratulate the Financial Secretary to the Treasury and the Chancellor on the help that they are giving to home buyers. I thank the Financial Secretary for listening, not just to the concerns of Members, particularly on the Government Benches, about stamp duty, but about how the Government may implement the policy. The Government have done absolutely the right thing to effect this policy immediately.

Back in the dark days of the great recession under Labour in 2009, when I was conveyancing residential property, the property market was on its knees. The Government of the day brought in a very welcome stamp duty holiday. That said, there were six or seven weeks between its announcement—at the Budget, I believe—and its implementation, depressing further an already very depressed property market. So I welcome what the Government have done and my hon. Friend's taking on board those points.

The Government have taken the right approach to dealing with the problems associated with stamp duty. The major problem was the slab rate and the effect that it had, not just for people buying property who have to pay the stamp duty, but for people selling property. Those selling property at an asking price of £255,000, £265,000 or £275,000 have for some time been faced with the prospect of either having to do some dodgy deal involving carpets, curtains and other chattels, in which after the Finance Act 2004 and changes to stamp duty legislation most firms of solicitors were not willing to participate, or changing their price, often having to reduce it considerably, below the £250,000 mark, where 1% stamp duty would be payable and the buyer would have to pay £2,500 rather than £7,500. The reform will make a massive difference to people selling property.

Mr John Redwood (Wokingham) (Con): One of the most persuasive points that we were able to make to the Chancellor when we lobbied him was that there were bands in the market where there were effectively no transactions at all because people could not get buyers to pay that little bit extra. That was distorting the value of their homes.

Mr Jones: I agree. Some of the people in that position will probably have enough equity now to move on and buy second and third homes. The measure will be extremely valuable to such people.

Sir Oliver Heald: Does my hon. Friend agree that one of the other aspects was that some property prices were pitched that little bit higher so that people were not right next to the line? That created a gap in the market pricing structure in both directions.

Mr Jones: Again, I agree. The old system created nothing but distortion in the property market. What will happen now—as I said, I am glad it is going to

[Mr Marcus Jones]

happen straight away—is that people buying at £250,000, although that is not a realistic price, will pay just 1%, the same £2,500 as before, and 5% only on any amount above that, which will make a massive difference.

Mrs Main: As I understood it yesterday, if contracts have already been exchanged, the purchaser can choose which system to use, to allow fairness in the system. Does my hon. Friend agree that although the measure takes effect immediately, there is still flexibility?

Mr Jones: My hon. Friend is right and that was the fair thing to do. We must have sympathy, though, for people who completed transactions before yesterday. The new system cannot be made retrospective, which is a great shame for them, but it is a bonus for people in the process of buying property and for future buyers, especially as it will allow some people to free up some money so that they can go ahead and buy things that they will need for their new home or undertake improvements.

I have many buyers in my constituency who are buying at a price between £125,000 and £250,000, and the reform will make a massive difference to them too. They will not have to pay the full slab rate of 1% on the whole purchase price. The measure will have a major effect not just in the south-east, but in the midlands and the north of the country. Over the years many people, especially those selling and buying on, have added the stamp duty cost to their new mortgage, so they were paying the stamp duty to the Government at whatever rate, and paying that money back over 25 years or for however long their mortgage ran. On a large scale, that would cause a massive cost. The new system should reduce that burden too.

I draw the Minister's attention to the way in which the stamp duty land tax is administered. From the Finance Act 2004 onwards, a very simple process became extremely time-consuming and convoluted, which increased the cost of conveyancing to many buyers. My hon. Friend the Minister may want to consider examining how Her Majesty's Revenue and Customs deals with these matters, to see whether some simplification may reduce the administration costs for buyers.

I thank members of the Treasury team for the action that is being taken. It will be a great help for first-time buyers and for people who want to move on. It is a policy for people who work hard and have aspiration. I welcome it in its entirety.

12.56 pm

Mr Dominic Raab (Esher and Walton) (Con): It is a pleasure, as always, to follow my hon. Friend the Member for Nuneaton (Mr Jones), who made a range of important points in typically common-sense language.

I, like others, welcome the Chancellor's autumn statement. Like business rates reform, which is another aspect I wholeheartedly welcome, a major overhaul of stamp duty is long overdue. I pay tribute to my hon. Friend the Member for St Albans (Mrs Main), who has conducted a tenacious campaign for major substantive reform of stamp duty. If the experience of our hon. Friend the Member for Harlow (Robert Halfon) is anything to go by, she will shortly be elevated to a senior rank. I am sure she will be thrilled by that.

I am delighted that the Chancellor is taking action against what was one of Labour's most arbitrary stealth taxes. The way it operated was a pretty vindictive assault on aspirational low and middle-income savers. The point has been made that, economically, a well functioning housing market should enable people to engage in mutually beneficial transactions, and make efficient use of housing stock. That is extremely important. A family in a small house should be able to move to a larger one, if they need to do so because of a growing family or if someone is earning more following a promotion. Older couples should be free to downsize when they want, not least to free up cash for other needs. Stamp duty has been a poorly designed tax that has undercut social mobility upwards and downwards.

In my constituency, we have felt that burden disproportionately. Of course, there are many families living in Elmbridge who are on very high incomes, but that does not mean that across the board it is some kind of land of milk and honey. For many of the residents whom I come across, their home is a nest egg built up after many years of saving. They may be asset-rich but income-poor. They may want to downsize to release cash for income or even the costs of care. Stamp duty has had a totally arbitrary impact on them. We also have a problem with key workers, who are vital for the delivery of local public services. They find it unaffordable to live locally and stamp duty has exacerbated that problem.

Above all, we have a wide range and large number of middle-income families, working hard, saving and facing very high cost of living pressures, and affordable housing is a major factor. As of the second quarter of last year, the median house price in Elmbridge was £445,000. That price has almost certainly risen substantially since then, but it does not buy a mansion. I can say that as someone who lives in my constituency. Typically that price would buy a two-bedroom home, which under the old regime would land the buyer with a massive stamp duty bill of over £13,000. According to the most recent market data, a family in a small home looking to buy a larger one would be left facing a bill of £13,000 or more for the average two-bedroom property, and £23,000 or more for the average three-bedroom home.

The cumulative bill is staggering. In 2012-13 my constituents paid £56 million to the Exchequer in stamp duty on residential property, which is more than the total paid in the whole of the north-east of England and a third of the figure for the whole of Scotland. Of course, Esher and Walton is just one area, and there are obviously geographic differences in incomes as well as house prices, but they do not necessarily match up, and they certainly do not tally neatly or consistently in my constituency. Elmbridge is just one example of stamp duty's geographical unevenness. London accounted for 41% of residential stamp duty in 2012-13, and the south-east of England accounted for a further 22%. England as a whole accounted for 94% of UK stamp duty. It therefore has a very particular geographical burden, and it is not filtered according to income.

Stamp duty is not an economically efficient tax, as we have heard time and again. Stamp duty on residential property distorts the whole structure of the housing market. In particular, the slab structure, under which the relevant rates apply to the full sale price, not just the part above the relevant threshold, has created huge cliff

edges, as we have heard this afternoon. It is worth dwelling on the impact of the slab structure. I think that the Chancellor made the point exceptionally well yesterday. A £1 increase in the price of a home, from £249,999 to £250,000, triggers an extra £5,000 tax liability. That cliff edge has been shown to be harmful to home owners and would-be buyers. It is worth remembering that stamp duty is a tax on transactions, so it impacts on the purchaser and the seller.

Property experts London Central Portfolio, together with the Cass business school, have put together an analysis that estimates that close to 14,000 home owners a year are forced to reduce the asking price for their home in order to get under a stamp duty threshold. Other would-be sellers are either unable or unwilling to reduce their prices to below the nearest threshold. That causes bottlenecks in the market and a drought of available properties in certain price ranges in certain areas, which is very harmful to the market and has important social as well as economic impacts.

It is little wonder that the Institute for Fiscal Studies has described stamp duty as

“a strong contender for the UK’s worst-designed tax”,

with a “perverse” and “absurd” structure. The director of the IFS argued earlier this year that in the modern era of broadly based taxation, the case for maintaining stamp duty at all is “very weak indeed”.

Mrs Main: I pay tribute to my hon. Friend, who along with me secured the stamp duty debate in September and who has raised these matters on numerous occasions in the media. Does he share my concern that that debate was very poorly attended by the other parties? Indeed, it was very much Members on the Government side who were concerned about the matter.

Mr Raab: My hon. Friend, as usual, makes her point powerfully. As is so often the case, the real democratic debate and scrutiny is taking place on this side of the House, but at least the Labour party accepts these changes. I hope that in due course it will reflect and put paid to some of its ridiculous notions about a mansions tax, which is really about the politics of envy, rather than sensible economics or social fairness.

I want to move on to the impact of stamp duty, because it has also proved socially unfair. When the additional 3% and 4% rates were introduced in 2000, they were designed for the wealthy. Had the threshold risen in line with house price inflation, only properties worth £1.3 million would attract 3% stamp duty today. The Chancellor’s reforms will make a vital difference and I fully support the direction of travel. The move from the slab structure to marginal rates is far more economically efficient. It will unblock bottlenecks in the market, which also have a negative effect on housing supply and stock. I wholeheartedly welcome this move.

Likewise, I recognise that the vast majority of home buyers, and as a result sellers, will benefit. The tipping point at which buyers will pay more as a result of the reform kicks in at just under £940,000. I have two points to make about that. First—this relates to my earlier point about house prices varying dramatically across the country—there are plenty of three-bedroom homes in my constituency, as I am sure there are in London and in other constituencies, that will already be caught by the new system and will end up paying significantly

more. They are not mansions owned by the super-rich; many are owned by people who have saved and so are asset-rich but income-poor. Again, London and the south-east will feel the burden. I do not think that we can always assume that it will hit only those with the broadest shoulders; it will also hit those who have saved and planned their finances over the long term, and it will have a significant impact.

Secondly—this is the missing piece of the jigsaw—given the forecasts for house price inflation, buyers of average-priced homes in many parts of London and the south-east will in a relatively short time find themselves paying substantially more. Over time, the higher rates will, by stealth, hit more and more middle-class buyers and sellers. In London and the south-east, median home buyers could be caught by the new 10% rate within 10 years, depending on how the forecasts for house prices turn out. To be clear, that means that within a decade—more or less—average home buyers could be hit by the 10% rate. Recent experience with the 3% and 4% rates of stamp duty under Labour shows that what starts as a tax aimed at the rich, within a relatively short period of time if we are not very careful ends up clobbering the middle classes. I hope that in the immediate or not too distant future Ministers will address that point square on by indexing the thresholds for all rates to house price inflation. That way, we can learn the lessons and avoid the mistakes of previous Labour Governments.

If we do not address fiscal drag now, and instead kick it into the long grass, we risk ending up over time robbing middle-class Peter to pay working-class Paul, and I do not think that we should be engaged in that, as a matter of sound economics, social fairness, or indeed long-term sustainable politics. Instead, we should be ensuring, as part of our long-term economic plan, that over the long term all low and middle-income aspirational savers and home buyers benefit from these important and welcome reforms.

1.7 pm

Mr Gauke: It is a pleasure to reply to this debate. I am grateful for the warm support for this measure. I am sometimes so enthusiastic about these changes to SDLT that I am almost breathless, but thankfully on this occasion I am not. A number of points have been raised about this measure. Of course, there will be an opportunity to debate the legislation on Second Reading next Wednesday, when we might pick up some of those points. However, I will attempt to address some of the issues that have been raised in the debate.

The hon. Member for Birmingham, Ladywood (Shabana Mahmood) asked why we are not reforming non-residential SDLT at the same time. The argument I would make is that the market for non-residential property is very different, and the urgency for change is not the same, so I think that a different case needs to be made in that regard. We are not persuaded by the need to change that at present. Of course, all taxes are kept under review and the Government will consider that ahead of future fiscal events.

The hon. Lady also asked about the impact on the housing market. As I have said, our reforms will change the amount of SDLT due for the majority of homes, leading to a cut in the cost of moving home in the vast

[Mr Gauke]

majority of cases. That will have a small impact on house prices overall, although the size of that effect is expected to be lower than the usual fluctuations in the housing market caused by many factors that occur year on year. I am not denying that there will be an effect, but there are many factors that come into play when it comes to house prices—

Mark Reckless *rose*—

Mr Gauke: And one of those factors, I suppose, could be the selection of an unfortunate party, but I will give way to the hon. Gentleman at that point.

Mark Reckless: Was the Minister citing his own view just now, or merely regurgitating that of the OBR, because the major change in its forecast, of course, is that it has just changed its forecasting method from assuming that it will be average earnings in future to employing a model that it had only used in earlier years?

Mr Gauke: The hon. Gentleman brings me to his points about the OBR assessment. I was interested to hear what he said about modelling. He argued that the consequence of the changes we are implementing would be more beneficial for the economy than the OBR has set out in its projections. It is right that the OBR is independent and reaches its own conclusions. If the numbers are of a cautious nature, as he argues, then it is better to err on the side of caution. He made an interesting argument. I believe that these changes will have a beneficial effect in terms of labour market mobility and so on, and should therefore be welcomed. In putting the numbers into the public finances, it is right that we follow the independent body.

As I said earlier, my hon. Friend the Member for St Albans (Mrs Main) has been very prominent and persistent in making the case for reform of stamp duty. I am pleased that she welcomed these reforms so enthusiastically. I shall certainly ensure that the Chancellor is made aware of the views of Lori, her constituent, who is putting up a poster of him as a consequence of the reforms. I am very pleased that they have pleased Lori, and, I am sure, many other residents of St Albans. My hon. Friend made an important point about “zombie zones”; I think the hon. Member for Birmingham, Ladywood referred to “bunching”. The OBR statistics on how the pattern of transactions can be distorted are interesting. For example, there are 30 times more transactions in the £5,000 band below the £250,000 threshold than in the £5,000 band above it. That gives an indication of the scale of the distortions in the previous regime.

The hon. Members for Rochester and Strood (Mark Reckless) and for Redcar (Ian Swales) asked whether cash-neutral reform would be possible. It would have been very difficult to make these changes without some cost to the Exchequer in terms of forgone revenue. That might answer the question, “Why do this now?” As a consequence of other measures brought forward in the autumn statement, we can afford to fund these reforms, and it is right that we took that opportunity.

The hon. Member for Redcar referred to avoidance. Stamp duty land tax was being avoided far too often.

One of the significant achievements of the Government and HMRC in the past few years is that we have managed to address that in relation to the number of SDLT schemes marketed by tax avoidance advisers, if I may put it that way—promoters of tax avoidance schemes. The amount of that avoidance has reduced very sharply. We have brought in a number of effective measures. For example, the annual tax on enveloped dwellings has played an important role. We have made great progress on this. For that reason, we are able to get the revenue that we will get because of the changes affecting high-end property.

My hon. Friend the Member for Nuneaton (Mr Jones) highlighted the reasons for ensuring that there is no gap between announcement and implementation. That is why this is a PCTA motion. I remember him making that point to me in private some months ago, so he may well have influenced the way in which the Government have proceeded, given the need to move forward.

My hon. Friend the Member for Esher and Walton (Mr Raab) made a very thoughtful speech, and I am grateful for his observations. He is a long-standing critic of the stamp duty regime, and he has been very energetic in highlighting some of the failures in the system. He talked about future uprating. He was also the first speaker to use the expression “long-term economic plan”, so I congratulate him on rectifying a grievous omission from the debate until that point. On future uprating, as I said to my hon. Friend the Member for Newark (Robert Jenrick), we have set out the bands. We have not set out plans for indexation or future uprating, but future Governments will clearly wish to return to that in the long term. As my hon. Friend the Member for Esher and Walton said, we will no doubt have this debate on a number of occasions. I dare say that he will be very energetic in campaigning for uprating in future, and I look forward to receiving his representations.

I thank the House for its support for this measure, and reiterate my apology for not being here at the very beginning of the debate. I hope that the motion will have the support of the House.

Question put and agreed to.

Ordered, That a Bill be brought in upon the foregoing Resolutions relating to Stamp Duty Land Tax (Residential Property Transactions);

That the Chairman of Ways and Means, the Prime Minister, the Deputy Prime Minister, Mr Chancellor of the Exchequer, Danny Alexander, Secretary Eric Pickles, Mr David Gauke, Priti Patel and Andrea Leadsom bring in the Bill.

STAMP DUTY LAND TAX BILL

Presentation and First Reading

Mr David Gauke accordingly presented a Bill to make provision about stamp duty land tax on residential property transactions; and for connected purposes.

Bill read the First time; to be read a Second time tomorrow, and to be printed (Bill 132) with explanatory notes (Bill 132—EN).

Backbench Business

Financial Conduct Authority Redress Scheme

1.17 pm

Guto Bebb (Aberconwy) (Con): I beg to move,

That this House has considered the Financial Conduct Authority's redress scheme, adopted as a result of the mis-selling of complex interest rate derivatives to small and medium sized businesses, and has found the scheme's implementation to be lacking in consistency and basic fairness; considers such failures to be unacceptable; is concerned about lack of transparency of arrangements between the regulator and the banks; is concerned about the longer than expected time scale for implementation; calls for a prompt resolution of these matters; and asks for the Government to consider appointing an independent inquiry to explore both these failings and to expedite compensation for victims.

This is the third debate that I have led on interest rate mis-selling. I wish to express my gratitude to the Backbench Business Committee for allowing further time to debate this important issue in the main Chamber of the House.

The fact that we have a third debate is a good thing and a bad thing. It is clearly a good thing because hon. Members are still taking an interest in the issue. It is a bad thing because three years after the first debate, hundreds, if not thousands of businesses still feel that they have not been dealt with fairly or adequately by the redress scheme that was put in place by the Financial Conduct Authority. It is therefore important to explore their concerns.

We are coming to the end of the redress scheme, so it is appropriate that we examine its successes and failures at this point. I am, in general, an individual who sees the world in a "glass half full" rather than a "glass half empty" manner—some of my colleagues would perhaps dispute that—and I think it important to highlight some of the successes. First, 91% of all the sales examined within the scheme have been found to be non-compliant. That fact alone justifies all the effort that has been put in by Members from across the Chamber in ensuring that this issue was addressed by the banking system. Similarly, 99% of all redress determinations have been communicated to customers. A total of 14,000 redress offers have been made to date, 10,500 of which have been accepted. Some £1.5 billion in redress has been paid out. Some £1 billion—perhaps even £1.1 billion—of cancelled swaps have been hugely beneficial to the businesses that were affected. Most importantly, as a result of the successes that I mentioned, businesses and individual lives have been put back on track. We should, as a House, acknowledge those successes. However, when this Chamber called for the establishment of a redress scheme, we wanted a scheme that would be fair and equitable to all the businesses affected.

Bill Wiggin (North Herefordshire) (Con): I agree with my hon. Friend, but my constituent John Kidd has so far spent 74 weeks battling the FCA when ideally it should take 12 weeks. My hon. Friend must not be too kind to the FCA.

Guto Bebb: I agree entirely. The time scales of some of the redress offers have been completely unacceptable. Indeed, at the scheme's outset there was a six-month

delay in order to ensure a consistency of approach across the 11 banks that volunteered to be part of it. One of the concerns I wish to highlight is that that six-month delay has not resulted in the consistency demanded by the FCA, so I accept entirely my hon. Friend's point.

I will summarise my concerns about the FCA scheme. There has been a lack of consistency in the scheme despite it being established with a view to having consistency. There has also been a tremendous lack of transparency, which I will deal with in detail.

Alok Sharma (Reading West) (Con): This is, of course, a voluntary arrangement that has been entered into. Does my hon. Friend think it would have been better if it had been a statutory agreement, which would have led to much more transparency?

Guto Bebb: My hon. Friend makes a very important and interesting point. There was a need at the outset to ensure that the issue of redress was addressed as quickly as possible and it was felt that a voluntary scheme would do that without the need for a fully judicial process. However, in view of the lack of transparency in the scheme as it stands, I sympathise with my hon. Friend's point.

My third concern is that the redress scheme lacks an appeal process. That issue could be dealt with very simply without creating any further confusion, and I will go on to talk about that in due course. There is also a serious concern about the issue of consequential losses in the redress scheme as it stands.

Sir Oliver Heald (North East Hertfordshire) (Con): On consistency, it is hard to see exactly what the difference is between an embedded swap and a separate swap that is tied to a loan agreement. Is that an issue of concern to my hon. Friend, and what does he think could be done to improve it?

Guto Bebb: I am sure my hon. and learned Friend's point will be supported by thousands of businesses that feel they have been excluded from the scheme. They might not think that it is working properly, but they do feel that they should have been included. That exclusion has not been explained to the satisfaction of either the businesses affected or the all-party group on interest rate swap mis-selling. Indeed, that is one of the issues I will touch on when I address the scheme's lack of transparency.

Michael Moore (Berwickshire, Roxburgh and Selkirk) (LD): I pay tribute to my hon. Friend for all the work he has been doing on this issue with others across the House. One of my constituents, Heather Buchanan, and her husband have, happily, got redress, but they are now in a major battle about consequential losses. Does my hon. Friend have a view on how we can help collectively focus attention on bad issues so that they are not lost in the murk of commercial negotiations in the banks?

Guto Bebb: I am grateful for that intervention. The issue of consequential losses is of significant concern, because when the FCA redress scheme was established it clearly said that consequential losses would be dealt

[Guto Bebb]

with on the basis of accepted legal principles, and yet of the £310 million-worth of consequential losses that have been paid out, £305 million relates only to interest at 8%. In other words, claims for other consequential losses have been derisory under the scheme thus far.

I want to highlight two other concerns. Tax treatment of redress payments is a real concern that can be dealt with by the Government and, as I have said, I will also touch on the exclusion of those businesses sold embedded swaps.

I will be quick, because I am aware that many hon. Members want to speak. I have a simple first example of the lack of consistency. When the scheme was established, it was decided that consequential losses and the redress would be paid in one instalment. Many businesses argued that that was unreasonable and unfair, and as a result of the second Backbench Business debate on this issue, nine of the 11 banks that are in the scheme agreed that they would split those payments. The FCA, however, despite saying that it wanted a consistent scheme, has allowed two banks to continue to insist on a single payment. That is a clear example of a lack of consistency.

The evidence I have gathered also shows that there is a lack of consistency on outcomes within individual banks, which clearly raises a question about how the work of independent reviewers is being overseen. If they are coming up with conclusions and recommendations for redress that are significantly different for businesses with very similar problems, there is a question as to whether the work of those independent reviewers is being monitored properly.

Mr Marcus Jones (Nuneaton) (Con): My hon. Friend has been a stalwart campaigner on this issue and deserves great credit. On transparency, is there not a question about whether those reviewers, the review process and the reports they provide are truly independent? Constituents of mine who have been caught up in this have not received any of that information.

Guto Bebb: I am grateful to my hon. Friend for his intervention and agree with his rather depressing analysis, because my second point is that there is a concern about the significant lack of consistency on redress among the banks. We have to draw the attention of the House to the accusation published in *The Times* this morning that some banks have been putting pressure on their independent reviewers to make recommendations for redress that are acceptable to the banks rather than to the business in question. The allegation is made by a whistleblower who worked for KPMG on the independent review of RBS cases. It reflects anecdotal evidence from Bully-Banks, the campaigning organisation, that RBS customers have a 12% chance of getting a full tear-up, which is significantly less than the 65% at Barclays, 89% at Lloyds Banking Group and 64% at HSBC. If this is a consistent scheme, it is difficult to understand how the outcomes for individual businesses in one bank are so significantly different from those in other banks.

One of my concerns about transparency is that the FCA is not making available figures that highlight the outcomes on a bank-by-bank basis. It is simply giving us global figures. I accept that my concerns are based on anecdotal evidence, but it does seem to match evidence

from other sources, including that provided to me by an independent reviewer working for HSBC who claims that HSBC feels that RBS is taking advantage, and that from the whistleblower from KPMG who worked on the RBS redress scheme who claims that RBS is challenging any claim over £750,000. The evidence is stacking up that this is not a consistent scheme.

Mr Marcus Jones: I thank my hon. Friend for giving way again—he is being very generous. Does he agree that the FCA should look for consistency rather than simply come to us as constituency MPs when we raise issues and tell us, in effect, that it agrees with a bank's independent reviewer without explaining why?

Guto Bebb: I could not agree more. Put simply, the regulator should be regulating its own redress scheme. It is simply not good enough for the FCA consistently to say that the decision has been approved by the independent reviewer if there are doubts about their behaviour.

Steve Rotheram (Liverpool, Walton) (Lab): I, too, congratulate the hon. Gentleman on bringing this issue to the House's attention. The only thing that is consistent and transparent is that the banks that caused the financial crash are profiting from selling products such as interest rate hedging products, which were bought by a company in my constituency, the Flanagan Group, and have caused it great difficulty. Does the hon. Gentleman think it is right that the banks should be profiting as a result of mis-selling products?

Guto Bebb: Of course not. The whole reason behind establishing the redress scheme is to try to deal with the wrongdoing of the banks. My concern is that the scheme has not succeeded as expected.

Paul Farrelly (Newcastle-under-Lyme) (Lab) *rose*—

Guto Bebb: I will take one final intervention; otherwise I will be told off by Mr Deputy Speaker.

Paul Farrelly: Does the hon. Gentleman agree that the level of provisioning in the banks suggests that there is inconsistency? For instance, in RBS there were 7,300 cases and £1.4 billion of provisions, while in Barclays there were 2,900 cases and £1.5 billion of provisions.

Guto Bebb: The hon. Gentleman makes an important point. There have been concerns throughout the process about the level of provision within banks. In view of some of the information provided by the KPMG whistleblower, RBS's confidence in having a very low level of provision probably justifies its attitude to the review.

Another point about the lack of consistency relates again, unfortunately, to the behaviour of RBS. It has been argued that a good result for a business from the redress scheme is to have a full tear-up of the agreement or to implement a cap rather than a swap. Indeed, it has been argued that a cap would in many cases have been a much better original product. From the detail of many of the caps offered to RBS customers, it transpires that most of them are for 10 years. I do not claim to be an expert, but experts in the field of derivatives and interest rate protection tell me that there is no demand in the

marketplace for a 10-year cap. They have challenged RBS to give one example of a 10-year cap that it has sold commercially in the past 10 years, but as yet RBS has not come back with such an example. Yet, time and again when businesses are offered a cap as an alternative product, the cap is for 10 years. It will not surprise hon. Members to learn that a 10-year cap is significantly more expensive than a five-year one. That added cost comes out of the redress made available to the relevant businesses. There are therefore questions to be asked about the behaviour of some banks, including RBS, and those questions raise doubts about the consistency of the scheme.

On transparency, I am concerned that the agreement between the banks has not been disclosed. That means that it is very difficult to assess the success or otherwise of an outcome, because we do not know what to measure it against. The agreement has not been made available to the all-party group or the Treasury Committee, but I must ask why, because when the FCA says that it is robustly ensuring that the agreement is maintained, we cannot assess whether that is the case.

Mark Garnier (Wyre Forest) (Con): Will my hon. Friend give way?

Guto Bebb: I will of course give way to a member of the Treasury Committee.

Mark Garnier: I, too, congratulate my hon. Friend on all the work he has done so far. Given that this is the first time that a voluntary scheme has been used, does he agree that full transparency of the whole system is absolutely crucial in ensuring that the scheme can safely be used again in future? Otherwise, there will be long-term fundamental doubt about whether it should ever be used again.

Guto Bebb: I could not agree more. I am concerned that some of the banks involved in the scheme now fear that they have played by the rules, while others have not. If there is no transparency on that issue, banks may go into future schemes with the same attitude as RBS's attitude to this scheme.

We do not have bank-by-bank details on outcomes, so it is very difficult to measure whether they are appropriate. In the same way, there is real concern that the FCA has not fully shared its legal opinion on excluding businesses with embedded swaps from the whole review process. In the briefing that the FCA provided for this debate, it implies that it has fully shared its information on that with the Treasury Committee, but my understanding is that it was willing only to allow a QC acting on the Treasury Committee's behalf, not its members, to see the information. I do not consider that to be full accountability to Parliament.

I said that I would call on the FCA to consider an appeal process. In view of the revelations about the possible activities of the KPMG reviewers of RBS, there is merit in a proposal made by the all-party group a year and a half ago. All the independent reviewers have been trained to the FCA's satisfaction, so if an RBS client is unhappy with its outcome it would surely be appropriate to ask another independent reviewer—for example, Deloitte, which acts in relation to HSBC—to review the case. That would not unduly complicate the situation, because the reviewers have been trained by

the RCA and have satisfied it as to their expertise. It would give clients a degree of independence if those unhappy with the redress outcome could have all the case notes reviewed by a third party that is independent of the original bank and of its independent reviewer. Will the Economic Secretary consider that request?

Zac Goldsmith (Richmond Park) (Con): Eight or nine of my constituents have asked me to put on record their enormous gratitude to my hon. Friend for his extraordinary work in leading this campaign, and I am very pleased to do so. What arguments has he heard against his proposed appeal system so far, because it is very hard to imagine any deal-breaking arguments against such a logical solution?

Guto Bebb: I entirely agree. The argument has been that as the reviewers are independent the FCA can have full trust in them, but in view of the inequitable outcomes reported to us and the information provided by the whistleblower who used to work in the independent review team on RBS, there is clearly much merit in the appeal process that I have identified as a way forward. I cannot think of any arguments against such a simple way forward.

Guy Opperman (Hexham) (Con): I suggest that there is middle ground on that point. Ministers would probably be nervous of encouraging excessive litigation and the escalation of legal costs, but it is not beyond the wit of man for an independent mediator to be brought in to address key cases, as is tried in other parts of the dispute resolution system.

Guto Bebb: I accept that point, but I stress that if an independent reviewer of another bank has been approved by the FCA—the scheme is a voluntary, not a judicial one—I seriously do not think that going down such an avenue would create cost. The FCA's current view is that if a client is not happy with a decision made by a bank and its independent reviewer, then it can resort to law, but the whole reason for establishing the redress scheme was to save small businesses that cannot afford to go to law.

I want to talk in detail about consequential losses. When the redress scheme was announced back in 2013, it was made very clear that the scheme was for consequential losses and interest payable. The Financial Services Authority, as the FCA then was, highlighted that consequential losses would be determined by reference to the general legal principles relevant to claims in tort or for breach of statutory duties.

I have already given the figures. It is more than acceptable and very welcome that £305 million has been paid out in relation to interest at 8%, but only £5 million has been paid out in consequential loss claims. Part of the redress scheme has therefore completely fallen down. I have seen case after case of well-argued and reasonable claims for consequential losses from businesses acknowledged to have been mis-sold and as a result to have lost millions of pounds in turnover, but when a detailed claim that will have cost a significant amount is made the response from the banks is a simple no.

Christopher Pincher (Tamworth) (Con): I congratulate my hon. Friend on securing this debate. Does he not agree that the loss to companies is much larger than simple consequential losses? We are talking about small

[Christopher Pincher]

firms, with just a few employees, who are grappling with the banks and the redress system. In my constituency, a three-man outfit has been grappling with Lloyds for nearly two years. Whenever they correspond with Lloyds it takes perhaps half a month to get through all the paperwork, which has a real impact on their ability to develop and build their business.

Guto Bebb: I agree. The scheme was described as one in which businesses would not need professional advice. Yet when a consequential loss claim is made, either by a business or by a business with the support of legal or professional advisers, banks time and again respond with the support of legal and accountancy firms. The process for consequential losses is therefore very unequal.

Martin Horwood (Cheltenham) (LD): Will the hon. Gentleman give way?

Guto Bebb: I will take one final intervention on this point; if I took any more I would be in trouble with Madam Deputy Speaker.

Martin Horwood: I am grateful to the hon. Gentleman for the campaign he has fought and for his support for the Bully-Banks campaign, which also deserves credit. One of my constituents, who thinks that his business has suffered hundreds of thousands of pounds of consequential losses, has told me that 90% of consequential loss claims have been rejected. Does the hon. Gentleman agree that that does not truly reflect the real situation?

Guto Bebb: I agree entirely, and that is why we need a review of the current redress scheme.

My final point, which the Government could respond to positively, concerns the decision by HMRC to tax redress received by businesses. HMRC has decided to treat any redress received as income generated in the year in question, which means that many small businesses will pay tax on that redress at their marginal tax rate. Has HMRC taken seriously the possibility of using extra statutory concession D33, paragraph 11, which states:

“A right of action may be acquired in a situation where it is not possible to identify a separate underlying asset. For example, where a professional adviser has given misleading advice on a tax or other financial matter, or in relation to private or domestic matters...Broadly, when we are looking at capital sums without an underlying asset which fall within paragraph 11 of ESC D33 we are looking at a financial loss, for example compensation for poor professional advice or for mis-selling of financial products.”?

In effect, that means that when the compensation is for bad financial advice or mis-selling a financial product, it should be treated not as income but as a gain for capital gains tax purposes, which would be a fairer resolution. Currently, banks are able to offset any redress paid for their tax purposes, although businesses end up paying tax on any redress they receive. It is unacceptable that the wrongdoers get tax relief while the wronged have to pay tax on their compensation, and I ask the Minister to consider that point.

I wanted to touch on businesses sold in embedded swaps. If the advice from the FCA is comprehensive, I appeal to it to make it public. Those businesses are in limbo. They believe they have a right to be in the redress

scheme and are told that legal advice is clear. I call on the FCA to make that advice available so that those businesses know what possibilities they have when trying to resolve their situation. [Interruption.] The hon. Member for Wyre Forest (Mark Garnier) seems to want to intervene.

Mark Garnier: I am grateful for that prompted intervention. My hon. Friend refers to legal advice given to the FCA, but it is clear that these are unregulated products and therefore the FCA is not addressing them. It could be argued that selling an unregulated product to a non-professional customer is a regulated activity and should be covered by regulated activity rules. There is a lot of confusion about that.

Guto Bebb: I am grateful to my hon. Friend for that intervention.

It is fair and right to acknowledge that the redress scheme has been better than no action whatsoever, but concerns clearly remain. Action is required on consequential losses, and there is no justification for refusing an internal appeals process within the review process. The lack of transparency allows people to make assumptions about the behaviour of banks and the FCA, which is damaging to the financial system, and more transparency would give greater confidence in the way the scheme works. HMRC needs to address the issue of taxing redress paid to businesses with a degree of sympathy that has not so far been shown.

Crucially, allegations about the behaviour of some banks in the scheme should be a cause for concern not just to Members of the House but to those on the Government and Opposition Front Benches. The issue must be considered carefully, which is why the motion asks for consideration to be given to the establishment of a review of the current redress scheme. If the regulator is unable to regulate the scheme it has established and make right the wrongs committed by the banks, it is important for the Government to take responsibility.

Several hon. Members rose—

Madam Deputy Speaker (Mrs Eleanor Laing): Order. Several Members are trying to catch my eye and we have limited time available. I am therefore obliged to introduce a 10-minute time limit on Back-Bench speeches.

1.44 pm

Paul Farrelly (Newcastle-under-Lyme) (Lab): I want to talk about one of my local businesses, DK Motorcycles, which has been badly let down not only by its former bank, the Royal Bank of Scotland, but by the Financial Conduct Authority and the partial scheme of redress over the mis-selling of interest rate products. Having finally escaped the clutches of RBS, this is the first time that the firm has felt confident enough to allow me to talk about its experiences in public, and its general manager, Ewan MacDonald, is sitting in the Gallery today, alongside many people from small businesses who feel bullied by their banks and let down by regulators.

DK Motorcycles entered into a 10-year LIBOR swap with RBS in August 2008, but there was nothing voluntary about it. The swap was an express condition of refinancing, but as interest rates fell, it later became clear how the enforced sale had exposed DK, like many other businesses,

to a penal interest burden. By the time DK had extricated itself from RBS's clutches at the end of last year, it had shelled out in interest and penalty charges more than a third of the original loan of just over £2.4 million.

In May last year, I wrote to the chief executive of the FCA with concerns about the grounds on which DK had been excluded from the redress scheme. At that time, the company was in the hands of the now infamous global restructuring—for which read “destruction”—group at RBS and was staving off a scenario where RBS would put in one of its pet consultancies, which was, as so often, an insolvency firm, and for which DK would inevitably pay to watch the vultures feast.

On the redress scheme, my concerns were about the so-called sophistication tests and the limited lessons that the FCA had learned in findings from its pilot review. The redress scheme has excluded 10,500 of the 30,000 sales of so-called hedging products, on the grounds that such firms were sophisticated and therefore either knew or should have known what they were doing, or that they would have the wherewithal to go to court if the banks failed to deal properly with their complaints. None of that, sadly, applies to a business like DK Motorcycles.

Steve Baker (Wycombe) (Con): I congratulate my hon. Friend the Member for Aberconwy (Guto Bebb) on securing this debate. On the point raised by the hon. Member for Newcastle-under-Lyme (Paul Farrelly), businesses in my constituency have still not had explained to them how the charges are calculated. Does he agree that that is another area where the banks have failed, because it is clear that they have sold a product that even now is not well understood?

Paul Farrelly: Indeed, not only have the banks failed but the regulators have failed to show their teeth. Indeed, in the recent judgment on Crestsign the courts have only added to the uncertainty, and it behoves the Government to try to clear that up.

DK Motorcycles runs the largest motorcycle showroom in the country, selling high-value items from a single premises. It is a partnership, owned by father and son Derek and Kevin Neesam—hence the DK. At the time of the refinancing in 2008, it had a bookkeeper but not a specialist finance director. Ewan, the general manager, joined later and now looks after finance, as well as running the showroom. By no stretch of imagination could DK be called “financially sophisticated” in a world of complex derivative products. However, by dint of employing up to 75 people—both full and part time—and having a business turnover of £20 million, it failed two of the FCA's tests. In response to the pilot, the FCA admittedly amended some of its tests, but no flexibility was applied to the turnover test. As I pointed out to the FCA, that caught different types of businesses indiscriminately and left businesses such as DK bracketed together with the likes of BP or BT as so-called sophisticated, and therefore with no help against predatory banks such as RBS.

There was a further iniquity in the redress scheme, as the campaigning group Bully-Banks has repeatedly pointed out, because under the scheme, banks have a get out. Notwithstanding the tests, if they can offer evidence that a business was financially sophisticated, it would be excluded from the review. However, there was no

reciprocal ability for businesses like DK—a father and son partnership that just happened to be successful and passionate about selling motorbikes—to offer evidence suggesting the contrary.

I did not get a reply directly from the chief executive of the FCA. Instead, at the end of June 2013, a reply came from Christina Sinclair, then acting director of retail banking in the supervision division. The reply did not tell us any more than we already knew, and it still stressed DK's ability to lodge a complaint with RBS directly. Ms Sinclair singularly missed the point made by DK and many other businesses that, given their experiences so far, they were frankly petrified of making a formal complaint for fear that the bank would pull the plug on the business. From what I have seen of RBS, they were right to be frightened.

In the interim, DK, like me and all hon. Members in the Chamber, had seen the Tomlinson report and all the stories about the global restructuring group into which DK had been shunted. At the end of last year, DK finally found alternative bankers who were willing to take a proper, unsullied credit decision, but as a parting shot, RBS, in the form of their so-called relationship manager, the inaptly named Vicky Smart of the global restructuring group, said it did not want any of DK's business any more and withdrew crucial direct debit support for DK's customer finance arm. Fortunately, DK managed to overcome that apparent act of spite and the new bank put alternatives in place. RBS has continued to deal with DK in that way, refusing any meetings about redress and insisting on communicating through lawyers.

Steve Rotheram: It will be cold comfort to DK that the sorry tale my hon. Friend outlines is almost a mirror image of what has happened to a business in my constituency. I am sure other hon. Members will extol the virtues of companies that have also fallen foul of RBS. As I suggested to the hon. Member for Aberconwy (Guto Bebb), does my hon. Friend think that it is a disgrace that the very banks that caused the financial crash benefit from selling sophisticated derivatives to organisations that did not fully appreciate what they were getting into?

Paul Farrelly: It is indeed a disgrace. RBS has form not only outside the House, but inside it. The Chair of the Treasury Committee recently said that the bank had misled it. He said:

“If this is how RBS deals with a parliamentary committee, how much can customers and regulators rely on it to be straightforward with them?”

Jonathan Edwards (Carmarthen East and Dinefwr) (PC): The hon. Gentleman makes an important point on refinancing. One of the main difficulties that my constituents, Mr and Mrs Bartels, got into was that they were unable to refinance their mortgages as a result of the interest rate swap on their current mortgage, which led to the demise of their business. That is not addressed in the redress scheme.

Paul Farrelly: Given the cash flow difficulties of firms such as DK and penal interest rate payments, they have problems financing their work in progress and stock. DK had to retrench, through which jobs were lost.

[Paul Farrelly]

Fortunately, it is now back on its feet and successful again, but it is allowing me to share its experience because so many other businesses are afraid of sharing theirs, for different reasons.

By September last year, when the FCA replied to my follow-up letter, in which I reiterated those fears, Christina Sinclair had gone—she had joined a bank as a senior member of compliance, in the latest twist in the regulator merry-go-round. The reply was from her successor, Andrew Giles, who, I believe, is still the FCA's acting director of retail banking and therefore responsible for the scheme. His response to what we might call the fear factor was as follows:

“If having submitted a complaint to RBS, DKM has evidence of the bank attempting to penalize the business, DKM should send it to us... We would consider this in the context of our wider work in this area and in particular in relations to our ongoing supervision of RBS. Unfortunately”—

here is the clincher—

“due to confidentiality restrictions, we would not be able to say how we have used the information provided.”

What a great backbone stiffener that is for a small businesses. It is as useful as a chocolate fire guard, as we say in the potteries. Yet again, the FCA, as a regulator, is letting down businesses such as DK.

Mr Giles also said that the review did not stop the likes of DK going through the courts. Having been let down by the regulators, and having been rebuffed after asking RBS directly for redress, that was the only option available. DK considered it again and again, but decided not to go through the courts. It is no longer an option, because the statute of limitations on this sorry saga started six years ago and has just run out. The reality was that DK faced a possible legal bill of £250,000 and possibly twice that if it lost to RBS. Like many small businesses, it simply could not afford the costs and risks of going to court.

I shall conclude with a few remarks on what DK and we would like to happen. One key thing is for the FCA to review its scheme for redress from banks. As a regulator, with Government backing, it should push through changes. DK wants to be able to appeal to an independent assessor against the finding that it was a sophisticated customer, just as banks were able to do under their get-out. When I pressed that with the FCA last year, Mr Giles said that, had that been allowed from the beginning, it would have slowed the process down and led to lots of small businesses not being compensated so quickly. We have seen great progress over the past year, so that argument holds no water today, and certainly not if the process completes in June 2015. It is not an argument against the regulator or the Government acting more effectively in pursuing the mis-selling of such damaging products.

As far as RBS and customers such as DK are concerned, the Government could cut through directly, because RBS was bailed out by the taxpayer after its folly and perfidy and is still owned by the taxpayer. All the major banks have been tainted by that scandal, but, as the FCA figures show, RBS was by far the worst offender. Of the 15,400 sales at redress offer stage at the end of September, 7,300—nearly half—belonged to RBS. That is just the number of businesses who were admitted and not excluded from the scheme, not the size of their exposure.

That suggests wholesale pumping of those toxic products down the RBS sales pipeline. The Government should address that as the majority owner of the bank. They should force the bank to have fully independent handling of complaints from customers such as DK that have been excluded from the scheme, in the interests of businesses, in the interests of a thorough clearing of the stables and in the interests of the future of RBS and therefore of the taxpayer when it is finally sold off.

My final thought is on consistency and the different attitudes of banks to the review. Given the scale of RBS's participation in the scandal, the Government should satisfy themselves, before RBS is sold off, that they are reserving the costs of its mis-selling in a way that reflects the reality of its involvement.

1.57 pm

Karen Lumley (Redditch) (Con): I thank my hon. Friend the Member for Aberconwy (Guto Bebb) for securing the debate and for his great work.

I want to highlight the situation of the Parsons family from my constituency. I met them in October 2010. They have suffered hugely having run into cash-flow difficulties following the start of interest rate swap payments. The Parsons believe that their bank, HSBC, has bypassed the terms of the FCA's review into the mis-selling of interest rate swaps to deny their business fair and reasonable consequential loss payments.

The Parsons are a very enterprising family who, as well as running their family business, have done so much great work in my local community, particularly in setting up a community benefit society. Elysia, the Parsons's family business, was founded in 1994. It is a general partnership between the three siblings, Sebastian, Tabitha and Sophie. It invests and operates businesses that are ethically driven, with a long-term aim to mutualise and invest profits in the community. Elysia has a number of business interests, including a biodynamic farm and a sustainable fair trade clothing company. Until December 2013, it was the sole UK distributor for Dr Hauschka skin care, having held the position for 19 years.

Elysia had a successful relationship with its bank for 15 years. It hesitated to sign up to interest rate swaps, but was persuaded to do so by the bank. Having met the family many times, it is no exaggeration to say that they feel they have been let down and were out of their depth.

HSBC has admitted mis-selling three interest rate swap hedging products to Elysia. The drop in the LIBOR rate led to a £350,000 loss. HSBC put the company into its loan management unit and took property sales to repay its loan. It forced interest rates up, costing Elysia hundreds of thousands of pounds more, and required the company to spend yet more thousands of pounds on advice from accountants. Elysia's cash starvation impacted on sales so much that stock ran low. In the end, it cost the family their business, because their supplier became tired of the bank being paid in preference.

The Parsons family believe that, throughout that time, HSBC was attempting to coerce them into selling their family firm. I know the family. The massive effect on their health is clear. One of them is unable to work. It is the feeling of the Parsons family that HSBC deprived Elysia of its working capital and remorselessly

destroyed it. The family employed an accountant who estimated consequential losses of more than £7 million. Guess what HSBC offered them: £27,000.

The House will be aware of the FCA's promise to put customers back in the position they should have been in had the regulatory failings not occurred. In the case of my constituents, that has not happened. The inability to pay suppliers has led to a loss of a multimillion pound contract and some 40 UK jobs in my constituency. The Parsons are angry and frightened for the future of their family, as the business they set up to benefit the community is being attacked by bankers. It has been said many times that small business owners are the backbone of this country. We should not allow them to be treated this way. People have really suffered and are still suffering. They are calling out for a body with teeth to give them the redress they deserve. Unfortunately, I am not convinced that we have that with the FCA.

2.1 pm

Mr Russell Brown (Dumfries and Galloway) (Lab): I congratulate the hon. Member for Aberconwy (Guto Bebb) on what can be classed as nothing less than sheer determination in continuing the battle for justice for so many businesses the length and breadth of the country.

I would like to think that we could use the words fair and equitable today, but this issue is anything but. I suspect that by the end of my speech I will have come to a point where I support the hon. Gentleman and the all-party group. We have all witnessed a lack of consistency and a deplorable lack of transparency. We look down on a situation that far too many business people have experienced, bringing them to their knees. Many have been broken. The fact that there is no appeal process is, quite frankly, unbelievable. People have been put in a "take it or leave it" situation and their plight is just not acceptable in this day and age.

The hon. Gentleman referred to the 10-year cap. This is a product that no one wanted: it was not sold to people, but forced on them. The campaigning group Bully-Banks yesterday put out a press release that sums it all up. It said that more than 90% of sales reviewed by the banks had been mis-sold. There is no argument: the banks' conduct in selling these products was misconduct. Nothing could be clearer.

The first contact I had relating to this whole sad saga was about six years ago when a constituent came to see me. I have to admit that, not coming from a financial background, I had great difficulty in understanding what he was telling me. I have shared this experience with others in the House before. This was a guy who, along with his father, had worked for more than 20 years in the leisure park industry. Their bank, Barclays bank, had decided to set up a specific arm to offer products and loans to businesses for investment. After an approach from the bank, they decided to take out what turned out to be a hedge. After some time, they were then encouraged to change product. Some of the penalties involved with that product resulted in pressure to meet payments, and investment did not go into the business in the way they thought it would. They went from owning four leisure parks—one in my constituency and three in England—to selling them off one at a time, just to meet the bank's demands.

Eventually, my constituent came to see me to make me aware that he was now under real pressure. I asked him whether he needed me to contact the bank, but that was the last thing he wanted. He was afraid to contact the bank and make it aware of just what a desperate plight he was in, in case it closed in on him.

Guy Opperman: Does the hon. Gentleman agree that the reason the FCA redress scheme needs reform is that there is no alternative? Like the hon. Gentleman's constituents, my constituents who ran a bed and breakfast or a small and medium-sized enterprise could not go to the bank because of that fear. There is also an inability to go to law, because that would mean taking on a very large institution with deep pockets that they could not possibly hope to take on properly. The only way they can go forward is through the redress scheme, which has its deficiencies.

Mr Brown: I thank the hon. Gentleman for that intervention. As I continue this sorry tale, he will see that the business went into litigation on this issue.

Steve Rotheram: We have heard the word fear on a number of occasions in this debate. Companies such as the Flanagan Group felt fearful of what the banks might do, but fearful, too, of the reputational damage that might have occurred from an external view of the company. Does my hon. Friend think that this is an appropriate way for banks to act?

Mr Brown: We all believe in the role that banks have in our day-to-day lives, whether as individuals, households or businesses. We need to think there is an element of trust. What we have discovered, however, is that there has been far too much mistrust. In addition, some senior people had no idea what their banks were doing. They allowed their managers to carry on selling products, while having no idea of their complexity. One person who worked for Barclays and sold some of these products came to meet me. He was in the Penrith area and decided to come and speak to me about my constituent. He told me that on being introduced to the products, which he was about to sell to customers, he asked his seniors, "What if this or that question is asked?" He was told just to move on, because there were no answers.

The long and short of this tale is that the banks eventually moved in with a team of administrators. I approached the administrators to tell them that I thought what was going on was wrong and that if my constituent went to court he would win his case. The administrators made out that they had to carry on with the business they had been pulled in to conduct, and they went ahead with it. My constituent owed the bank £1.2 million, of which £900,000 was bank charges—an absolute disgrace. As I said to the hon. Member for Hexham (Guy Opperman), my constituent went to court and he won the case. But that matters for nothing. Gone is more than 20 years of a family working together to build a business that was going reasonably well but went badly wrong when they were encouraged to take out products that they did not really understand, and which those selling the products did not really understand either.

[Mr Russell Brown]

I want briefly to mention another, more recent, case relating to another constituent in the far west of my constituency, down in Stranraer. This is a really tragic case. People and businesses do not just have problems with the banks. There are other issues lying in hiding too and some relate to Her Majesty's Revenue and Customs. This gentleman told me:

"For the last 6 years I have been a victim of the mis-selling of an IRHP SWAP Termed Business Loan."

The last three years, in particular, had been very difficult. He had been fighting off the bank that had been battling with him because it would not accept that it had mis-sold him a product. I could tell from the number of occasions I met him over the last three years that this was really getting him down. It got to the stage where he had to sell off his mother's family home of some 44 years. He had remortgaged his own home, incurred legal costs of over £8,000 and had put the family business of over 54 years standing in real jeopardy.

My constituent was eventually on the receiving end of a phone call from the bank to say that it was about to make him an offer within a two-month period, which it has now done. However, that offer of some £76,000 goes nowhere near to meeting the cost to him as a family man who had done nothing else but work morning, noon and night for such a sustained period of time that he missed his family growing up. The offer put him under real pressure. On the second last occasion he came to see me, he was seeking advice but knew in himself that he was being forced to "take it or leave it", as I mentioned before. The advice from the bank was that this was a "full and final" offer, with no recourse to consequential losses.

Had my constituent not got involved in this loan, he would have been building up his business, but it actually suffered. He wanted to develop the business and the properties he had available for rent. All that was put on hold, however, because he was struggling to meet the bank's regular demands. My constituent has had to go to Revenue and Customs to strike a deal, agreeing that he would pay the bulk of the VAT he owed and that between now and the end of February everything would be cleared.

Guto Bebb: I hope I am not being greedy in intervening, but I think it should be placed on record that the "time to pay" arrangements of HMRC have been very positive on this issue, but the consequences of the redress scheme are not as positive as expected. The "time to pay" agreements have been taken away in many cases, so there is a need for the continued support of the banks while we try to resolve the situation.

Mr Brown: The hon. Gentleman is absolutely right. HMRC needs to be a little more patient with our constituents and with all of us here who are trying to do what is right in standing by our constituents and making the case for them. They have come through a traumatic time and they are not out of the woods yet, so they continue to need our help. That is why I wrote to HMRC on behalf of my constituent—to offer support, saying that I was quite confident and absolutely convinced that the issue would be resolved if it would just be patient.

In conclusion, we need an appeal mechanism. Further consideration needs to be given to bringing those who were sold embedded swaps who seem to have been excluded, at least up until now, back into the system. If there is any means of acquiring someone or a small organisation that is independent of what is going on with the FCA in response to this issue, I would like to see it happen. It is right for people to get their just deserts; that is what justice means.

2.13 pm

Sir Edward Garnier (Harborough) (Con): I begin, as have others, in congratulating my hon. Friend the Member for Aberconwy (Guto Bebb) on initiating this debate. It is sad, as he said, that this is the second or third time he has had to bring this matter to our attention either on the Floor of the House or in Westminster Hall. He has plugged on, and my constituents and I are very grateful to him.

I have no doubt that all who contribute to the debate will mention constituency cases. It is right for us to do so. I had originally intended not to mention my constituents' names or the name of the bank with which they had to grapple because I thought it unfair, but since the hon. Member for Newcastle-under-Lyme (Paul Farrelly) and other hon. Members have already mentioned the bank and because I think the bank is big enough to look after itself, I shall not shrink from doing so.

My constituents, Bob and Stephanie Hamblin, are directors of a small property company called Hybeck Estates, which they founded in the early 1990s. Their companies had banked with RBS for many years since the 1980s, and they entered into first one and then a second lending arrangement. Sixty years ago, it might have been seen as somewhat unorthodox, but in the conditions that operated in the 1990s and the early part of this century, such arrangements have become increasingly usual, if not wholly orthodox.

All went well until about 2006, when the bank decided that the Hamblins and their company needed to restructure its existing hedging arrangements, and the bank recommended replacing the second loan arrangement with a swap, a collar or a knock-in collar on the basis that this would reduce the company's quarterly premium payments. On 16 February 2006, the bank sold the Hamblins a £3.5 million, 10-year amortising base rate collar.

In August 2012, the company submitted a complaint regarding the sale of the replacement collar in the context of the interest rate hedging product mis-selling review, and submitted further written evidence on 28 January this year. The complaint was essentially that the replacement collar was unsuitable for the company because of the risks involved—risks that were never adequately explained by the bank. The bank should have allowed the company to continue with the protection of its earlier arrangements, which would have protected it against the possibility that interest rates would rise, without exposing it to the risks inherent in the new replacement collar.

On 1 July this year, the bank wrote a letter to the company, containing the bank's provisional offer of redress. It acknowledged that in the course of the sale of the replacement collar, the explanations it had provided to the company, initially in a crowded pub,

"in respect of the features, benefits or risks of alternative products did not comply with the standards agreed with the FCA."

The bank's failure to explain the "features, benefits or risks of alternative products"

also extended to the appropriate alternative strategies, which were not explained at all. The company's desire for premium reduction could have been satisfied in a number of simple and risk-free ways—but they were not. The risks were simply not explained. The second cap—the earlier lending arrangement—exposed the company to no risks at all, but the new one exposed it to potential losses of more than £950,000 in the event of interest rates falling. That risk was not disclosed to the company; neither was the fact that, as a consequence of the liability incurred via this collar, the company's flexibility to refinance with another bank would be seriously impaired.

It seems reasonable to draw the inference—I am sure others would concur on the basis of their own constituency experiences—that the bank's poor sales practices were driven by the additional profit it could make by putting the company into this new vehicle. Derivatives pricing experts calculate that the expected net gain to the bank on the day of the transaction was over £43,000, and it incidentally cost the Hamblins and the company £0.33 million to extract themselves from it this year. The replacement collar, furthermore, is in serious breach of the 7.5% rule announced by the FCA at the outset of the review. This collar exposed the company to potential losses of very nearly £1 million—equivalent to 27% of the amount notionally hedged, which is almost four times higher than the stated 7.5% maximum.

Given these circumstances in which the bank has acknowledged that it neither explained the risks of the new collar, nor offered any of the simple premium-reducing strategies outlined above, the bank's conclusion that the company

"would have chosen a vanilla collar in any event"

is clearly absurd.

Here we have a company that has been in the property business for some little while, and a director of that company who knows something about—indeed, quite a lot about—the financial services industry, but is not an expert on hedging. To suggest that he would expose himself, his wife and his company to a product that would place them in such dire jeopardy is absurd. Nevertheless, the bank has concluded—through its internal review process, which has been validated by the FCA's independent review system—that they are not entitled to redress. The bank has made an admitted mistake and has caused admitted consequential loss, but it has said "You would have bought one of these anyway, so we will not pay you any compensation."

Guy Opperman: I am following the case of my hon. and learned Friend's constituent with interest, because it is very similar to cases that I have encountered in my constituency. If, like me, my hon. and learned Friend has met senior managers at RBS—the bank that is involved in both our constituents' cases—he will know that while they are very keen to resolve these cases, the middle managers who are dealing with the individual claims that are being assessed seem incapable of accepting the principle that they were at fault and are to blame. The Government ought to make it clear to senior management at RBS that they must ensure that there is true accountability in their own organisation.

Sir Edward Garnier: I could not agree more. The banks and the FCA must take responsibility for what they have done, and if that requires the urging of the Treasury, please let that happen. These banks are making vast amounts of money, and although I am a Conservative capitalist and like companies to make profits, I expect them to behave properly.

Paul Farrelly: Do the hon. and learned Gentleman's constituents feel that they were advised by the bank to take on that collar? I ask because in the recent Crestsign case it was found that a company had been advised by RBS, but the bank was none the less allowed to rely on its disclaimer that it has not given advice. Does the hon. agree that that legal position only compounds the uncertainty and the risks posed to businesses that take the banks on?

Sir Edward Garnier: I will not comment on the legalities or illegalities involved in that specific case, but I will say in relation to the case to which I have referred that the bank not only failed to explain the risks of moving into a new loan vehicle fully, properly and candidly, but subsequently sought to hide its own responsibilities for its failures. Such action, besides being—in my view—immoral, lowers not just the trust and confidence that small businesses should have in the retail banking sector, but the collective confidence of Members of Parliament, who should hold the Government to account for those failures if they are such, and if they occurred on the Government's watch.

Ann McKechin (Glasgow North) (Lab): Another problem, which has been described to me by a constituent, is the fact that the documents with which the internal reviewer is provided by the bank are not necessarily made available to customers or their own advisers, unless a freedom of information or data request is submitted. The lack of transparency in the way in which the review is carried out, and the inability of customers to correct the information that is given to the reviewer, constitutes another failure in the system.

Sir Edward Garnier: I agree, and that reflects what happened in the case that I have described. If there is anything that ought to be done—and the motion deals with this—the transparency of the banks, and hence their accountability, should be increased. It is no good the independent reviewer saying "Nothing to see, do move on", because there is plenty to see. It is simply a question of being able to find it, expose it, and reach proper conclusions, either at law or as a matter of reasonable inference from what has gone on.

There is too much lack of candour, too much obfuscation, and too much dissembling. It is high time that the FCA lived up to its responsibilities; it is high time—I must say this to my hon. Friend the Economic Secretary, who has done a sterling job since entering the Government—that the Treasury leant on the FCA rather more heavily than it may have done in the past; and it is high time that the FCA, this new body, stopped pulling its punches with the salespeople, whether they are operating in pubs or in banking offices, in order to ensure that honest dealing is what we get from our banks.

2.25 pm

Mark Reckless (Rochester and Strood) (UKIP): It is a privilege to follow the hon. and learned Member for Harborough (Sir Edward Garnier). He said that the Treasury should be leaning on the Financial Conduct Authority. I wonder where the Financial Conduct Authority itself should be leaning, because it has a considerable incentive to get this right.

We are talking about a precedent-setting voluntary redress scheme. In theory, if there is a class of customers who have not been treated fairly by the banks contrary to their regulatory principles, it would seem a good idea to establish a voluntary scheme to identify those who are in that class, the quantum of their loss, and the proper way in which to compensate them. If such cases can be dealt with in that way, rather than via the ombudsman or the courts, there is scope for significant cost savings and also, potentially, for a fair and proper system. However, there appear to have been a number of operational problems.

Schemes such as this require a degree of timeliness. Members have referred to the six-month delay in the assessment of the scheme. The purpose of the delayed assessment was to ensure consistency, but it appears to have failed, certainly given the approach of one bank, RBS, which has already been mentioned by several Members. If there is to be a voluntary system, it needs to have the confidence of the banks which are voluntarily participating in it, as well as the confidence of customers. Unless there is consistency—if one bank is allowed to get away with not compensating in a number of areas in which other banks are compensating—neither this nor future schemes will have the confidence of users or providers.

There also needs to be transparency, in relation to the principles of the scheme and how it will operate, but also in relation to the information that is provided. One of the main problems is the fact that the scheme is operating a black box. The customers and their advisers who have the most knowledge of the circumstances involved are unable to make a judgment on whether it is in the customers' interests to enter the scheme in the first place, or on whether they are being dealt with properly within it. They are also unable to provide information that might correct misjudgments, because such information is not shared between the independent assessor, or the bank, and the end customer who is seeking compensation. May I ask the Economic Secretary why that information is not shared? Would this not be a better voluntary redress scheme, and a better model for other potential schemes, were it to be shared appropriately?

Consequential loss is a particularly important issue, which has arisen in a constituency case of mine. It seems that what was said about the operation of the scheme and the availability of consequential loss has not come to pass. At some point in the design of the scheme and in attempts to ensure its consistency, a decision seems to have been made—or, at least, a practice seems to have developed—whereby virtually all consequential loss claims are turned down, or are paid to a vanishingly small degree.

According to information given to me by Berg, of the 1,535 cases that have been assessed for the purposes of consequential loss, 871 have received no consequential loss redress. Of those that have, 502 have received

between £1 and less than £10,000, 51 have received between £10,000 and £100,000, and just 11 have received more than £100,000. I understand that a further case has been settled between a charity and RBS, partly thanks to the intervention of a Member of Parliament yesterday.

It is very difficult to make a proper decision on whether to enter the scheme if information is not shared, and if statements made about consequential loss are not borne out. As many Members know, there is limited competition for small businesses in the banking market. However, what has become clear to me, as I have looked at this game in a particular case, is the extent to which businesses are locked in by the nature of the swap product, and then locked further by dispute or litigation relating to that product. While in some areas a business might be able to go to a different supplier, that is almost impossible to do in many circumstances where a swap has been sold and then a dispute has developed later as to that swap.

The business I seek to draw attention to today is Port Medway Marina Ltd in my constituency of Rochester and Strood, next to the village of Cuxton. David and Neil Taylor, a father and son team, have built up and developed that business, but have been held back in an extraordinary way by their bank and a dispute over a swap entered into. I do not want to speak negatively about that bank, which in this case is Barclays. I have had positive dealings with Barclays on constituency matters. I opened its impressive new branch on Chatham high street, and more generally it can be said that it is not like RBS or Lloyds HBOS. It did not get the taxpayer bail-out. There is a huge difference between having some temporary guarantees and taking tens of billions of pounds of taxpayers' money. Barclays did not take that, and it deserves credit for that, and I look to it to be reasonable in its dealings with this set of constituents, as in other dealings I have had with it. It may be the redress scheme that is causing the problems, rather than the relationship there might otherwise be.

Roger Williams (Brecon and Radnorshire) (LD): The hon. Gentleman is being complimentary about Barclays, but as I understand it Barclays is one of two banks that will not pay out any redress unless the company involved also agrees to the consequential loss. That is rather unfair, particularly when those businesses are in urgent need of financial support.

Mark Reckless: I was not aware that Barclays was one of only two banks in that category. I am talking about a particular instance involving my constituents. They have an award, including interest, of £140,000, but they are only allowed to get that £140,000 if they give up their claim for consequential loss. As the hon. Gentleman says, that is unfair and I would encourage Barclays to look at that again, but also to look at the specifics of the case involving Port Medway Marina Ltd. I understand generally why banks will lean against consequential loss claims. They will be nervous that those consequential losses could expand unpredictably. It is also easy for a business to think, "If only we had had this money, we could have done that," and make assumptions that things would have gone well and have an optimistic view as to that opportunity. There are also cases where people take advantage, as we have seen

with BP, particularly in respect of claims in the United States, but we could not be further from that situation here, and Barclays in particular has been able to revise down its provision, not least because it seems that it is paying very little, if anything, in the way of consequential loss claims.

The particulars of this business are unique. In 1990 David Taylor managed to find and purchase 30 acres of derelict riverfront boatyard adjoining Cuxton. He took quite some risk in doing that, and he has had to go through quite a lot of difficulties in planning arrangements and in getting the right permissions to develop his business, and now that of his son. At one point this company was employing 16 or 17 people, but there are now just seven people. Some £25,000 annually of interest has been taken out of what would otherwise be cash available to that firm—an amount that could service a loan upwards of £250,000. The absence of that capital, and the inability to go to another bank while this swap was in action and was being disputed, has prevented that business from growing in very serious ways. Usually there is a relatively competitive market in terms of opportunities, and if money is available we would expect other people to come in and, as it were, compete away the returns available. In this case, however, the 30 acres of prime riverside frontage to have dry docks, to store boats and to maintain and develop those boats is an extraordinary resource, because since 1990 the development of the property market particularly along the banks of the Thames has been such that there is no longer the previous great surplus of wharves and places to have dry docks and to look after boats in that way. Any money available to the owners of those sites to redevelop has largely gone on residential use of those river frontage areas, as huge amounts of money can often be made from residential development. That has meant that such sites have become almost unavailable along the Thames. To find a facility of comparable size to the 25 to 30 acres of available land that Port Medway Marina Ltd has in my constituency, we would have to go almost around East Anglia or all the way down to Southampton. The Taylors therefore have a huge business opportunity there, but it is being stopped, or very significantly hindered and slowed down, in its development by the mis-selling of this loan and the unavailability of finance, specifically in respect of a 65-tonne boat hoist that has been bought but which cannot be installed without a new dry dock, so the company only has a 25-tonne hoist. That difference is absolutely huge for a company of this sort, and it is the bankers who are responsible for the non-availability of the finance to develop that and the huge business opportunities that would otherwise have been available to this company.

I would like to see this company continue and thrive. With finance, I believe it can. Barclays has admitted, I believe—or it is not disputed—that this was mis-sold as a swap. The relationship manager said it was a condition of the loan when it was not, and that manager has now left the company. I ask that bank to have a sensible look at this scheme and to allow this business in my constituency to grow and thrive in the way that it deserves to.

2.36 pm

Mr Marcus Jones (Nuneaton) (Con): I thank my hon. Friend the Member for Aberconwy (Guto Bebb) for the work and effort he has put into this issue not just on

behalf of his constituents but on behalf of people who have been wronged by the banks up and down the country. He has done a fabulous job and we should all congratulate him on that.

I recall the initial debate in this Chamber on this important subject. I spoke about a business in my constituency that had been badly disadvantaged as a result of an interest-rate hedging product. The product in question was not just mis-sold by their bank; it was almost forced on my constituents by their bank. I was therefore extremely pleased when following that initial debate the FCA announced the redress scheme. The aims of the redress scheme suggested it would tick the boxes for my constituents—do the job and put my constituents back in the position they were in before the swap product was mis-sold to them.

It is important that we look at what the FCA scheme says in this regard. It states that the scheme provides for “fair and reasonable” redress, which

“means putting the customer back into the position they would have been in had the regulatory failings not occurred, including any consequential loss.”

So the FCA had in fact set a very high test, which in principle was the right and proper thing to do. It was a test that, if properly applied, would surely lead to a fair outcome for my constituents and many people similarly affected. In practice the FCA scheme has worked up to a point, but it has not gone anywhere near satisfying its original aims.

I shall deal with the issue of simple damages, which, on the whole, I believe has worked well. Most of the banks have agreed to pay simple damages and deal with the issue of consequential loss separately. There are two exceptions, however. One of those two banks is my constituent’s bank, Barclays, which has refused to do that. It has refused to deal with consequential loss separately. I will go into more detail in a moment about why that decision to link simple damages and consequential loss is so unfair, but first I would just like to touch on the mechanism that has been put in place for businesses to challenge the decisions of their banks regarding consequential loss. Again, I quote the relevant passage from the FCA scheme:

“All customers who receive a basic redress offer have the opportunity to make a claim for consequential loss...To facilitate this, banks are offering support for customers, for example, by providing guidance to help customers put their claims together.

Banks are also being pragmatic and customer-centric when customers ask for more time to put together their claims and will consider reasonable requests for extensions on a case by case basis...All claims are being assessed by independent reviewers. If claims are rejected, banks are providing constructive feedback so that...customers may be able to provide additional information to support their claims.”

My constituents, taking the FCA at its word, contacted their bank, Barclays, for information to help them ascertain their consequential loss. This information took the form of requesting a schedule to show what additional loan repayments and charges they had paid by taking the swap rather than staying on their original product. Initially there were positive noises from the bank, but the information never materialised, despite repeated requests for it. My constituents then decided that the best way to deal with this would be to have their case independently reviewed, as per the scheme. They were not told by Barclays that their case had already been reviewed, and to their dismay their review had been

[Mr Marcus Jones]

closed by Barclays. In essence, they were told by Barclays, “Take the simple redress, take the 8% or go to law.” I am not sure whether the review was independent—several right hon. and hon. Members have mentioned that issue. There was no report, no detail of who the review was carried out by and no detail of why my constituents were incorrect in their assertions. There was no transparency in this process whatsoever. I questioned this with the FCA, which did no more than back up the actions of Barclays—the whole arrangement between Barclays and the FCA seemed very cosy. At best I would say the FCA scheme was inadequate, but at worst I would say it was completely toothless.

This situation has, unfortunately, left my constituents having to pay the up-front cost to employ an expert to calculate consequential loss. They have also had no choice but to incur the up-front costs involved in considering whether litigation was economical or not. Now, 12 months from the initial offer made by Barclays, they are left with a choice: take on a David and Goliath fight with Barclays, without even the simple damages to help them facilitate it, or capitulate, taking the simple damages and the 8% for consequential loss and suffering the ongoing losses because they have not been put back into the position they were in originally. To a small business, such as the one I am talking about, that is Hobson’s choice: they have no choice whatsoever. Given what I have heard from right hon. and hon. colleagues, I am sure that this case is not unique; this is happening up and down the country, not just with Barclays, but with other banks.

Daniel Kawczynski (Shrewsbury and Atcham) (Con): I have two companies in my constituency that I am particularly concerned about, Regal Fayre and Bennett Holdings. I very much hope that my hon. Friend will agree that Members of Parliament have come to take part in this debate, so the Minister and her team should take a specific interest in each of the cases.

Mr Jones: I thank my hon. Friend for his invention, and I will address that issue in a moment. I know that my hon. Friend the Economic Secretary takes a considerable interest in this and I am sure she will take that interest further as a result of what she has heard today. People such as his constituents and mine need action. One way in which they could get the redress would be if these people were properly protected under the umbrella of the ombudsman. My constituents qualify for the criteria of the ombudsman scheme, but the maximum award of damages the ombudsman can offer is completely inadequate. I have spoken to the Minister on a number of occasions and at some length about that. Many people are going to the ombudsman and finding that it is recommending damages above and beyond what it can impose. I am aware that some banks are willing to honour that, but I am also aware that in many situations banks are not willing to honour what the ombudsman is saying. That brings us back to the point about inconsistency raised right at the start of this debate by my hon. Friend the Member for Aberconwy.

At the moment, I would probably give the FCA five out of 10—some people may think I am being generous—in achieving its aims under the scheme. If the FCA and the Government want to get 10 out of 10 in the eyes of my

constituents, the FCA needs to have more teeth—if it does not have the power to deal with these issues. They need to make sure that a number of things happen. First, they need to make sure that all banks decouple the payment of simple damages from the matter of consequential loss. They also need to compel banks properly to assist their customers to assess their loss.

Guto Bebb: Although the FCA scheme says there is no need to get professional advice to help with the consequential loss claims, the evidence seems to suggest that the people who have taken on such advice have a better outcome than those who have not. Is that not another example of inconsistencies?

Mr Jones: My hon. Friend is absolutely right about that. The issue of consequential loss is reasonably simple in some cases but extremely complex in others. Even in the most simple cases it is difficult for the people involved. We must not forget that they are “non-sophisticated customers” and it is difficult for them to assess their loss, so they should be helped in that.

Let me highlight a number of other things that must happen to make sure that people are satisfied that they have had a fair deal from this process. There needs to be far more transparency in the review process, for the reasons mentioned by right hon. and hon. Members. The banks need to be compelled to divulge the identity of the reviewer, and all the correspondence and other supporting documentation in relation to that review process. There also needs to be a review of the maximum level of compensation the FCA can award, to make sure that all small businesses are truly protected without having to go to law.

Finally, my hon. Friend raised an extremely important point about the tax treatment of people who get compensation. I know that the Government have already set a precedent in this regard; it may have been not for commercial loss suffered, but in relation to the Equitable Life scandal, which this Government have done their best to clear up. The payments made by my right hon. Friend the Chancellor to people affected by that scandal have not affected recipients’ tax positions. It is extremely important that we look carefully at this to make sure that the same applies in this regard.

This issue is about fairness; it is about fair redress for the loss that people have suffered. That redress can be fair only if the FCA scheme and the ombudsman can truly put people affected by this scandal back in the position they were in before they were mis-sold these awful interest rate hedging products.

2.47 pm

Mr Mark Williams (Ceredigion) (LD): I would say it is a pleasure to speak in this debate, Madam Deputy Speaker, but I wonder whether it really is. We have had three of these debates so far and, sadly, they have been enriched by the experiences right across the country of our long-suffering constituents. My contribution will be no different in bringing some of those experiences to the attention of the House, but I particularly wish to address the issue of fixed-rate loans—tailored business loans, as they are known in some quarters—how dangerous and toxic those products are, and how they remain excluded from the FCA review, an anomaly that should be addressed.

First, however, it would be remiss of me not to congratulate, again, my hon. Friend the Member for Aberconwy (Guto Bebb), the all-party group he founded and Bully-Banks. I shudder to think where we would be without him and those who were galvanised into founding Bully-Banks to push the agenda forward. It would be churlish if I did not at the start of my contribution acknowledge, as my hon. Friend did, the record of the redress scheme in so far as it is a redress scheme, but today's motion clearly spells out our sense of disappointment. More than that, it highlights our feelings about the inertia, helplessness and heartbreak expressed by many of the small business owners who have been mis-sold these products in the cases we are all dealing with.

I have spoken in this Chamber before about one business in my Ceredigion constituency, and I will do so again. I can see at least two or three former Aberystwyth students here who will know the business in question. The asset-rich farms, hotels and pubs in my constituency, which is dependent on agriculture and tourism, were very clearly targeted by the banks. There was a time when the trickle of cases that came into my surgeries reached torrent proportions. There were many, many cases of people coming to see me. Clearly, the policies had a direct impact on the employment base of my constituency, reliant as it is on seasonal trade. If there is the prospect of three or four large hotels closing down in a constituency, it is a very serious matter.

I have mentioned the case of Mr Mansel Beechey, the licensee of the Hen Llew Du Public House in Bridge street, Aberystwyth, and I want to continue to use his example. The fact that it is an unresolved case speaks volumes. He made a complaint to the bank about the mis-sale of his tailored business loan, an unregulated product, back in April 2012. It took Clydesdale and Yorkshire Bank well over six months to respond to that formal written complaint and, despite the efforts of my office facilitating meetings with some of its most senior personnel, the matter remains unresolved. Dither, delay and prevarication are the watchwords of its game. Its most recent excuse was that matters could not be progressed because of staff leave. That was at the beginning of September. Let us not forget that I am talking about an iconic and once successful business—one that had a future—being put in jeopardy. The fear is that the bank seeks to put this matter into the long grass.

I refer now to the commendable work of the Treasury Committee, which conducted a brief inquiry into this matter. We heard evidence from Mr David Thorburn and Debbie Crosbie of the Clydesdale and Yorkshire Bank. The hon. Member for Dundee East (Stewart Hosie) raised the matter of the TBL sales process and asked Ms Crosbie:

“If a customer is able to identify that that process did not happen, that that warning was not explicit, that would count as a mis-sell would it, in terms of your review?”

Ms Crosbie replied in the affirmative. She said:

“We believe that once you examine that process, and find that it had not been carried out in accordance with what we had agreed is appropriate, we would absolutely redress a customer and we have done so on a number of occasions.”

Ms Crosbie also stated that

“the customer gets a fixed payment for a fixed period of time and that payment will never change as long as the customer does not want to terminate the agreement early.”

That is the mis-match between what we are told by managers, the experience of the Select Committee and the practice on the ground for Mr Beechey and his family.

Given the recent press coverage concerning the National Australia Bank, the parent bank, issuing a profit warning to Clydesdale and Yorkshire Bank and linking the bank to an imminent disposal, it is not surprising to learn that this bank drags its feet in addressing mis-selling issues with potentially dire consequences for some of our constituents. It serves its purpose to do so, often allowing the customers—my businesses in Ceredigion—to teeter on the brink in the hope that Her Majesty's Revenue and Customs will then move in and finish them off.

I very much concur with what my hon. Friend the Member for Aberconwy said about the changing attitude to HMRC as the debate on consequential has moved on. Sadly, the reality here is that virtually all of Clydesdale and Yorkshire's lending was done via tailored business loans on fixed rates and, as those products fall outside the scope of the FCA review, the bank has thus far avoided any effective redress scenario.

My hon. Friend the Member for Nuneaton (Mr Jones) and others have talked about our despondency—and the despondency of our constituents—over the role of the FCA. When the Financial Services Authority morphed into the FCA, we were assured that the new organisation would enforce rules and punish breaches and that it would focus on the behaviour of financial professionals. In short, we were promised that it would be a true watchdog. We have looked to the FCA to sort out this mess and to do so in a way that is both fair and timely, but that has not happened. As we have heard from other Members, the FCA has still not released comprehensive details of what constitutes a mis-sale. The agreement between the FCA and the major banks on which the review process is founded remains a secret agreement. Where is the transparency and fairness for these businesses that are so badly affected? Where is this protection for customers that is supposed to be at the heart of the FCA's work?

Mr Henry Bellingham (North West Norfolk) (Con): I have a business in my constituency that took out a fixed-rate tailored business loan, which had a hidden swap attached to it. The bank is trying to say that it is not regulated. Surely the key point is one of fairness and of putting all these people back in the position in which they would have been before.

Mr Williams: My hon. Friend is right. It is about fairness and the implications of these policies. Whether the policies were sold independently or hidden in a loan agreement, the implication has been the same. They were sold by the same people and so should be included in any future review.

The redress scheme has excluded a large number of people. Even before we drill down and thoroughly examine the scheme, it is hugely significant that a large number of businesses fall outside it. The scope of the scheme is too narrow and restrictive. It does not deal with the reality of what has gone on, which means that, as it stands, it will not change or reform bank behaviour or properly compensate people.

The scheme sets out that the IRHP Review does not require customers to assess for themselves whether or not their sale was compliant.”

[Mr Mark Williams]

If, as the FCA insists, there is no requirement for disclosure, how can it ever be possible to tell whether the banks, in reaching a judgment, are relying on erroneous information, or, as I have frequently come across, deliberately not taking information into account?

If the review process is to be transparent and fair, why is the customer not given a chance to view the evidence that the bank puts forward in the review and, if they feel it to be necessary, to have the opportunity to comment on it? How does the FCA fail to see that there will always be suspicion and mistrust when the process is shrouded in secrecy, and customers are deprived of the opportunity to view the evidence submitted by the bank to the bank's own review team?

We need to address the controversial matter of the offer of alternative products. As part of the redress, reviewers seem to be hellbent on suggesting that if my constituents had not taken out a particular type of hedging product, they would almost certainly have taken out something similar. Is it now really the case that providing customers with an alternative product as part of redress is actually a widely accepted or well-established principle?

Despite the brief and the impressive statistics, the FCA is still failing to address the issue of confidence; there remains a crisis of confidence in the banking industry. Many people, such as Mansel Beechey and my constituent in a related matter, David Grant of Llechryd, have deep misgivings about the industry, and this is not just a matter of justice; in communities such as mine, the small businesses that the Chancellor, the Deputy Prime Minister and the Prime Minister have said are so important to our economic recovery need action and assistance. If we do not act, we will fail many of our constituents, and it will be to the detriment of us all in terms of both justice and the economy.

2.59 pm

Bob Stewart (Beckenham) (Con): It is a pleasure to follow my hon. Friend the Member for Ceredigion (Mr Williams), who also attended Aberystwyth university. Like him, I commend my hon. Friend the Member for Aberconwy (Guto Bebb) for securing this debate and campaigning on this matter. I think that everyone in the House is grateful to him for his efforts.

Many small businesses have suffered as a result of bank mismanagement, and I wish to highlight just one of them. A constituent of mine, Mr Dean D'Eye, became a customer of the Romford lending division of NatWest—part of RBS, of course—14 years ago. He had investment and property development businesses, and his main contact point with NatWest was a man called Ray Pask. Until 2008, Dean D'Eye carried out many transactions via NatWest. His total lending across various companies totalled about £11 million, with a debt of about £5.8 million. All interest payments on his debts were paid on time, and his business had a very satisfactory gearing of less than 60%.

After the Lehman bank collapse in September 2008, however, Dean D'Eye was inundated with additional requests for information, which took up a great deal of time—time off the crucial task of doing business. Then in December 2008, without warning, NatWest retained the £139,000 profit from a property sale, despite having

sent letters confirming it could be used to aid the group's cash flow. Thereafter, NatWest mis-sold the swap products associated with Dean D'Eye's business.

In early 2009, while the demands for even more information continued, Dean D'Eye's group was placed under watch by the global restructuring group. Then in April 2009, the bank sent in administrators from a company called MCR to report on his business. In Dean D'Eye's view, its subsequent report was engineered to cause maximum damage, to justify putting his business into administration.

Sir Andrew Stunell (Hazel Grove) (LD): I do not know the details of my hon. Friend's case, but I could almost recite them, given the grave similarities to cases that have arisen in my constituency. There seems to be a pattern, particularly with RBS, of following a track designed to produce a certain outcome, regardless of the strength of the business. Does he agree that the FCA should take that into account when looking at the independent assessments?

Bob Stewart: The point of our producing case studies is to prove that they are all along the same, incorrect path.

On 28 May 2009, NatWest formally cancelled Dean D'Eye's overdraft, which, considering the size of the business, was small—about £40,000. Within a week, on 1 June, all his loans were called in, so that by 10.17 am on 5 June, administrators had full control of the business, which they started running from his office. This decision meant the group lost its cash flow, which in turn created a default with Dunbar bank, owned by Zurich Insurance Group. Dunbar bank has a reputation for being even more ruthless with its customers than NatWest.

As was broadcast on a recent BBC "Panorama" programme, Lawrence Tomlinson, the Government's entrepreneur in residence, has exposed the dubious activities of NatWest's GRG department—on that matter, retribution was taken against him as well. The NatWest GRG's senior managers have at the very least given some obscure answers to the Treasury Committee. I understand that, since then, some of them have resigned and that the GRG has been disbanded. I gather that only 6% of the business adopted by the GRG ever re-emerged. That is hardly a success. My constituent, Dean D'Eye, now hopes to get litigation funding, so that he can take NatWest to court for the way in which it ruined his business. I cannot say that I blame him for doing so.

3.4 pm

Mark Garnier (Wyre Forest) (Con): It is a great pleasure to follow my hon. Friend the Member for Beckenham (Bob Stewart). I should like to add my congratulations to my hon. Friend the Member for Aberconwy (Guto Bebb) on securing the third of these debates. This is turning into a running series, although I hope that we shall not need a further debate on this matter in the next Parliament because we will have resolved the issue by that time.

Great progress has been made as a result of the huge amount of work that my hon. Friend has done, and it should be recognised that, in many cases, the banks have stepped up to the plate to handle the problems that

they have created. However, we have been left with a cohort of claimants who feel that they are not getting the redress they deserve, and I want to concentrate on them today.

When I consider the plight of those businesses that have been mis-sold interest rate hedging products, I have yet to find a victim for whom I do not have enormous sympathy. This appalling scandal has destroyed many people's lives, including those of people who have not been directly affected. For example, people have found themselves out of a job when their employer went bust as a result of the scandal. Other people have been creditors who could not suffer the cash flow shortfall resulting from banks taking too long to make redress payments, especially consequential loss payments, to the businesses that owed them money.

The scandal's implications go far beyond the victims who were mis-sold swaps, and it is therefore right that we should consider the regulator's response. The response of the Financial Conduct Authority is incredibly important, not least because this is one of the first full-blown scandals to which it has had to respond. How the new regulator behaves over this scandal will set a precedent for how it behaves in the future and tell us whether it is fit for purpose.

I want to raise a couple of issues, given that the regulator has opted for a voluntary redress scheme. That in itself is probably not unreasonable, and it gives the banks an opportunity to show how they have changed their culture and responded to the chaos they have caused. However, this is a brand new way of responding to such a crisis, and it must be looked at very carefully. The briefing note that the FCA prepared for this debate states, in the frequently asked questions section, that the voluntary approach is different from previous redress schemes, citing speed in compensation. Speedy outcomes have not been achieved in all cases, however.

It is noteworthy that the regulator cites part of the Financial Services and Markets Act 2000 as a reason for not having to make public the arrangements between itself and the banks. Any new process needs to be fully transparent if there is to be confidence in that process. There is no confidence in this process, and the situation is fundamentally flawed.

Bob Stewart: How can anyone possibly think that there should not be full transparency in this sort of activity? I do not understand how the FCA can justify not being transparent about all its dealings.

Mark Garnier: I am not sure that the FCA can justify it. The FCA is answerable to Parliament and to the Treasury Committee, and until such time as we can conduct a proper investigation into what it has been up to, how can anyone believe that this is a good system?

Tessa Munt (Wells) (LD): Does the hon. Gentleman anticipate that the eventual outcome of this complete lack of transparency is that the FCA will have to revisit this whole process, as it has done relatively recently with payment protection insurance, because so many people have had a very poor deal?

Mark Garnier: The hon. Lady is absolutely right, and I shall return to that as I make progress through my speech.

My first point is that there is little consistency between the banks in how they tackle the problems they have created. One of the FCA's frequently asked questions is:

"Are the offers consistent between banks?"

Interestingly, its response reads:

"The independent reviewers report regularly to the FCA, both on the judgements they are making and how the banks are performing, and will regularly bring all the independent reviewers together to ensure consistency of approach. The FCA also collects data on the offers being made by each bank and we carefully consider any variances to ensure that the standards are being applied consistently."

That in itself demonstrates that there is a huge amount of useful information that we are not getting a chance to see. It goes on:

"We also regularly select individual case studies to follow up with banks".

The FCA is trying to be consistent, but cannot say that it is being consistent. We have heard on many occasions this afternoon about its not being consistent.

My example concerns not one of my constituents but someone else who came to see me and involves how the banks treat businesses that have gone into insolvency. Clearly, any insolvent business will have an insolvency practitioner winding up that business. It is a tragic time, but somebody has to come in and do it. In the event of an insolvency, the banks are involved both as a creditor, as they have lent money to the business in the first place, and as a debtor, as they owe redress and in many cases consequential losses to the business. Some banks behave quite well. HSBC is a reasonably good example and recognises that the insolvency practitioner is duty bound fairly to distribute the assets of an insolvent business to a wide range of creditors. To that end, HSBC will pay what is owed under the redress and consequential loss scheme into the insolvency practitioner's funds and then put in a bid for what it is owed from the original bank loan. The insolvency practitioner therefore makes a correct and fair assessment of who is owed what, and in some cases HSBC will get back not just less than it lent but less than it would have got back had it done what RBS does.

RBS is a frequent flyer in this debate, so I shall have a go at it, too. I am told that RBS will offset what it owes by way of redress and consequential loss against what it is owed by way of repayment of the loan. Therefore, although it is still owed money by the bankrupt business, it is owed less than it otherwise would have been, and when RBS seeks to limit its losses at the expense of other creditors' owed money, those creditors will lose money as a result of RBS's mis-selling. That is just plain wrong.

It is also wrong that some loans have been left outside the redress scheme. Those who took on tailored business loans, otherwise known as hidden or embedded swaps, have had exactly the same financial problem but for a technical reason are outside the regulated arena. Under article 85 of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, due to some pretty technical reasoning, if a loan looks like a duck, swims like a duck and quacks, it is in fact a donkey. Some pretty smart lawyers have looked at that and the inescapable fact is that the legislation was written in a way that allowed many businesses to be mis-sold swaps in an area that is unregulated.

[Mark Garnier]

The FCA's frequently asked questions talk about these so-called commercial loans, stating:

"Commercial loans generally fall outside the regulatory remit of the FCA and we therefore cannot direct the banks to set up a review of these products".

That might possibly be so, but is not the act of an FCA member's selling any product to an unsophisticated customer a regulated activity that therefore falls under the FCA's remit?

Mr Bellingham: I agree entirely with my hon. Friend. Many of these businesses are not large concerns—some are SMEs and some are micro-businesses—and one could not describe some of the proprietors as highly sophisticated business people. As far as they were concerned, they were mis-sold these fixed-rate tailored business loans with the hidden swaps attached to them. Some have been dealt with very quickly by the banks, but others have not and the banks have just ignored them completely.

Mark Garnier: My hon. Friend makes incredibly important point. The point of the regulator, the FCA, is to protect unsophisticated consumers, but it has manifestly let down the consumers who subscribed.

The paragraph in the FCA briefing note continues:

"The FCA has received legal advice supporting this view"—

about article 85. It goes on to say that the Treasury Committee has carried out scrutiny of that advice. I am a member of the Treasury Committee and I think it is worth putting on the record just what that constitutes.

The Treasury Committee asked the regulator on many occasions for sight of the legal advice on these embedded swaps and on many occasions it said no. We asked whether we could send our legal advisers around to have a look at the advice on our behalf, but it continued to say no. We had a public evidence session with the chief executive officer and chairman recently and questioned them about the issue again. The answer they gave was that they were not prepared to let us see the advice as it was confidential. We pressed them on whether we could send our legal team to have a look at it and they answered that they needed space from Parliament to conduct their activities.

The regulator is answerable to Parliament. Although I am sympathetic to the submission that the regulator cannot have every confidential document shown to all hon. Members, who may well then tell the press, the CEO and chairman simply cannot say that they need to be excused one of their most fundamental duties—that of answering to us here in this place. In the end, we pressured them to relent and our legal adviser looked at the advice they had been given, and in fact they were right. But this is a sorry story of the regulator not understanding its duties and its constitutional place as answerable to Parliament.

In any sort of resolution scheme, it is inevitable that some people will feel well treated and others hard done by. One of my constituents was entitled to redress but felt that he did not need it, because he had bought exactly the product that he wanted and expected and he thinks it unfair on other people that he should seek redress when he took what he thinks was a fair deal. But

he is unusual. I have constituents who have been completely and totally rolled over by the banks. Consequential loss offers are derisory for businesses that have taken a lifetime to establish and just a few telephone calls by mis-incentivised relationship managers to destroy. There are no consequential loss payments for reputations destroyed, or for goodwill wasted and track records smashed.

I was a member of the Parliamentary Commission on Banking Standards. We looked hard at how the regulator could drive better standards in the banking industry. There should be incentives for better behaviour, and banks are working on making their staff perform to higher ethical standards, but for every carrot there must be some sort of stick. If it is possible for banks to be fined for fixing LIBOR and forex benchmarks and for mis-selling insurance products, why have those banks who have destroyed so many businesses been allowed to choose their own form of redress with no further financial penalty?

I am baffled why the regulator has set up a redress scheme that is voluntary, has just one opportunity for appeal and is not being reviewed or assessed. Surely, it is right that people who are unsatisfied can have an independent appeal assessed by the Financial Ombudsman Service. A special unit could easily be set up at the FOS, funded by the banks, to give one last chance of appeal to those small businesses that fall outside the FOS's remit but inside the redress scheme. I am also baffled why the regulator will not publish the terms of reference and the agreements between the regulator and the banks on how the scheme is managed and run and what is expected of it all. That lack of transparency can only lead to mistrust in the system and the regulator. I am also concerned that the regulator is so reluctant to share with agents of the Treasury Committee legal advice on whether embedded swaps are regulated.

With so many people left destitute and impoverished by what has happened, it is wrong that no one has been brought to account over this. Until such time as fines are levied and front-line staff guilty of mis-selling brought to book, confidence in the banking sector and the regulator will struggle to improve and standards may languish at an unacceptable level.

The last sentence of the motion before us calls respectfully for the Government to consider a review of this whole process and the conduct of the regulator. I urge my hon. Friend the Economic Secretary to the Treasury to look carefully at whether to hold an independent review of this whole regrettable scheme.

3.17 pm

Roger Williams (Brecon and Radnorshire) (LD): My speech will be relatively short because I have spoken on the subject before. I commend the hon. Member for Aberconwy (Guto Bebb) for the work that he has done on this matter and for obtaining the debate. It is a great sadness that so many businesses have still not been able to come to an agreement with their banks to resolve the outstanding matters. Yes, some businesses have reached agreement, for which we commend them and the system that allowed that to happen, but many businesses are still really suffering.

The damage is not only to individual businesses and individuals—the people who own those businesses, whether they are sole traders or partners. Some of those have

suffered very greatly. They have been impoverished; they have suffered ill health because of the stress and worry caused by the mis-selling of these products. Not only those individuals and businesses, but their whole communities have suffered because people have lost their jobs or businesses have been prevented from expanding.

My constituent, Don Evans of Springdew, would have been able to expand his business greatly if it had not been for the mis-selling of the swaps and the damage caused to his reputation. He runs a business that packages toiletries and pharmaceuticals, and he would have been able to engage in a large contract with a national—indeed, international—pharmaceutical company to package its materials if it had not been for the financial problems he had as a result of the mis-selling of swaps.

The community in which Don Evans's company operates—the top end of the Swansea valley where, unfortunately, unemployment is still relatively high—has suffered as a result of the bank's behaviour. If that is multiplied across the country, taking into account all the communities and all the businesses that have suffered, it has an impact not only on the local economy, but on our national economy. It is a disgrace that some of the banks that were bailed out by this country have caused that problem.

Don Evans was negotiating a facility with his bank, Barclays. He had banked with that bank for many years. The people there were not just bankers but trusted advisers, as he saw them. He was running a relatively small business and did not have the financial sophistication that larger businesses would have, so he looked to the bank for advice. He wanted a facility to buy a partner out of the business and he sat down to negotiate and complete that, when an aptly named Mr Shafto appeared on the scene and said that unless he entered into the interest rate swap, the facility would not be made available to him.

It is sad, in a way, that Mr Evans did not take up the facility, but ended up with the swap and still had to service the swap agreement. As I said, his business has suffered greatly. The hon. Member for Nuneaton (Mr Jones), who is not in his place, said that the FCA agreement says that it should be possible to put people back in the same place as they were before they entered the swap, but unfortunately for Mr Evans, that is unlikely ever to happen. Such have been the financial problems that he suffered and, yes, the damage to his reputation that he will not be able to get back to the place where he started.

Barclays is one of two banks that still link the redress element to the consequential loss element. In Mr Evans's case, redress has been offered but at an entirely inappropriate level of consequential loss—about 7%—which bears no relation to the damage that has been done to his company. It seems that he will have to go to litigation to receive satisfaction from Barclays. He subsequently changed his bank and is in a much better relationship now with another bank, but that makes it even more difficult for him to come to an agreement. He has been told that there is no point in his writing to or contacting Barclays any more; he either accepts the redress offer and the entirely inappropriate consequential loss offer, or goes to litigation.

That is a tragedy for the firm. It is back on an even keel now and is contributing to its community, but it could have done so much more for that part of the

Swansea valley, which is so desperately in need of employment and manufacturing capacity. To me, the behaviour of the bank was a disaster. I am sure many right hon. and hon. Members have met senior people in the bank who said that they would change their ways, do away with the target culture and be customer-focused. The best way for the banks to improve their reputation would be to come to an agreement with their customers, such as Mr Evans.

3.24 pm

Ian Swales (Redcar) (LD): I rise to join the chorus of thanks to the hon. Member for Aberconwy (Guto Bebb); we all owe him a great debt for his relentless spearheading of our efforts in this long saga. Only a handful of constituents have come forward to tell me that they have been affected by this problem, but I have a very strong feeling that they are only the tip of the iceberg. I think that there are a lot of business people out there who are frightened of their banks and of what might happen to their business reputation if they come forward, or who are so unsophisticated that they do not even know that they have a problem. I think that there are many affected businesses that we do not hear from.

Having said that, I have certainly seen the problem. I welcome what has been done so far with the direct redress scheme, but I still think that it has taken too long. During this period we have seen business collapses and even suicides, although not in my constituency. There are still huge issues remaining. Many Members have spoken of the problems with the consequential loss scheme, and I wish to add my voice to that.

I want to talk in greater detail about the banks' behaviour and what they have done to my constituents. I will talk about one constituent, Mr Stephen Lilley, who operates a single retail shop in a seaside village. I am sure that he would not regard it as an insult if I described him as unsophisticated as far as these products are concerned. Indeed, such is their complexity that I regard myself as unsophisticated, despite being a qualified accountant.

Tessa Munt: It has always struck me that it would be completely logical to require bank staff and independent financial advisers to be qualified to a certain level in order to flog these things. Surely "unsophisticated" means anybody who does not have an equal qualification when buying one of these things.

Ian Swales: My hon. Friend makes an interesting point. I think that even small businesses, such as those mentioned by my hon. Friend the Member for Brecon and Radnorshire (Roger Williams), probably should have had independent financial advice to deal with their own banks, which is a completely unacceptable situation.

I think that Mr Lilley's case has wider implications, although I could equally have used those of other constituents, such as Roy Myers, Martin Johnson and Peter Broom. Mr Lilley took out a loan for his business. He was asked to put up as security his house, his son's house, the commercial property, a share portfolio and the goodwill of the business, which he did. It was a swap product with the additional liability of a credit line, which was not declared at the time. I think that we all know how complex these products are. It was a derivative product that was priced in US dollars and

[*Ian Swales*]

then converted back to pounds. Mr Lilley had unknowingly fully indemnified the bank for these facilities, including the credit line, which they were not aware of. They have, through a pro bono arrangement, had some very expert advice on their situation. I should say that Mr Lilley made it clear to his bank from the start that he wanted a simple, declining balance loan, but that was never offered to him. He was very keen to repay the loan and not to take out a long-term arrangement, but that is what he did.

Mr Lilley has now been offered an alternative product—a cap—by the independent reviewer. The expert whom Mr Lilley is using believes that it is a regulated product, but the independent reviewer is not regulated to deal with the product, so right from the start there is a question of legality about his being offered that alternative product. At a meeting with HSBC on 24 October, the independent reviewer admitted that he was paid by HSBC, which brings the independence into question. Until that date, Mr Lilley did not know that there was an additional credit line in place, although it is some years since the original arrangement. The failure to disclose that puts a real question mark over whether it was contrary to section 1 of the Fraud Act 2006. It has been impossible to ascertain when the credit line was put in place or by whom. Moreover, the relationship manager was, in effect, selling a regulated mortgage because domestic properties were involved, and they were not qualified or regulated to do so. There is a whole issue about the legality of what the banks were doing. Mr Lilley and his family turned out to be guarantors of the extra credit line, which was secured against their homes, and under an “all moneys” charge they would have full liability. They have consistently asked for information about this, but the bank has still failed to provide it.

On 21 August 2013, an adjudication was agreed, part of the terms of which were that the swap was cancelled. Today, well over a year later, the swap is still in place. This is a small business person running a single shop—a mom and pop business, as the Americans like to call it. He has had to lodge two homes, business premises and a share portfolio worth far more than the loan that he took out. Because of the way that the bank has structured these products, it will not release any of the collateral. Mr Lilley would like to get some of his share portfolio back to help finance the problems he has as a result of the loan, but the bank will not release it. That is because it is itself using the assets that have been lodged for wider purposes. There is an underlying scandal going on.

Mr Lilley’s loan agreement says:

“In the event of HSBC’s insolvency or default or that of any brokers involved with your transaction positions may be liquidated or closed without your consent. In certain circumstances you may not get back the actual assets which you lodged as collateral and you may have to accept any available payments in cash.”

That means: “Your home may be at risk if the bank does not keep up the repayments. Even if the loan is up to date, if the bank or any brokers become insolvent, the bank may call in your assets.” That is a very onerous condition. The bank can do this because in 2007 the FCA changed the client asset rules, which contain two important clauses. CASS 3.1.5 says:

“the firm is given a right to use the asset, and the firm treats the asset as if legal title and associated rights to that asset had been transferred to the firm subject only to an obligation to return equivalent assets to the client upon satisfaction of the client’s obligation to the firm.”

In CASS 3.1.7, the position becomes even clearer:

“the asset ceases to belong to the client and in effect becomes the firm’s asset and is no longer in need of the full range of client asset protection. The firm may exercise its right to treat the assets as its own by, for example, clearly so identifying the asset in its own books and records.”

That starts to explain why the banks are so reluctant to offer shorter-term products, or different products, as part of the redress scheme: it is because they are using these assets in their own balance sheets. Between 2007 and 2008, when the regulations changed, RBS added £700 billion of assets to its balance sheet—equivalent to about half the UK economy. I suspect that an awful lot of houses and businesses are on RBS’s balance sheet and people do not even realise it. As a major shareholder of RBS, the Treasury needs to examine this, particularly as the Bank of England is saying that it is more likely to let banks fail in future. Many people could find themselves losing businesses and assets they did not even know were part of a bank’s balance sheet.

The operation of the compensation scheme, the behaviour of the banks, and, importantly, as the hon. Member for Wyre Forest (Mark Garnier) said, the behaviour of the FCA and question marks over its independence, mean that the scandal is continuing. It really is time for the Government to conduct a truly independent inquiry.

3.34 pm

Bill Wiggin (North Herefordshire) (Con): I shall not trouble the House for too long, but I must draw its attention to my entry in the Register of Members’ Financial Interests.

My constituents William and Frances May have brought the actions of UK Acorn Finance to my attention. I understand that the problems with UK Acorn Finance have been raised many times in the House over the past seven years and that at least 40 Members have Acorn victims among their constituents. My constituents tell me that the Financial Conduct Authority claims that it has an insufficient mandate to investigate, while the Financial Ombudsman Service compensation ceiling is inadequate for many commercial businesses impacted by UK Acorn Finance. My constituents would like to know what action the Government are taking to regulate and investigate effectively the actions of the company and whether it should even be allowed to continue trading.

The Connaught Income Fund will also be familiar to many colleagues. It was incredibly disappointing to learn last month that investors and all parties had failed to reach a negotiated settlement to address investor losses in the Connaught Series 1 fund by the FCA, the deadline being 31 October. Will the Government maintain the pressure on the FCA to ensure that it continues to work actively to sort out this mess?

Another of my constituents runs a company called Pixley Berries and claims that he is currently

“receiving the same treatment from HSBC as widely published with reference to RBS.”

My constituent has refused to go along with it and is in the process of transferring to another bank. Meanwhile, he has consequential losses of some £500,000, so he estimates that the interest rate hedging product he was mis-sold set back his business by £500,000. He has received £200,000 in redress, but in terms of well considered and evidenced consequential losses he has been offered £5,000 against a claim of £190,000. The reality for a business such as his is that there has been no change in conduct. Does the Minister agree not only that the FCA redress scheme needs to be improved, but that the banks need to change their behaviour fundamentally?

Paul Farrelly: Given that the hon. Gentleman has mentioned RBS, which is owned by the taxpayer, may I add to my previous remarks? DK Motorcycles was not only bounced into the global restructuring group at RBS, but bounced back and forth between Birmingham and Manchester several times. Is it not a duty of the Government to make sure not only that the stables are properly cleaned, but that the shark cage is emptied so that the activities of people in the bank are brought to book and we can have more confidence in RBS in the future?

Bill Wiggin: What is not to love about an intervention about motorcycles? I thank the hon. Gentleman for that. Obviously, the Minister is going to speak, so I will not take too much time. It is right that she should have the opportunity to explain the Government's position, but the hon. Gentleman's point about confidence is absolutely right.

The campaign group Bully-Banks has a number of suggestions—many colleagues have mentioned them—on how to improve the FCA redress scheme. One suggestion targets the fact that many small and medium-sized enterprises were excluded from the scheme because they were deemed to be “financially sophisticated” and therefore able to understand the interest rate hedging product sold to them.

The Government need to create an independent appeal tribunal to determine whether a company was in fact “financially sophisticated” and therefore able to understand what it was buying. One company that would benefit is allpay, which is in my constituency and with which I have worked. It was excluded from the redress scheme because it had more than 50 employees at the relevant time. That cannot be a qualification for understanding a complex financial instrument, so I urge the Government to consider the issue carefully. Apparently allpay falls outside the FCA's unique version of what constitutes an SME, and that cannot be right. That company lost £2.25 million and it has spent the past five years paying it off.

I appreciate that an extension of the FCA redress scheme might open the floodgates to a wave of new claims against other banks and trigger a significant increase in their provisions for mis-selling liabilities. However, I want the Government to support all affected businesses, of whatever size, in this matter. As I have said, the campaign group Bully-Banks wants an independent tribunal to determine “financial sophistication”. It wants the redress scheme to be extended so that appeal tribunal decisions are based on what actually happened, not on the size of the company.

I will not detain the House a great deal longer. The FCA has a difficult job, but an important one, and I believe I am registered with the FCA in one of my roles. My plea is for it to focus its efforts on the people who have done the wrong thing, rather than increase the burden of regulation on people who are doing the right thing.

3.39 pm

Cathy Jamieson (Kilmarnock and Loudoun) (Lab/Co-op): Thank you, Madam Deputy Presiding Officer. Sorry, Madam Deputy Speaker. I always do that; I have been thinking too much about Scotland during the day.

I welcome the opportunity to speak in this debate. Hon. Members have given several examples about problems faced by their constituents. As a constituency MP, I have heard from a number of my constituents or small businesses that have suffered similar consequences.

The motion addresses the perceived failure of the FCA redress scheme. I was of course aware that the scheme had attracted criticism. We have heard quite a lot about that today, particularly in relation to some of the problems involved in the cases that hon. Members have raised. I will speak about them in more detail.

Before I consider the merits of the redress scheme, it is worth remembering how we got into the situation of needing such a scheme in the first place. We must therefore again address the mis-selling of interest rate hedging products that made the scheme necessary, as hon. Members have done during the debate.

Hon. Members are probably aware—the banks certainly are—that I have spoken often and at considerable length about the need for banks to eradicate the culture of mis-selling and to put their own house in order. The banks have a duty, whether we call it a fiduciary, an ethical or a human decency duty, to act in the best interests of their customers. Absolutely fundamental to that is the requirement to ensure not only that customers are sold products that they want and need, but that they understand the terms, conditions and caveats that underpin them.

From time to time, things can and do go wrong, and not even the most prescient among us can anticipate all the nuances and fluctuations in the money markets that may affect the products we purchase. However, just like the rewards associated with any product, the risks must be clearly stated from the outset. It can be argued that interest rate hedging products in and of themselves might not always be bad when sold in appropriate circumstances—they may help to shield bank customers and even small businesses from the risk of sharp interest rates movements—but, as we have heard this afternoon, it is clear that in many cases the risks have not been fully explained to, or fully understood by, the customers.

The FCA has clearly laid out the shortcomings in the information that it has provided. Nearly 19,000 small business customers of major UK banks took part in the review, and among the main problems they highlighted were the poor disclosure of exit costs, the failure to ascertain customers' understanding of risk, the straying of non-advised sales into advised ones—that has been raised this afternoon—and the fact that the sale of products was driven by rewards and incentives. I will briefly take each in turn.

[Cathy Jamieson]

In its briefing, the House of Commons Library gives the example of a customer who was sold an interest rate hedging product that lasted longer than the loan whose risk it hedged. When the bank chose not to renew the loan, the customer was left with a stark choice between paying the extortionate breakage fees and continuing to pay the monthly cost of the hedging product. The latter option has been likened to a customer continuing to pay for the insurance on a car that they have sold. It is important to note that, unlike for a fixed-rate loan, an interest rate swap agreement is separate from the loan contract and must be terminated independently. From some of the speeches in this debate, it is clear that that has not always been entirely understood by those involved. Repaying the underlying borrowing does not automatically terminate the interest rate structures, and as we have heard, customers are not always made sufficiently aware of that.

Most of us who do not work in finance, banking or associated professions will perhaps have a rather sketchy understanding of the risk. There is nothing wrong with hedging against risk; it is a widely used practice that has occurred in many different manifestations for many years. However, the concept of hedging against risk has spawned a diverse range of products that are sometimes dizzying in their complexity, even for those who perhaps run their own businesses and think of themselves as if not “sophisticated” in the way defined, none the less as having a reasonably good handle on things, yet they find themselves caught out.

Derivatives are the most common example of that. Interest rate hedging products are not as complex as some derivatives, but they are complex enough to confound the unwary, especially where they involve structured collars that can effectively result in customers paying more if interest rates fall beneath an agreed level. That requires a finely balanced judgment by any customer, and an understanding of the vagaries of interest rates. It is crucial that the bank selling interest rate hedging products explains and defines the product to the customer and ensures that it matches their circumstances, but as we have heard, many banks did not do that.

Bob Stewart: Surely it is the bank’s duty when it starts to fiddle around with interest rates to warn the customer that that is happening and not just suddenly do it.

Cathy Jamieson: The hon. Gentleman makes a good point, and some of the concerns and examples have been about banks that seemed to be selling products, but not outlining the potential for interest rates to drop or giving customers information about the bank’s own forecasts. We have real difficulties with such circumstances.

Paul Farrelly: One issue that arose in many cases is that firms were not given a choice—the issue of conditionality, when a loan was advanced only if the customer took out a hedging product that was acceptable to the bank. I would want confidence that an easy test is being applied in the review process: if the bank was not the provider of the product, would it have accepted the company entering into an open-ended obligation? If the answer is no and the bank would otherwise have refused the loan, the sale was clearly inappropriate.

Cathy Jamieson: My hon. Friend makes a good point and I was going to say something about the circumstances that he and my hon. Friend the Member for Dumfries and Galloway (Mr Brown) mentioned and that element of compulsion. Clearly, many people felt that they had no option but to take those products or else they would not get the loan. As I am sure everyone understands, there are circumstances in which people rely on banks, and they trusted them and believed they were getting good advice.

Ian Swales: To emphasise that point, a constituent of mine was presented with an agreement to sign at the point when they thought they were signing a straightforward loan agreement. They literally did not have time to think, let alone make a choice.

Cathy Jamieson: Indeed, the hon. Gentleman makes a useful point and similar circumstances have been brought to my attention of people who thought at the point of signature that all they were signing was a refinancing agreement, and they had not understood the full consequences. We must drill down on those issues to ensure that people get the justice they deserve.

In some instances, product sellers painted only a partial picture of the product and the nature of the protection offered—I see the Minister is listening intently and I am sure she will agree. That resulted in customers purchasing products that were not appropriate to their circumstances, with the result that they lost money or spent money unnecessarily.

In the review, the FCA draws a distinction between sophisticated and unsophisticated customers. Under the terms of the agreement with the banks, only the cases of customers deemed to be unsophisticated were subject to the review. The FCA defines unsophisticated customers as those less likely to have had the expertise or resources to seek advice before purchasing an interest rate hedging product. People might suggest that that is a common-sense distinction, and one that correctly focuses on customers who were less likely fully to comprehend the nature and consequences of the product they were being sold, but the question of how the distinction was arrived at is an entirely different one. It will be interesting to hear the Minister’s view on that, and on the question of whether people ought to have the opportunity to appeal if they were put into the sophisticated category.

Paul Farrelly: I was going to ask the Minister about the tests but, as my hon. Friend has mentioned it, I will ask her. The tests applied in the review reflect the definitions in the legislation that allows small companies to file less information than large companies. The test of sophistication is size, and yet small-ish or relatively small firms were deemed as sophisticated. Does she agree that that needs to be reviewed?

Cathy Jamieson: My hon. Friend once again puts forth his points coherently. I am sure the Minister is considering her response. We must always look for unintended consequences. Did the review pull in all possible situations? Perhaps it could pull in more if the Minister is of a mind to look at things slightly differently.

Non-advised sales perhaps strayed into advice. The FCA describes non-advice sales as ones in which “no personal recommendation is made and you leave the customer to decide how they wish to proceed.”

There is an analogy with other generic advice. If someone recommends that a person should buy household contents insurance without mentioning a specific insurer or policy, and if the recommendation is unconnected with the sale of a contract, that would not fall within the definition of advice. The FCA is clear that sales staff should avoid making personal recommendations, and therefore giving advice. It states that sales staff

“should confirm that the decision is the customer’s and that the” salesperson “cannot give them advice.” The problem in many of the situations we have heard about today appears to be that sellers actively recommended and even promoted IRHPs to customers. My hon. Friend the Member for Newcastle-under-Lyme (Paul Farrelly) outlined that in some detail, as did my hon. Friend the Member for Dumfries and Galloway. There were devastating consequences for businesses and lives in those situations.

I have criticised the sales-driven culture—the culture of targets, rewards and incentives—in the past. The banking sector will say that it is trying to address that culture and to move to a different approach, but the reality is that the culture was imported into retail banking from the more speculative areas of investment banking, where the risks were greater and the rewards higher. It simply was not appropriate for many of those small businesses and customers. Some of the overt incentives to sell such products, whether or not they were in the customer’s interest, have been removed, but I continue to worry. I want the Minister’s assurance that we are on top of the situation, and that there is no indirect pressure on staff to sell those products. We need to continue that culture change in our banks. That has to come from the top and go right through to the bottom.

On the perceived problems with the FCA scheme, the scheme was supposed to ensure that small business customers who were mis-sold products received an offer of fair and reasonable redress as soon as possible. The FCA tells us that more than 99% of redress offers have been communicated to almost 17,000 small businesses. More than £1.5 billion has been paid out in redress so far, including £300 million in compensation for lost opportunities. However, I think it would be fair to say, given the debate this afternoon, that it is evident that people still have concerns about the scheme’s shortcomings. I hope the FCA will take that into consideration, with support from the Minister. Customers who purchased caps that place a limit on interest rate rises are not included in the scope of the review, unless they have complained to the bank during the course of the independent review and are non-sophisticated customers. Other types of hedged loans were not included in the review process either.

My hon. Friend the Member for Newcastle-under-Lyme mentioned the case of *Crestsign v. NatWest*, illustrating the difficulty that some small businesses have experienced in getting redress from banks. The judgment in the case concluded that the bankers

“did not show themselves worthy of the trust that was placed... but unfortunately for Crestsign, the common law provides...no remedy because the banks successfully disclaimed responsibility for the advice they gave on the suitability of the swap, which was negligent but not actionable.”

In this case the bank managed to successfully argue that, since it did not owe its customer any duty of care, it had no obligation to pay compensation. We can see

why people are concerned. The bank was able to argue its case after the event and was not held to account on whether it should have sold the product in the first place. Worryingly, the independent reviewer KPMG— independent reviewers are a crucial part of the FCA redress process—seemed to agree with the verdict. Does the Minister think that appeals need to be looked at?

I argued at the start of my speech that what we really need is cultural change.

Steve Rotheram: Will my hon. Friend give way?

Cathy Jamieson: I apologise, but I am at the limit of my time.

Will the Minister please address the lack of an appeal process? Will she address tax treatment by HMRC and look at having a review of compensation levels? I look forward to hearing what she has to say.

3.57 pm

The Economic Secretary to the Treasury (Andrea Leadsom): I join the long queue of Members congratulating my hon. Friend the Member for Aberconwy (Guto Bebb). His leadership has been a sign of Parliament at its best. We are trying to deal with a very real problem and like a terrier he has stuck to it, for a few years now, to shed light on an issue that has shown the banks at their very worst. I am delighted that so many Members have attended the debate. I congratulate them on showing great generosity of spirit in being here and putting the case for their constituents.

I would like to start by pointing out, as other hon. Members have, that progress has been made. This is the first time there has been a voluntary redress scheme on this scale. All of us were disappointed at its slow start, but we are very pleased that the review has progressed well. I can tell the House that 17,000 SMEs took part in the review. Some 91% of sales were deemed to be non-compliant, which is a totally shocking statistic. Some 14,000 cash offers have been made and more than £1.5 billion has now been paid out to the more than 10,000 SMEs that accepted the offer. That progress is significant, but Members are right to point out that there is a cohort of people who have not yet received the attention or the fairness to which they are absolutely entitled. I am not here to be an apologist for either the banks or the FCA, which is running the redress scheme. I can assure all Members that if they write to me about individual cases I will be happy to investigate further on their behalf.

Dr Phillip Lee (Bracknell) (Con): I spoke a short time ago to Jonathan and Katie Friedman, constituents who live in Finchampstead. A building society, not a bank, sold them a hidden swap product not covered by this redress scheme. Building societies trade on the basis of being ethical? Does the Minister agree that this is hardly ethical behaviour by a building society?

Andrea Leadsom: I cannot comment on individual cases in the Chamber, but if there has been wrongdoing, the Government absolutely do not condone it, and the redress scheme is designed to provide compensation and fairness. We are determined that it will do that.

Paul Farrelly: Progress is undoubtedly being made, but that does not mean that lessons should not be learned. The hon. Member for Shrewsbury and Atcham (Daniel Kawczynski) rightly asked the Minister whether she would look at each of the cases named in the House. I urge her to do so. In addition, she should review the scheme and the way in which it was set up, leaving small businesses such as DK Motorcycles with no right of appeal. Will she commit to giving such businesses some hope of effective redress in the future?

Andrea Leadsom: I will certainly write to the FCA about all the cases raised in the Chamber today—and I will expect a reply.

Mr Bellingham: The key point is that some of the commercial loans—fixed-rate tailored business loans with hidden swaps—are not taken seriously by some banks. Indeed, some people in the FCA saying that those loans are not regulated, so it would be very helpful if she looked at that point with the FCA.

Andrea Leadsom: Tailored business swaps were provided by largely Yorkshire and Clydesdale bank, which has voluntarily agreed to look at redress in a similar way to the way in which the interest rate swap redress scheme works.

I want to move on because there is another debate to follow. Let me address some of the questions raised by my hon. Friend the Member for Aberconwy. He asked why some banks are not splitting the original loss and the consequential losses, and he pointed out that the amount of redress paid is inconsistent between banks. He mentioned the fact that a particular whistleblower says that banks have pressurised independent reviewers to serve the banks' interests rather than those of the SME, and argued that the FCA is not showing the bank-by-bank redress numbers. He asked whether we should set up an appeals process for reviewers to look at each other's banks' reviews, and spoke about the lack of payment of consequential losses beyond the 8% that is normally provided. He addressed the issue of HMRC's tax treatment of redress and of whether embedded swaps should be included. I want to run through those issues very quickly.

I can assure my hon. Friend and all Members that the FCA has been determined throughout the process to get to the bottom of this. Occasionally, Members might think that the FCA is not interested or not keen to resolve the matter, but that could not be further from the case. In particular, the FCA carefully considers any variance in redress offers to make sure that standards are applied consistently. It selects individual cases for review based on feedback from customers, campaign groups and MPs to ensure these have been dealt with fairly. Independent reviewers report regularly to the FCA, both on the judgments they are making and on how the banks are performing, and independent reviewers regularly meet each other to ensure a consistent approach to assessing claims.

My hon. Friend referred to the agreement between the FCA and the participating banks. As I understand it, this agreement sets out the principles of how the review should have been undertaken. I understand, too, that the FCA is prohibited from releasing these agreements by confidentiality restrictions. I can assure

Members, however, that I will write to the FCA and ask for clarification, bearing in mind Members' desire to have that made public if possible.

Ian Swales: The Minister has talked about the independence of reviewers. Even the FCA's notes state that it has had to require banks to change independent reviewers when there has been a potential conflict of interest. It is clear that reviewers are not always as independent as they should be. What is the Minister doing about that?

Andrea Leadsom: The FCA has considered whether reviewers are independent, and the instance cited by the hon. Gentleman probably demonstrates that it is actively taking part in that process. As I have said, however, if Members want to raise particular cases with me, I will look into them.

My hon. Friend the Member for Aberconwy referred to the allegation by a former independent reviewer from KPMG that the banks had applied undue pressure for a change in a redress determination. That is a very serious claim, and I know that the FCA has taken it very seriously. The regulator has given a reassurance that it has maintained close oversight of the relationship between banks and their independent reviewers throughout the review, and that it does not believe that that allegation is supported by the facts.

A number of Members raised the issue of embedded swaps. It is important to define that term. I understand it to refer to fixed-rate loans with an economic, or mark-to-market, break cost. As is standard practice with fixed-rate loans, a break cost is incurred by a borrower who pays off a loan early. The tradition in the United Kingdom has been that the terms and conditions of contracts between businesses, such as loans, are not generally prescribed by the Government, and we normally expect businesses to take positive action. First, they can complain to their banks if they are unhappy with their fixed-rate loans, and many customers have already taken that route. The FCA monitors banks' complaint-handling processes, and takes action if it sees a problem. Secondly, smaller businesses can have recourse to the Financial Ombudsman Service.

What is vitally important—and the Treasury has ensured that this will happen in future—is that when a business enters into a fixed-term loan, the terms of the contract and, in particular, the way in which break costs are calculated are absolutely clear. We have secured a voluntary agreement, through the British Bankers Association, that banks will provide the same level of disclosure of features within fixed-rate loans—such as break costs—as applies to interest rate hedging products. Most important, the banks will ensure that break costs are fully explained, and that worked examples are provided.

A number of Members also voiced concerns about the number of businesses that have been assessed as sophisticated and therefore fall outside the scheme. The Government have made it clear that when a business lacks the necessary skills and knowledge fully to understand the risks posed by these products, it should receive appropriate redress. So far, about a third of businesses have been deemed to be sophisticated and to fall outside the scheme. There has been criticism of that: many have suggested that all businesses should be covered. The Government believe that there needs to be a defined cut

off-point at which more sophisticated businesses take responsibility for understanding the products they are purchasing. Failure to introduce that cut-off point would weaken the incentives for businesses to act sensibly when purchasing financial instruments, and could open the floodgates to any businesses that had lost out as a result of a financial transaction.

However, the FCA has amended the way in which the sophistication test criterion can be applied, and information about that is available. Time does not permit me to give every detail of where we started and where we are now, but the aim has been to ensure that all businesses that are unsophisticated can fall within the scheme. There may well have been some incorrect reassessments, but there have been very few subsequent complaints.

Bill Wiggin: Will my hon. Friend give way?

Paul Farrelly: Will the Minister give way?

Andrea Leadsom: I will give way once more, but not, I am afraid to the hon. Member for Newcastle-under-Lyme (Paul Farrelly), because time is short.

Bill Wiggin: It is very generous of my hon. Friend to give way, and I am delighted by what she has said. Can she also reassure the House that the number of employees will not be a criterion for sophistication?

Andrea Leadsom: I can certainly tell my hon. Friend that the number of employees is a factor, but it is not necessarily the only factor, so the fact that a business has more than 50 employees may not necessarily make them a sophisticated investor.

Paul Farrelly *rose*—

Andrea Leadsom: I am sorry, but I will not give way.

Many Members have mentioned the financial ombudsman scheme's money award limit that it is able to offer to customers. This level was deemed to be most appropriate. It does ensure that most complaints made by consumers and micro-enterprises can be addressed, but reflects the fact that cases involving very large sums of money may be more appropriately dealt with by the courts, rather than an informal process that has limited prospects of appeal.

In the event that the financial ombudsman scheme considers that fair compensation requires payment of a larger amount, it can make a recommendation that a firm pay the balance. That decision on the higher amount is not binding on the firm, but there is evidence that suggests that firms that subsequently go to the courts will find the courts take into account the recommendation of the FOS in determining what the outcome should be.

Mr Marcus Jones: Does my hon. Friend not accept, however, that many of these businesses are extremely small and are not in a position to go to law to see the ombudsman's recommendation backed up, and that therefore the ombudsman's remit in terms of the damages it can impose needs to be wider?

Andrea Leadsom: I agree with my hon. Friend in principle, but, as I have just set out, the intention has been that the sophistication test captures those who are

not sophisticated as well as those businesses that are small and do not have the means to go to the courts. In addition, if they have been to the FOS, the intention is that that would cover the vast majority of cases. As I have said, I urge Members to write to me with any specific cases that they want me to look at.

Paul Farrelly: Will the hon. Lady give way?

Andrea Leadsom: No, I am sorry. The hon. Gentleman has had many opportunities.

It is important to note that the aim of redress is to put the customer back in the position they would have been in if a mis-sale had not taken place. The FCA has been clear that the appropriate redress for each customer will be determined on the basis of what is fair and reasonable. This could include, for example, the replacement of an existing product. That might be appropriate in the case of a business that was highly leveraged. In these instances, it seems reasonable that redress can consist of providing the small business with the alternative product they would have purchased, and refunding the difference in costs incurred by the business as a result.

Members have raised the question of whether there should be a separate appeals process. I would, however, reiterate that the role of the independent reviewer is to be that appeal—to ensure that the process is fair and businesses have adequate opportunity to put their case. Furthermore, eligible businesses have recourse to a further appeal to the FOS if they are not happy with the outcome of their review.

Many Members also raised the issue of Barclays and its decision not to delink the original loss and consequential losses. I think at the moment that that decision is one for Barclays to have made, but after hearing the strength of feeling in the Chamber today I will write to Barclays to ask it to explain precisely why it feels this is fair to customers and to ask it to consider whether it would be willing to conduct its review in a different way. I understand that Barclays has agreed to split the payment for those customers in financial distress, but I will follow that up with the bank.

I shall now return to the specific points Members have made. The hon. Member for Newcastle-under-Lyme raised the case of DK Motorcycles, which failed the sophistication test. He made a very good case in supporting his constituents, and I will take it up on his behalf. He did not say whether the company's situation was now resolved and he named RBS as the culprit. For many small businesses the new competition being promoted by this Government—the arrival of new banks, particularly in the SME market—will be vital.

My hon. Friend the Member for Redditch (Karen Lumley) named HSBC as the bank in the case of her constituents the Parsons, who had an ethical business. There were significant consequential losses and she felt that the offer made by the bank was not significant. The hon. Member for Dumfries and Galloway (Mr Brown) mentioned Barclays as the bank to the leisure park business in his constituency. He cited fear of talking to the bank as one reason why some small and medium-sized enterprises will not use this redress scheme—they are afraid of the consequences of taking on their bank.

My hon. Friend the Member for Hexham (Guy Opperman) gave an informative intervention, particularly about the risk of having to go to court and the fear of

[*Andrea Leadsom*]

taking on a bank, given the inequality in the resources between a small business and a bank. I take that very much to heart. My hon. and learned Friend the Member for Harborough (Sir Edward Garnier) named RBS as the bank for his constituents Mr and Mrs Hamblin and their property company. He asked me particularly to lean on the FCA to ensure that it is doing a thorough enough job in enforcing the redress scheme, and I am happy to do that.

The hon. Member for Rochester and Strood (Mark Reckless) asked why information on redress is not shared in detail and why consequential loss claims have almost all been turned down. Information on bank-by-bank redress is available but in aggregate form. One reason that has been put to me for that is a sense that if a bank just pays out, there is an implication that they may have been guilty as charged, whereas in fact the ability to offer an alternative product will depend on the bank's product range and its ability to offer a suitable alternative product. I will look into this further, but that is potentially partially an answer. On consequential losses, 8% of consequential losses is deemed to be sufficient in most cases, but, again, if Members want to write to me, I will look into individual points.

My hon. Friend the Member for Nuneaton (Mr Jones) talked about how linking simple to consequential losses is very unfair. He feels that the Financial Ombudsman Service is not able to enforce enough compensation. He should be aware that FOS is consulting in the new year on that point. He also mentioned the issue of the tax treatment of redress, and I will raise that with Her Majesty's Revenue and Customs, as a fair point has been made by many hon. Members.

The hon. Member for Ceredigion (Mr Williams) raised the issue of tailored business loans, which I have already addressed.

My hon. Friend the Member for Beckenham (Bob Stewart) raised the case of Mr D'Eye, who was put into the RBS GRG and then administrators were sent in. The FCA is looking at the accusations that have been made about the way RBS has treated small businesses and will report on that in due course.

My hon. Friend the Member for Wyre Forest (Mark Garnier), an ex-colleague of mine on the Treasury Committee, made important points about the cohort of claimants who do not feel they have received justice. He discussed how this is the first major scandal the FCA has had to deal with and said that it should see that it is vital it handles it properly. I can absolutely assure all Members that I will do my best to ensure that that is the case.

The hon. Member for Brecon and Radnorshire (Roger Williams) raised the case of Springdew and how a mis-sale cost the whole community, naming Barclays in that case. The hon. Member for Redcar (Ian Swales) named HSBC and made the point that his constituent Stephen Lilley was sold an extraordinarily complex product. Finally, my hon. Friend the Member for North Herefordshire (Bill Wiggin) raised another case involving UK Acorn Finance, which the FCA is currently closely looking at.

I wish to conclude by saying that SMEs are the lifeblood of our economy, and it is vital that this Government do everything we can to support them. Therefore, I urge Members not only to tell me about specific cases, but to have confidence in the fact that the FCA and the Treasury are determined to get to the bottom of this.

4.19 pm

Guto Bebb: This has been a worth-while and wide-ranging debate, and it is clear that specific and, in some cases, serious concerns have been raised. Although I welcome the Minister's comments, especially on the tax issue, and her willingness to deal with the FCA on specific cases, I also believe that many people's confidence in the independent reviewers has been tarnished by this week's revelations in relation to the whistleblower. I must stress that the denial of the claims by KPMG that there was no contact whatever between the independent reviewers and members of staff at RBS can be contradicted simply by looking at the LinkedIn profiles of people who work at KPMG on project Rosetta. We could also look at what the members of staff at RBS claim, as they say that part of their responsibility is to talk to each other. I think that the denials that have been made thus far are unsatisfactory. As there is another debate to follow, I will conclude by saying that the motion should be supported as it stands, and that I commend it to the House.

Question put and agreed to.

Resolved,

That this House has considered the Financial Conduct Authority's redress scheme, adopted as a result of the mis-selling of complex interest rate derivatives to small and medium sized businesses, and has found the scheme's implementation to be lacking in consistency and basic fairness; considers such failures to be unacceptable; is concerned about lack of transparency of arrangements between the regulator and the banks; is concerned about the longer than expected time scale for implementation; calls for a prompt resolution of these matters; and asks for the Government to consider appointing an independent inquiry to explore both these failings and to expedite compensation for victims.

Branded Medicines (NHS)

4.20 pm

Mr Andrew Lansley (South Cambridgeshire) (Con): I beg to move,

That this House has considered availability and pricing of branded medicines on the NHS.

I am most grateful to the Backbench Business Committee for providing this opportunity to raise an issue of continuing importance to Members and their constituents. The debate will be short, but I am sure that we will be able to put it on the record that there are areas of concern. The two Front-Bench teams will, I am sure, be keen not only to respond now but to take some of these matters forward in the future as the Minister and his colleagues have sought to do over the past couple of years.

Colleagues from the previous debate must not feel that they have trespassed too much on to our debate. Listening to the contributions, it was amply clear that it was important for Members to be able to represent their constituencies. I know that all colleagues are very happy that they had the chance to do that.

Let me set the scene. Over the many years that I have been engaged with health matters, one of the most persistent sources of frustration has occurred when our constituents have not been able to access the medicines that they need through the national health service. That can happen because of a lack of data, and the National Institute for Health and Care Excellence will not appraise such a drug at that point because it determines that it is not cost-effective and is not therefore approved for NHS use, or because local commissioning decisions are incorporated in a local formulary.

Since its inception, NICE has created a more consistent national basis for decisions on access to medicines, but the application of what is essentially an arbitrary cost-effectiveness threshold still means that patients can be denied access to some new drugs. That has been exacerbated by the chronic slowness of uptake of some new medicines across the NHS, because of a clinical conservatism—new drug treatments are viewed as an extra cost rather than an opportunity to improve outcomes—or a general bureaucratic lack of responsiveness to patients.

That is deeply ironic as the UK is among the leading countries for drug discovery. We may represent only 3% of the international pharmaceuticals market, but we have been responsible in this country for 10% of new drug development, including such major innovations as monoclonal antibodies, which were first invented in my own constituency at the Laboratory of Molecular Biology.

As a coalition Government, we commit resources to world-leading research. Ministers have rightly sought both early access to new medicines and continuing support for research and innovation, but we continue to face institutional and cultural resistance. One of my objectives over recent years was to tackle that issue. I wanted to assure patients that, through the NHS, they could access the best and latest medicines and treatments. We wanted the NHS to adopt new innovation and technologies and to move away from a system in which the drug companies set a price that NICE and the NHS appraise and reject, leaving patients unable to access the medicines that their clinicians believe are best for them.

Instead, we should have a system that puts the patient at the heart of the service. If a clinician believes that a medicine is the right one for their patient, they should be able to prescribe it and the NHS and the pharmaceutical company should settle on a fair price, reflecting the value of that drug and a fair return to the costs involved in drug development.

Bill Wiggin (North Herefordshire) (Con): One of the things my right hon. Friend will know probably better than anyone from his role as Secretary of State for Health and something that is not well understood by my constituents is that the NHS is one of the most exciting clients for anybody selling drugs and has the most efficient buy-in capability. Why does that not seem to come across to our patients and constituents, and what about medicines that used to work but now are not available? Will he cover that in his speech?

Mr Lansley: On the latter point, no, but drugs that move beyond patent become generically available to the NHS. On the former point, my hon. Friend is absolutely right. I often found this issue frustrating. The best way for drug companies to get their new medicines adopted internationally is to introduce them successfully into the NHS. As we move to a more systematic patient record system, the introduction of new treatments and medicines through the NHS will provide the strongest possible database of outcomes anywhere in the world, because of the character and scale of the NHS. So he makes a really important point.

The principle behind securing patient access to new medicines lay behind the proposal for a value-based structure of drug pricing. It was my intention that come the introduction of the new pharmaceutical price regulation scheme, which was to be negotiated for January 2014, a transition to a new price-setting mechanism would also be in place. As the House will recall, in the interim, we introduced the cancer drugs fund because patients in the UK had significantly worse access to new cancer medicines than patients in other countries. That contributed to our poor relative cancer survival rates, and we were determined that it should stop and that the lack of access to new cancer medicines should be tackled while a longer-term solution was developed.

In 2010, therefore, we introduced the CDF to meet that specific need over a defined period and within a defined budget. The achievement of the CDF has been vital. More than 60,000 patients have accessed the cancer drugs they need through the CDF over the past four years. I am immensely proud of that fact. However, the fund is not, and was never intended to be, a permanent solution. Over time, more cancer drugs will be introduced, and if we carry on like this, an increasing number will not be available other than through the fund. Some drugs, such as cetuximab, Avastin and abiraterone, have already been substantially provided through the CDF. If this continues, while other drugs are added, it will greatly increase the cost.

I welcome the Government's commitment to the CDF through to 2016—it is needed while the pricing of drugs to the NHS is tackled—but that extension cannot continue indefinitely. I therefore call on the Government to reinvigorate the drive to a value-based assessment of new drug pricing and to incorporate that into the PPRS, so that while the Government and the NHS have

[Mr Lansley]

control of the budget, the NHS can make all licensed new medicines available through the NHS. In addition, it would incentivise innovation in the pharmaceutical industry and result in a fair return to industry on the cost of drug discovery.

The CDF has been necessary and successful, but it was intended only as a bridge to a better scheme across the whole NHS. It cannot bear the weight that will fall on it if we do not reform the system for the pricing of medicines more generally. If we can see our way to that reform, the prospect of de-listing new or existing medicines to the CDF can be deferred. However, reform of drug pricing has not been progressed as it should have been, or as we hoped it would be.

The new PPRS did not incorporate a value-based assessment of the pricing of medicines payable by the NHS. It gave the Treasury a good deal, securing a real-terms reduction in the drugs budget, but a reduction via a rebate is not transparent to the NHS. Drug companies setting their own price for new medicines will continue to set prices that conflict with NICE cost-effectiveness thresholds.

Members might have noted that, yesterday, Roche won an appeal against NICE's final appraisal of Kadcyra, a drug used to treat HER2-positive breast cancer. Roche won on the basis that NICE should have taken account of the PPRS but did not do so. It argued that as a budget control mechanism, the PPRS, through its rebate, could be argued to offset the relatively high cost of a medicine on introduction. Roche won the appeal, but I have to say that the NICE appraisal might none the less remain unchanged.

The rebate is not predictable; nor is it attributable to any particular drug. It goes to the Treasury, not to the NHS. So, in practice, any NHS purchaser of a high-cost medicine must fully absorb the cost, and the opportunity cost, that paying a high price implies. This case highlights the theoretical link between a NICE appraisal and the PPRS, and it demonstrates how the PPRS does not in practical terms serve to resolve the dilemma of how to introduce high-cost medicines in the NHS.

The PPRS deal showed how much the pharmaceutical industry in this country was willing to offer for a guaranteed rate of return and the ability to set prices at introduction here in the UK, which can then act as a reference price for a quarter of the drugs market across the globe. The current PPRS of course benefits the shareholders and the boards of the big pharmaceutical companies, which are able to maintain high prices throughout a quarter of the world on the back of high prices in the UK, even for those drugs that offer limited clinical benefit. The other beneficiaries are those in the Government who are able to plan spending on drugs a little bit better than they were before. The losers, unquestionably, are patients, who continue to be denied access to the drugs that their doctors think they need.

This is not the kind of price regulation we should have in future. Price should reflect the value of new medicines. A new drug that offers little or no benefit relative to the best available alternative for treatment should secure only a small price differential. New drugs that tackle unmet need or substantially reduce the burden of disease should enjoy a correspondingly substantial price premium. By such a means, we would incentivise

innovation and drug development, particularly in relation to major unmet targets. We could also build a premium into pricing in areas in which drug development was most needed, such as early-stage dementia, new antibiotics or the treatment for some cancers, such as pancreatic and ovarian cancer.

The benefits of a value-based pricing system were set out in an OECD study six years ago. But the study recognised—as, subsequently, did we—that the principle had yet to be given practical effect. A year ago, the Minister responsible, Earl Howe, said that value-based assessment would be taken forward and that it would be brought in late this year. That is not happening. NICE was given the task of developing value-based assessment last year, but in September this year, it appeared to have put that on the back burner. That is just not good enough.

Without value-based assessment, NICE will continue to apply an arbitrary threshold to a measurement of the benefits of drugs which takes into account only the quality-adjusted life year gain—the QALY—and end-of-life addition, not the broader societal benefits or the need to promote drugs targeted at key areas of therapeutic need and to promote innovation.

We must look to the value beyond the QALY. We must ask NICE to design a clearer methodology for value, but not just through add-ons to its existing methodology. It should recognise the burden of disease in extending life and the importance of greater clinical and patient engagement. In developing realistic pricing, it could draw on the real-world mature outcomes data for drug use that the cancer drugs fund has given us. It must also draw on the work done by charities and by Sanofi to examine ways in which patient engagement with NICE could be supported. Qualitative judgment of innovation and patient benefits must form a part of this broader assessment, as well as the quantitative data relating to the QALY.

I congratulate Ministers for pushing the NHS to promote innovation. We had our report in December 2011 and more recently Ministers have launched the early access to medicine scheme. The Under-Secretary of State for Health, my hon. Friend the Member for Mid Norfolk (George Freeman), has been right not only to support that and the Medical Innovation Bill but to launch a review of how innovation processes can be enhanced in the NHS.

How perverse would it be if, at the same time, licensed and effective medicines were not approved or available through the NHS? In recent months, a number of drugs have not been approved by NICE, such as Kadcyra, Alimta for lung cancer and abiraterone for prostate cancer prior to chemotherapy. Several of those cases demonstrate the problem of paying for new personalised medicines, but we cannot see the difficult process of introducing new drugs being made even worse by the de-listing of drugs by the cancer drugs fund.

I hope that in response to the debate Ministers will tell NICE to reinvigorate and make progress on the work on value-based assessment, while developing a new methodology in the way that I have described. The Government should work with industry to develop the pharmaceutical price regulation scheme, so that pharmaceutical companies can, within the overall framework, continue to set the price of their medicines at introduction but accept that the NHS should receive

a rebate if, and to the extent that, a value-based assessment shows a lower price. That would lead to drug-specific rebates that could then be incorporated within the overall rebate for budget control purposes. In my view, such a system must be in place by 2016, so that the cancer drugs fund can be maintained between now and then and can be the bridge that it was intended to be, while having a realistic time-limited remit.

Only by pushing forward with such measures can we expect in future to offer doctors in the NHS the assurance that they can access the medicines and treatments they think best for their patients and give patients the confidence that the NHS, as a comprehensive free service, is able and willing to provide whatever treatment is in their best interests. I am grateful for the time and attention of the House.

4.37 pm

Mr Jamie Reed (Copeland) (Lab): Time is short, so I shall keep my remarks brief, but it is a shame to truncate such an important debate on a matter that touches many lives.

The availability of medicines in our national health service affects millions of families throughout the country and with that in mind I must thank the right hon. Member for South Cambridgeshire (Mr Lansley) and congratulate him on securing the debate. I also thank the Backbench Business Committee for ensuring that the debate was heard. I know that the right hon. Gentleman tried to make progress on these issues when he was Health Secretary and I am sure that he is frustrated by the lack of progress in more recent years. In addition, I am sure that he will be amazed and potentially aghast when he hears that I agree with a great deal of what he said.

As I say, this is an important issue affecting millions of patients who rely on these drugs everyday. Members on both sides of the House want to see progress on improving access and ensuring that more people get the drugs they need. The issue was brought into sharp focus recently when, in September, NICE announced that it was not going ahead with its proposed value-based assessment reforms. That this was in part due to a lack of consensus in stakeholder consultation submissions to the proposals serves to highlight how complex an issue it is. We all accept that.

There are clear problems with access to medicines, as demonstrated clearly by recent publications from the Office of Health Economics and the Association of the British Pharmaceutical Industry. I want to make a number of points from those publications in my speech. There are issues, too, about the proposed changes to the cancer drugs fund, which have been highlighted by the concerns of charities such as Breast Cancer Care, that I shall come to later. None of them will be a surprise to the Minister.

A vital tool in improving access to treatments is the pharmaceutical price regulation scheme, the latest iteration of which came into effect this year. Some questions need answering about it. In 2010, the Conservative manifesto included a commitment to increasing access to drugs. The commitment was echoed and bolted down in the coalition agreement, which stated:

“We will reform NICE and move to a system of value-based pricing”.

As we have heard and discussed, value-based pricing was meant to be introduced in January this year when the drug pricing agreement between the Government and pharmaceutical industry expired, but despite the comments in the coalition agreement, when the new drug pricing agreement, the 2014 pharmaceutical price regulation scheme, was published in November 2013 it contained no plans either to introduce value-based pricing in 2014 or on the promised reform of NICE's processes towards evaluating how treatments would be made available on the NHS.

When proposals were finally brought forward this year, they included not value-based pricing but value-based assessment, which is altogether different. The plans would have included two new modifiers entitled “burden of illness” and “wider societal impact”. The burden of illness modifier would have replaced the current end-of-life criterion. The burden of illness criterion that would have been introduced is already largely counted in the current quality-adjusted life-year measures. There are also wide-ranging issues with the other suggestions, so it was no surprise that, after lengthy consultation, NICE confirmed that the plans to introduce the changes had unfortunately been shelved. What this means in practice, though, is that the Government have failed to deliver on a key commitment, the fulfilment of which many people were looking forward to. I should be grateful if the Minister would reflect on progress to date.

Access to medicines is key because the UK is lagging behind other countries. From analysis of more than 60 medicines launched in the UK, the Office of Health Economics found that people living in the UK are less likely to have access to a new medicine for the first five years after its launch than people living in other countries. That shows clearly that reform is vital.

Roger Williams (Brecon and Radnorshire) (LD): Does the hon. Gentleman agree that one of the real problems is that some of these treatments, such as abiraterone, are not available in Wales but are available in England? That is leading to people leaving Wales and taking up residence in England in order to get that treatment.

Mr Reed: I am grateful for the question. Without doubt, there are issues that need to be addressed on both sides of the border.

One major part of the issues that we are discussing today is the pharmaceutical price regulation scheme, which caps the expenditure of the NHS on branded medicines. It has existed since the 1950s. It is an excellent scheme in principle but must work properly in practice. Given that there has been essentially no parliamentary debate on the PPRS, I should be grateful if the Minister would explain a bit more how the new agreement is intended to work in practice.

As I understand it, if the NHS exceeds the agreed expenditure, as the right hon. Member for South Cambridgeshire said, the money is rebated back to the Treasury. But given that the outgoing moneys will presumably be taken from clinical commissioning group prescription budgets, can the Minister explain how the CCG in question will actually feel the benefit of the PPRS? If the rebate stays in the centre, rather than being reimbursed to CCGs, how will the PPRS work as a tool with which to increase access to treatments? Has the Minister considered how the rebate might be better

[Mr Jamie Reed]

used for incentivising improvements in access? What can be done to speed up drug accessibility and reduce the duplication by CCGs of work already undertaken by NICE? That is clogging up the system and slowing down access to new medicines.

The Minister will be aware that at Health questions last week I raised some of the genuine concerns of patients, such as Clive Stone in the Prime Minister's constituency, and charities, such as Breast Cancer Care, about the cancer drugs fund. As the Minister knows, the overspend in the cancer drugs fund last year and the way in which it operates has led to its being under considerable pressure, and many in the industry believe it to be unsustainable. The former Health Secretary has been absolutely clear that it was always intended to be a bridge, and I welcome his candour on that.

The issue with any new medicines, which I know NHS England is now looking at, is how to balance clinical benefit and cost-effectiveness. None of us would pretend that that is an easy task, but it is clear that it needs to be done in a much clearer and more transparent way than is currently proposed, and I should be grateful if the Minister would set out how patients will be involved in the evaluation of drugs and represented in that process at the meeting of the cancer drugs fund clinical panel later this month.

One way to improve access to medicines would have been to back the Off-patent Drugs Bill that was before this House only a few weeks ago. That would have improved access to many drugs for many people but, as the Minister is aware—he was speaking opposite me at the time—the Government refused to support it. Will the Minister again take the time to explain why the Government opposed that piece of legislation, which originated from one of their own Members? It was certainly supported by Labour Members. The innovative medicines review has the potential to do real good in this area. I should be grateful if the Minister would speak to that, too, in some detail in the time available for his speech.

I realise that time is short, so I will draw my remarks to a close. We all want to see improvements to access and we are all desperate—I use the word in its accurate sense—for progress on this, so will the Minister set out what action he will take over the next few months and what progress he realistically expects to make before the election?

4.44 pm

The Parliamentary Under-Secretary of State for Health (George Freeman): It is a pleasure to respond to this debate and to follow the hon. Member for Copeland (Mr Reed) and my right hon. Friend the Member for South Cambridgeshire (Mr Lansley). It is a shame that there are not more Members present, because I know that the debate has been warmly welcomed across the House. I congratulate the Backbench Business Committee on granting it and my right hon. Friend on securing it.

I would like to take this opportunity to pay tribute to my right hon. Friend for all his work in this field, both as the Member for South Cambridgeshire—I do not think there is a constituency that more represents this cluster—and as the former Secretary of State for Health, because he led many of the initiatives that he spoke

about so eloquently this afternoon. He is as well placed as anybody to describe the evolution of policy in that space, and it is my great privilege, as the first Minister for life sciences, to inherit that baton of leadership.

I also want to acknowledge the very helpful comments and questions from my hon. Friend the Member for North Herefordshire (Bill Wiggin) on whether there is more of an opportunity for the NHS to become more of a partner in the development of novel medicines. He is absolutely right, and I will come to that in a moment. He also raised the question of off-label drugs, as did the hon. Member for Copeland, and I will also address that shortly. The hon. Gentleman also requested an update on progress in this field and some detail on the review of innovative medicines that I announced two weeks ago. I am grateful for his support for that and for his recognition of NICE's work on value-based assessment.

My right hon. Friend the Member for South Cambridgeshire set out eloquently, and incredibly helpfully for the House, the challenge we face and the evolution of policy in this area. He talked fluently about the challenge facing the Government, and indeed all mature western democracies, with an ageing population, a demographic time bomb and the rise of chronic diseases. As the Chancellor reminded us in yesterday's autumn statement, we inherited a very serious structural deficit in the public finances and huge pressure on our budgets. We have to balance the requirement to spend our drugs budget as effectively as we can for patient benefit, but in a way that supports our leadership in medical research for the benefit of patients. That goes to the heart of my mission as the new Minister for life sciences: how do we embrace science, research and innovation so that we spend every health pound more effectively? It is about embracing precision medicines, cutting out waste and ensuring that we deliver maximum health benefit for patients through our health budget, but in a way that attracts inward investment to our economy to equip us better to pay for the modern medicines that we will all need.

My right hon. Friend highlighted that NICE has led the world in health economics on the 20th century model, which is really based on an averaging of health economic benefits, as he explained, and that is under increasing pressure from some of the breakthroughs in science that are bringing us a new generation of stratified and personalised—in some cases, literally—medicines, which do not fit well with the model of averaged, whole-population health economic assessments.

My right hon. Friend made the point fluently that it is ironic that we are a leading centre for research, but unless we also become a leading centre for adopting these new medicines, we will struggle to retain that. We set that out very clearly three years ago in the life sciences strategy. The Prime Minister was very clear about that. We do not believe that we can rest on our laurels simply as a 20th century economy with a strong pharmaceutical footprint; in the 21st century we have to use all our resources, including our NHS, to accelerate the discovery of new medicines and their adoption into the system.

Mr Reed: I wish the Minister every success in that mission and offer the fulsome support of the Opposition in ensuring its success, but does he agree—I do not wish to divert him too much—that critical to that success is that Britain remains in the European Union?

George Freeman: I thank the hon. Gentleman for that warm support for this mission. We are ambitious for this country in life sciences research, and ambitious for Europe too. One of the things I am exercised by is the danger of the European Union putting in place a regulatory framework that does not support 21st-century leadership in regenerative medicine, in stem cells, and in the use of data. In the new year, I will lead a delegation to the European Commission to highlight the fact that this new landscape requires a new regulatory framework. I very much hope that we can persuade the European Union to embrace that so that Britain can lead in a Europe that leads in a global sector.

My right hon. Friend talked about institutional and cultural barriers to rapid adoption of new medicines and the need for a new system. I strongly agree with the tenor of his thinking. It must be a system in which we put patients right at the heart of the assessment of need and in which clinicians are empowered and supported to make decisions based on what their patient needs. The new model of 21st-century research and medicine is about accelerating a much more patient-centred model of research, not just so that we design drugs around patients and their genetics and data, but so that the patient voice is stronger in the allocation of resources. That is a challenging but important agenda that we need to embrace.

My right hon. Friend reminded us that this formed a lot of the thinking behind the original concept of value-based pricing and the need for us to move towards a new mechanism for reimbursing innovations on the basis of the impact that they have in populations. I strongly support all that. He highlighted the cancer drugs fund—a really important measure that seeks to make sure that, in cancer, the therapeutic area that has most challenged the traditional method of health economics, we do not allow patients to suffer from lack of access given the increasing stratification of new drugs that do not fit well with the NICE model. I pay tribute to his leadership on this. I am very proud that we have managed to increase the funding of the cancer drugs fund at a very difficult time for the public finances, with another £160 million this year bringing the total to £280 million. More than 60,000 patients have benefited from that.

My right hon. Friend is right, however, to signal that the cancer drugs fund is, in essence, a stop-gap mechanism to make sure that we are able to update the systems, protocols and procedures within NICE for adopting and procuring innovative medicines. We do not intend to have a specific fund for every therapeutic area or, indeed, additional assessment measures within NHS England on top of those already faced by the industry through NICE. It is crucial that we use this window of opportunity to put in place the new system to adapt NICE's mechanisms and procedures to the new landscape. That is precisely what the review that I announced a couple of weeks ago is about.

My right hon. Friend made a number of comments about the pharmaceutical price regulation scheme. His overall message that price should reflect the value of new medicines and that we should, as far as we can, pay on results, paying a premium to innovations that have particularly high impacts and patient benefits. I suggest that that should apply equally to med tech as to pharmaceuticals. That is part of what was originally

conceived of in the value-based pricing proposals that he brought forward. I agree with all that, and I think it is the direction of travel. In a moment, I will explain how the review and the work we are pursuing in the Department of Health is intended to pick up that thinking and drive it forward.

I welcome my right hon. Friend's reference to the importance of new methodologies. I have discussed this with NICE. He will not be surprised to hear, as it is an organisation that is constantly looking to update its procedures, that it is actively looking at these challenges and welcomed my review as creating a forum for it to share things with industry and charities. I particularly welcomed his mentioning the role of charities. Increasingly, we will see charities as sponsors of drugs alongside big pharma and small companies. As he said, the system is very heavily geared around big pharma as the main developer of new drugs, but that is increasingly not the case. We need a policy and reimbursement landscape that reflects the needs of not-for-profit and smaller company sponsors.

Clinical validation of whether an innovative drug or device is going to work in patients is key, and I know that that is the most valuable moment of all for organisations, because I used to work with them. We should not forget that there is also value in the developers of an innovation being told that it will not work in patients. The "slow no" is the death knell for so many innovative companies and charities. We should look to embrace a model in which we can add value by helping the developers of innovations not to pursue those that will not work well and to target those that can be channelled towards those patients who will benefit most.

I hear loud and clear my right hon. Friend's call for us to urge NICE to develop a more value-based assessment and to explore all mechanisms in the PPRS for innovative medicines. I am very happy to agree with those two things and take up the challenge to support them. I agree with my right hon. Friend's analysis that we have a window of opportunity in which it is important that we set out a new framework so that, beyond the cancer drugs fund, NICE is able to provide a holistic, comprehensive model for assessing the new range of medicines that come on stream, and that we do not have to set up additional funds for different types of medicines with additional burdens of assessment both within and outside NICE. That is precisely what the review I have announced is about and I will deal with some of those specific points.

My right hon. Friend made an excellent speech that captured and set the scene and the challenge we face. I will summarise in my own words the problem. We are moving from a 20th-century model of drug discovery and pharmaceutical innovation whereby typically a new drug takes 10 to 15 years to come to market and costs \$1 billion to \$1.5 billion. It follows a linear process that starts with deep university biological research and then, if we are lucky, it gets spun out into a company or licensed and sent to industry. If we are lucky, it will then get financed through various stages and taken through phases 1, 2, 3 and 4 of trials, with hugely costly international studies. Then it is approved as safe by the Medicines and Healthcare products Regulatory Agency or the European Agency for the Evaluation of Medicinal Products. Then it is approved by NICE as being of suitable cost-benefit for recommended use in the NHS, and then it has to be taken up by clinicians in the service.

[George Freeman]

The truth is that that model is not working well enough for anyone, but most importantly, as my right hon. Friend has pointed out, it is not working for patients. It is coming under pressure for a series of reasons, partly because the industry is struggling with the time cost of a 10 to 15-year development pipeline, leaving it with innovations it needs premium pricing for to justify the huge sunk costs at a time when we are facing a demographic time bomb. Given the rising cost of disease, we need to get maximum value out of every pound. We cannot afford to pay premium prices for every new innovation, so we need a new model.

The great challenge that that represents is also a great opportunity for this country, because the new model will be about designing innovations around particular patient groups. Yesterday, we believed that what we thought were blockbuster diseases required blockbuster drugs, but today, the more we know about disease, patient data and genomics, the more we know that certain patients respond to the same disease—and, indeed, the same drug—in different ways. If we can use that insight with industrial partners, a new generation of treatments can be designed around patient groups and introduced to them dramatically earlier, which is a completely new value proposition, principally for patients, but also for the NHS. That will allow us to become something of a partner in innovation and unlock the basis of a new model of reimbursement.

I do not pretend that that is easy, or we would be able to do it overnight. We will certainly not be able to do it by Christmas, by the election or even within a year or two. It might involve a 10-year programme of deep and long-term change, but we are definitely committed to embracing it and to laying a policy foundation for it.

I want to say something about the PPRS, because it plays a very important role in this landscape. We negotiated and agreed this important deal with the industry. It contains mechanisms for supporting innovative medicines, not least the exclusion for small companies—those with a turnover of less than £5 million—and the exclusion of new medicines brought on stream from January this year. The review we have announced—

5 pm

Motion lapsed (Standing Order No. 9(3)).

Antisocial Behaviour (South Manchester)

Motion made, and Question proposed, That this House do now adjourn.—(Damian Hinds.)

5 pm

Mr John Leech (Manchester, Withington) (LD): I am delighted to have the opportunity to raise the issue of late-night antisocial behaviour in south Manchester, and specifically in the south-east Fallowfield and Ladybarn part of my constituency.

The area is next to the Owens Park university halls of residence campus. Since I went to school in the area more than 25 years ago, it has seen an enormous transformation. It was traditionally a family neighbourhood, but many families and long-time residents have moved out and been replaced by a huge influx of students, with traditional family homes often converted and extended into houses in multiple occupation and student flats. That has resulted in some roads in the area being occupied almost entirely by students, with only the odd long-term resident still remaining.

As student numbers rose, more and more families moved out and houses were converted into student homes, which in turn persuaded other long-time residents to follow suit. That is often described as “studentification”—where a huge proportion of residents in a neighbourhood are students. It has created a number of challenges, not least rows and rows of empty properties during the summer holidays and the impact of that on shops and the local economy. One of the greatest problems that it has created is the noise and disruption caused by late-night parties.

I want to make it clear from the outset that I am not suggesting that all students are causing a problem—far from it—and that I am not suggesting for a second that students are responsible for the majority of antisocial and nuisance behaviour across my whole constituency. Over the years, as a councillor and then as an MP, I have dealt with many cases of noisy neighbours and antisocial behaviour, but in this part of the constituency it is certainly the case that a small minority of students have damaged the reputation of students and universities by making the lives of other residents a misery with late-night parties.

Many of those parties seem to be getting bigger and bigger. Reportedly, up to 300 or 400 people attend some of the largest. Before the summer, one party estimated to have been attended by 300 students celebrating the end of their exams resulted in the collapse of the entire lounge floor of the house. In recent weeks, the situation has got worse, and residents have come to the end of their tether.

I want to share with the House the comments of a handful of residents, which show the real frustration felt by local people. One resident on Clifton avenue said:

“Blood curdling screaming, drunken shouting and singing echoing around the neighbourhood took me out of my house at 10.15 pm—no point getting ready for bed. The rear car park was packed with students and others already drunk were converging on the house—the right-hand front door was wide open. As I watched, students started streaming out of the car park onto Egerton Road heading for Wilmslow Road. I counted 100 before I gave up. About half were carrying opened bottles of wine or cans of beer, the majority were aggressively drunk. They were wearing fancy dress—white dungarees striped tights and socks

and heavy make-up. I have rarely felt so intimidated—the numbers surging past, the drunken loudness. More groups were coming along Egerton Road. The group hysteria was scary. Children woken, hearing, witnessing—what is the effect on them?”

A second resident on Clifton avenue said:

“I can confirm that this drunken yelling and shouting is still continuing (12.06 am). The level of disturbance is unbelievable. The sound clip is from my bedroom via mobile phone, the chanters are streets away, not visible from here.”

A third resident said:

“I have been woken this morning at 1.30 by the 10 students living next door standing outside the house talking and drinking. Sometimes living on Clifton avenue is comparable to visiting a zoo of wild animals. I’m under the belief that the only way to control the appalling behaviour is night patrols or to request the city council introduce CCTV to the area”.

One resident of Egerton road said:

“The noise on the 22nd was the worst I have heard so far. I was unable to sleep without shutting all windows and using earplugs—essentially we are being forced to barricade ourselves in. Some of the screaming girls worry me too as I can’t tell if something bad is happening or not. Perhaps we need to start routinely ringing 999 if concerned that someone might be in danger.”

One resident on Derby road said:

“We were also disturbed around the same time last night by loud shouting/chanting outside. Suspect the group passed along Derby road, though by the time I was able to get to the window, there was nobody to be seen, though I could still hear the noise. My immediate thought was ‘Oh no, it’s Wednesday night, so probably one of those sports groups’. The Wednesday night sports social events certainly do concern us. The groups moving around our neighbourhood are usually large and very noisy, often chanting loud enough to be heard clearly from other streets, and as we know from previously, the content may well bring the universities into disrepute”.

Another Derby road resident said:

“A group of about 15-20 piled out...about the same time, in the street and running into gardens, a bit noisy—but to be honest we were just pleased it was before 10.30. They had been pre-loading again...and were in fancy dress (as oompa loompas from “Charlie and the Chocolate Factory”—but we had a Willy Wonka too!). I agree they were all quite excitable, but after hanging around for 15 minutes they all disappeared off to Egerton and we were not disturbed on their return. Lots of litter for me to clear up this morning though, this is becoming a bigger and bigger problem as the street cleaning seems to stop at Egerton and ignore Derby Road”.

One resident on Raveley avenue said:

“We have some new neighbours, they moved in yesterday. It was sad to see my neighbour go, she was born here but got fed up of the noisy parties. I hope the new people stay and are not driven away by noisy students.”

Finally, a resident on Brook road said:

“It’s just one big party for the students. Never mind us working people. We should go to the media and get them to make a documentary, ‘Life in the Fallowfield Zoo’”.

For too long antisocial behaviour law has not worked for local residents in south Manchester if student parties in local houses get out of hand. The situation has got worse, fuelled by cheap supermarket alcohol—Drink Wise calculates that alcohol is 61% more affordable than in 1980. Add in the disastrous 24-hour licensing policy of the previous Government, and we have a lethal cocktail of excessive drinking long into the early hours. Parties where too many people turn up for them to be safe for anybody, and industrial strength sound systems that play all night, cause problems for families with work and school the next day. Despite copious antisocial behaviour legislation from the years of Tony

Blair’s “Respect” agenda, the police and city council have too often felt unable to intervene when big parties are taking place and causing maximum nuisance for neighbours.

What is the solution? Local residents have been working with the council, the police, Manchester Metropolitan university and Manchester university, and I pay tribute to the time and effort that local people, the community guardians and the South East Fallowfield Residents Group have invested in tackling the problem. In particular I pay tribute to Sue Hare, who has been unfairly criticised by a certain councillor simply for raising the concerns of local residents and the welfare and safety of students.

Action has been taken by the two universities to try to tackle antisocial behaviour. MMU is involved with the Home Office project to change the student drinking culture, while the university of Manchester has introduced a new code of conduct for students that covers their behaviour off campus as well as on university premises. Sanctions can range from fines to potential exclusion from the university, with the first disciplinary case currently going through. The university is hoping to introduce an element of restorative justice—getting victims and perpetrators in the same room. That could help, but local residents are clear that sanctions must be severe enough to act as a deterrent to future antisocial behaviour. Both universities have been proactive in making students aware of their responsibilities to be good neighbours, and have promised further action if that does not change behaviour. That must happen if there is no improvement.

The coalition Government must take credit for the Anti-social Behaviour, Crime and Policing Act 2014, and I thank Home Office Ministers—particularly my right hon. Friend the Member for Lewes (Norman Baker), a former Home Office Minister—for giving local police more effective powers to tackle antisocial behaviour and provide better protection for victims and communities.

In Fallowfield, Inspector Sutcliffe has been leading police action to tackle and shut down those parties. Seventeen late-night parties were attended in one week, culminating in the new powers under the Act being used to close down one of them. More than 400 people were inside the building. A number of them were very drunk and threatening, requiring 14 police officers to contain the situation, and resulting in two arrests of people who refused to leave. They subsequently spent the night sobering up in custody. At the same time, the eight residents were issued with notices to attend the magistrates court, although the summons was later rescinded.

On that occasion, the police were fortunate to be able to close the party down quickly. The legislation requires the police to issue a court date alongside the closure notice. The police had pre-arranged a court date in preparation for closing down a different party that had been advertised in advance but subsequently failed to materialise. Therefore, when the other party erupted, the police could close it down because they had already secured a court date.

A couple of weeks ago, I spent an evening out with Inspector Sutcliffe while he was on duty. I discussed with him, and saw for myself, the challenges the police face in taking appropriate action. He has welcomed the new legislation, but has suggested that it could be tweaked to make it more effective from an operational perspective. The new legislation is excellent in dealing

[Mr John Leech]

with persistent noise and antisocial behaviour at a certain address, but Inspector Sutcliffe has recommended that it would be much easier for the police to be able to close down an impromptu party without an advance court date—it would be much easier to send the court date out later when a three-month closure is being sought. When only a 24-hour immediate closure is necessary, it would be easier if the police could exercise the power without the need to take the case to court. I would be grateful if the Minister could address those suggestions.

When I was out with Inspector Sutcliffe, I was very impressed by the way in which he was proactively tackling the problem—he did not simply wait for a situation to get out of hand, but proactively approached groups of young people on the streets or milling around outside student houses. However, such policing does not come without costs—£3,000 in staff costs in a two-week period, with resources having to be diverted from other policing initiatives. The police have limited resources, and closing down parties has proved to be very labour intensive. Residents understandably want more visible policing, which has clearly made a difference from what I saw while out on patrol. However, that can only ever be a short-term solution, given the limited resources.

I therefore argue that Manchester city council needs to step up to the mark. I have argued for years that the council ought to have a 24-hour environmental health reporting line so that residents in private sector housing can take action when problems occur, not just after the event. Residents are also clear that street warden patrols are required at night, which would have the double impact of tackling antisocial behaviour and making our streets safer for everyone.

Labour councillors try to lay the blame on the Government, saying the problem is to do with cuts to the council, but the problem has been going on for years—all the way through 13 years of a Labour Government. Other councils have 24-hour reporting lines, but it does not appear to be a priority of our local council.

The council needs to look at what action the licensing department can take to deal with student houses that appear to be turned into commercial venues—they have security at the door and charge up to £70 to enter parties. The council needs to be using every opportunity to cause as much hassle as possible for the organisers, so that they think twice about hosting parties in future.

Given the council's record, I am sure it will continue to argue that there is no money to fund the necessary changes, but the reality is that there is no political will. Plans for the expansion of the university Owens Park and an additional 800 students on the campus in Fallowfield were recently announced. That has the potential to make the situation worse. An additional 800 first-year students could lead to up to an additional 1,600 second and third-year students in subsequent years. The plans have raised concerns about the potential for even more antisocial behaviour in future. I argue that, if expansion is going to be allowed, we should ensure that there is a proper mix of student accommodation on the site, with all the additional capacity available for non-freshers and the type of accommodation that second and third-year students will want to live in. If properly managed, that could result in fewer second and third-year students

living off campus, because good-quality appropriate accommodation would be available in the area, but on the campus.

At the same time, conditions should be attached to any application for a contribution to be paid to help tackle antisocial behaviour and fund a 24-hour reporting line and warden patrols. That would help to address the funding issue that the council continues to hide behind.

In conclusion, I very much welcome the new legislation that has helped the police to tackle late-night noisy parties. I urge the Minister to look carefully at suggestions for improvements to the legislation that would make it even more effective. I recognise the need for universities to be seen to be taking effective and firm action to discourage a repetition of bad behaviour, and I urge the council to take the necessary steps to assist the police and the local community to tackle what has become a real problem in this part of my constituency.

5.15 pm

Damian Hinds (East Hampshire) (Con): I congratulate my hon. Friend the Member for Manchester, Withington (Mr Leech) on bringing this important and timely debate to the Floor of the House. The House will have been struck—and shocked—by some of the incidents that he recounted from his constituency. Like him, I pay tribute to what our police, including Greater Manchester police, do in this area, alongside the other relevant agencies.

Antisocial behaviour is a very important subject that affects many people and communities in different ways—including in my own constituency, and, I am sure, the constituencies of other hon. Members here today. I know a little about the setting in Withington, as it is very near to where I grew up. If left unchecked, antisocial behaviour can prevent the law-abiding majority from enjoying public spaces or even feeling safe in their own homes. That is why the coalition Government made it clear that we would introduce effective measures to tackle antisocial behaviour and low level crime in order better to better people. That is what we have done.

The reforms we introduced through the Anti-social Behaviour, Crime and Policing Act 2014, which my hon. Friend mentioned, focus the response to antisocial behaviour firmly on the needs of victims, allowing agencies better to protect the communities they serve by quickly clamping down on problems whenever and wherever they occur. Where individuals do not respond to informal approaches, or where they are causing serious nuisance, front-line professionals can, where appropriate and proportionate, use the new faster and more flexible antisocial behaviour powers that came into force on 20 October.

It is widely acknowledged that the higher education sector in Manchester makes a significant contribution, economically and culturally, with its world class universities and the annual influx of tens of thousands of students. Many are drawn to private rented accommodation in Fallowfield and Withington, as well as to halls of residence. It is of course also the case, as my hon. Friend was at pains to point out, that the vast majority of students are law abiding, enjoying the richness and diversity of the great city of Manchester. However, and as ever, the conduct of a small minority can cause great harm and distress to others. The authorities must be able to act and use their professional judgment to resolve such problems where they occur.

In that respect, I note that the restorative justice approach has been piloted in five wards in south Manchester: Burnage, Fallowfield, Levenshulme, Old Moat and Withington. Its purpose is to resolve issues of antisocial behaviour. Early and informal interventions will often be successful in stopping such antisocial behaviour. The aim of the pilots is to establish clear standards of behaviour and reinforce the message that antisocial behaviour will not be tolerated.

I am sure that my hon. Friend welcomes, as he outlined in his speech, the fact that Manchester Metropolitan university is one of seven higher education institutions taking part, with the National Union of Students and funded by the Home Office, in the alcohol impact project. The project is developing an accreditation mark—a sort of kitemark—that will be awarded to universities committing to actions such as: preventing alcohol-related initiation ceremonies; tackling participation in irresponsible pub crawls; and monitoring antisocial behaviour. Manchester Metropolitan university has also committed to increase the number of alcohol-free student events and to promote responsible alcohol consumption at other events. There is much that institutions can do through policy, procedure, retailing and accommodation, and it is good to see some of these coming forward.

Successful partnership working, as acknowledged by my hon. Friend, along with early and informal action, can reap rewards in tackling antisocial behaviour, but, where more formal interventions are needed, in specific cases we have given front-line professionals new and more effective powers to enable them to act quickly to deal with a range of problems, whether noise, nuisance or drunken and rowdy behaviour in public places.

If the police or a council officer has reason to believe that the use of premises has resulted in nuisance to members of the public or that that could happen, a closure notice can be used to protect victims and communities by quickly closing premises that are causing nuisance or disorder. Of course, those who habitually reside in the premises cannot be excluded for the first 48 hours, but visitors could be excluded completely from the property. As the power can be used preventively, the local community need not suffer while waiting for action, so the harm caused by a party could be prevented altogether.

Moreover, where there is more serious nuisance to others, the police or the council can apply to the magistrates court for a closure order to close the premises for up to six months. I have noted the concerns raised by my hon. Friend that the new closure power does not allow the police to shut down unruly student parties immediately “on the spot” as it were. I have heard what he has said on this point and the commentary and critique that he brought forward from Inspector Sutcliffe, and we can certainly look at all suggestions for improving the legislation to make it even more effective for front-line professionals to protect victims and communities.

The police or local council can now also use new community protection notices, also introduced under the 2014 Act. These are intended to deal with particular ongoing problems or nuisances that are having a detrimental effect on the quality of life of those in the community, and where the conduct is persistent or continuing and is unreasonable. For example, this could cover noise nuisance, as well as littering, fly-tipping or graffiti. Such a notice may impose requirements to stop doing certain things, to do certain things, or to take reasonable steps to achieve certain stated results.

The new power is available to the council and the police, including designated police community support officers, and can be issued against any person aged 16 or over, or against a body, including a business. Before the notice can be issued, the officer must serve the individual with a written warning to make it clear that if they do not stop the antisocial behaviour, they could be served with a community protection notice.

Police officers in uniform and designated PCSOs can also use the new dispersal power in public places to prevent or to stop members of the public from being harassed, alarmed or distressed, or to prevent crime or disorder. The new power combines the most effective elements of the previous dispersal powers into a single, less bureaucratic power. It allows the police to deal with problems instantly and nip them in the bud before the antisocial behaviour escalates, by issuing a direction to the individual to get them to leave a specified area for up to 48 hours.

The new dispersal power must be authorised in writing by an officer of at least the rank of inspector, specifying the grounds on which it is given, which is an important safeguard. Furthermore, authorisation may be given and the dispersal power may be used only after regard has been had to the rights of freedom of expression and freedom of assembly set out in articles 10 and 11 of the European convention on human rights.

Local councils can also use public spaces protection orders to ensure that the law-abiding majority can use and enjoy their public spaces safe from nuisance and disorder. The order can be used to deal with a particular nuisance or problem in a particular area. This power is available to local councils and works by allowing the council to impose conditions on the use of a public place, which apply to everyone, to certain categories of people at certain times or in specific circumstances.

The test for issuing the order will be that the local authority reasonably believes that the behaviour is or will be detrimental to the local community’s quality of life, and that the impact justifies restrictions being put in place. The behaviour must also be, or likely to be, continuing or persistent and unreasonable. Such an order must also be published in accordance with regulations made by the Secretary of State to ensure that people are properly informed that it is in place.

Before using this new power, however, the local council must consult the chief officer of police, the police and crime commissioner, the owner or occupier of the land and any representatives of the local community they consider appropriate. This could involve people living nearby or regular users of the space. Again, such an order may be made only after consideration has been given to the rights of freedom of expression and freedom of assembly set out in articles 10 and 11 of the convention. A public spaces protection order, for example, can be used to restrict the consumption of alcohol in a public place when the requisite test has been met.

My hon. Friend asked whether councils should provide a 24-hour helpline so that people may report instances of antisocial or threatening behaviour. That is, of course, a matter for councils to determine, although discussions take place in partnership with police and police and crime commissioners. No doubt my hon. Friend will wish to continue to raise the issue with Manchester city council.

[Damian Hinds]

Manchester was one of four areas that trialled the “community trigger”, which proved in several cases to be an effective way of ensuring that action was taken to deal with persistent or previously overlooked antisocial behaviour. We want information on how it can be used to be made widely available to the public. The trigger can be exercised not just by victims themselves, but on behalf of victims—with their consent—by, for instance, a friend or carer, or, indeed, by a councillor or Member of Parliament.

Let me again congratulate my hon. Friend on securing this important debate. I hope that I have been able to make clear how seriously the coalition takes the issue when it occurs, in Greater Manchester and elsewhere, and to explain the steps that have been taken to improve the response. It is still early days for the new antisocial behaviour powers, and we will continue to work on their use with front-line professionals.

Question put and agreed to.

5.26 pm

House adjourned.

Westminster Hall

Thursday 4 December 2014

[MR PHILIP HOLLOBONE *in the Chair*]

BACKBENCH BUSINESS

Small Business Saturday

Motion made, and Question proposed, That the sitting be now adjourned.—(*Damian Hinds.*)

1.30 pm

Mr Philip Hollobone (in the Chair): The subject of this afternoon's debate is small business Saturday, which occurs in two days' time on Saturday 6 December. The debate will be ably led by the hon. Member for City of Chester (Stephen Mosley).

Stephen Mosley (City of Chester) (Con): Thank you, Mr Hollobone, for the opportunity to highlight the crucial importance of having thriving, popular and successful small businesses in our towns and cities, and to emphasise the important role that small business Saturday plays in helping small businesses to achieve their potential. Small businesses are the lifeblood of our economy. They account for 99% of all businesses in the UK. They employ some 15 million people across the country and they account for half our private sector GDP. Small businesses play such an important role in our national economy that if every small business took on one new member of staff, we would eliminate unemployment overnight.

Alok Sharma (Reading West) (Con): I congratulate my hon. Friend on securing this incredibly important debate. He is making the case for small businesses up and down the country, which will have welcomed some of the statements from the Chancellor yesterday. Does my hon. Friend share my view that one of the great bugbears for many small businesses has been the business rate structure? The small businesses that I have talked to in the past 24 hours really welcomed the Chancellor's proposed review of business rates.

Stephen Mosley: All of us, as Members of Parliament, receive complaints about business rates from our constituents and those who run businesses. The cost of business rates comes straight off the bottom line of a business—straight out of profit and straight out of the money that people take home at the end of the day—and it has a huge impact on businesses. That is especially true in a constituency such as mine, where we have a thriving and popular city centre with very high rental values. The rateable values for small shops in the city centre are quite extortionate. I welcome the announcements about the reform of business rates, the extension of small business rate relief and the increase of the rebate for small businesses from £1,000 to £1,500 in April.

As our economy grows and evolves, so do our small businesses. Whereas small business used to mean the corner shop on the high street, it can now mean artisan producers on stalls at farmers markets, family-run

restaurants and bars, an international e-business run by a student from his bedroom or a boutique clothes business run from the kitchen table by a full-time mum. The fact that small business in the UK is booming is great news for Britain, great news for jobs and great news for wealth creation. Across the country, record numbers of people are starting their own small businesses, and British entrepreneurs created a record number of new businesses last year. Research from the national enterprise campaign shows that more than 526,000 businesses were created in 2013, which was up from 484,000 in 2012 and 440,000 in 2011. We all want that trend to continue.

Maria Miller (Basingstoke) (Con): I congratulate my hon. Friend on securing this important debate. Will he join me in applauding the increased number of women who are setting up small businesses and the growth in female entrepreneurship in this country, which the Government have nurtured?

Stephen Mosley: Of course I will. Not only are women setting up small businesses in record numbers, but young people are doing the same. Chester university is running some fantastic courses to support entrepreneurs, which get young people out there so that when they leave university they will consider the option of setting up their own business. Young people, women and ethnic minorities are all people whom we want to help to set up their own small business, and they are all doing so in record numbers.

The Government have done a huge amount to help. As we saw in yesterday's autumn statement, the Chancellor is willing to give even more support to small businesses. There is still a huge amount that local communities, local groups and local businesses can do to help themselves, because the people who most benefit from having successful, popular and thriving local shops are local communities.

Simon Wright (Norwich South) (LD): I congratulate the hon. Gentleman on securing the debate. Does he agree that Government-backed opportunities to highlight success, such as the great British high street awards, can play a really important role? The Lanes in Norwich was a well deserved winner of the city category of those awards for the vibrant reputation of its high street.

Stephen Mosley: Like many people in this room, I spent a good deal of time in Norwich a few years ago when there was a by-election in the north of the city, and I was amazed at what a beautiful city it was. Coming from the north-west of England, I had not been to Norwich before, but I was impressed. It is on my wish list of places I would like to visit in the future.

Research shows that for every £1 that is spent in a local independent business, 60p goes straight back into the local economy. Areas that have a high proportion of independent small shops have been found to increase social interactions between shoppers. People in such areas are twice as likely to say hello to other people on their high street. People who live near small shops are 16% more likely to be positive about their local high street than are those who live in areas that lack independent stores.

Valerie Vaz (Walsall South) (Lab): I congratulate the hon. Gentleman on securing the debate. Does he agree that there are concerns about the number of empty

[Valerie Vaz]

shops in our high streets? In Walsall town centre, at least 26% of shops are empty. Do we not need to do something more for our small businesses in the high street?

Stephen Mosley: I totally agree. Shopping habits are changing. People are moving online, and they are increasingly using out-of-town shopping centres. We as community leaders, local authorities and other organisations must get behind our high streets to ensure that when people go shopping in their local high street, they are not simply going to the shops but are having an experience in which they learn something and enjoy themselves. It is incumbent on all of us—Governments and local authorities, but also businesses and local communities—to make sure that high streets are vibrant, fun and exciting so that people decide to go to them. Only if people go to shopping centres and provide the necessary footfall will businesses move in and take up the empty shops.

Alok Sharma: My hon. Friend talked about support, and of course we can all offer support, but there is Government support as well. I believe that the Government have been relentless in their support for business, and we all welcome that. The Government have all sorts of schemes to help small businesses. What more does my hon. Friend think that we in the House, or the Government, can do to inform people of those schemes and of the support that is available to help them to prosper and grow?

Stephen Mosley: My hon. Friend has got to the nub of the debate. As well as highlighting small business Saturday, the debate is about highlighting the support that is available for small businesses across the country. I will talk later in my speech about what the Government are doing. I am sure that the Minister is quite capable of banging the drum and telling us all about the good work that he and the Government have done to support small businesses.

Mark Hunter (Cheadle) (LD): I congratulate my hon. Friend on securing this important debate. He is being generous with his time, and I hope that he gets the opportunity to proceed more quickly. I put it to him that although small business Saturday is massively important and a very healthy thing—that is why we are all here to support it—we really need communities across the length and breadth of the country to understand the need to support their local shops all year round. Small business Saturday is a welcome initiative, but by itself it is not enough. Retailers on the high street face a great deal of challenge, and we need to get more people to support local shops on a regular basis. Does my hon. Friend agree with me on that point? I hope that he will have the opportunity to say what more we can all do—not just the Government—collectively to support our local small businesses.

Stephen Mosley: I support what the hon. Gentleman says. He raises the points that I wanted to raise in my conclusion, so he is denying me all the glory of raising those issues myself.

By working together, local communities, local groups and local businesses can boost their small shops and therefore boost their local area. One of the most inspiring,

exciting and successful ideas for doing that is small business Saturday. Simply, small business Saturday exists to support, inspire and promote small businesses. It started in the United States of America in 2010, and it has been a key feature of the pre-Christmas shopping period and become established on the first Saturday after Thanksgiving. Small business Saturday was conceived, launched and is still heavily backed by American Express, with the intention of encouraging shoppers to patronise small, local bricks-and-mortar businesses.

In America small business Saturday has been heavily promoted via a nationwide radio and television advertising campaign, with a heavy focus on social media that has generated more than 1 million Facebook likes and hundreds of thousands of tweets using the Twitter hashtags #SmallBusinessSaturday and #SmallBizSaturday. Many politicians and business groups in the US have backed the campaign, with many launching campaigns in their local area. Last weekend, on small business Saturday in the US, President Obama and his daughters, Malia and Sasha, went shopping at the Politics and Prose bookstore in Washington DC, where they picked up 17 books. Additionally, many small business owners in the US have started to run marketing specials on small business Saturday to capitalise on the boost in foot and online traffic, as most customers at this time of year are actively shopping for the Christmas period.

Seema Malhotra (Feltham and Heston) (Lab/Co-op): I congratulate the hon. Gentleman on securing this debate. My hon. Friend the Member for Streatham (Mr Umunna) played a key role in bringing small business Saturday to the UK. The hon. Member for City of Chester (Stephen Mosley) is outlining a number of areas where small businesses in America have come forward, but does he agree that we can do a lot more and use small business Saturday to help our local businesses gain the confidence to come forward, market themselves more and feel that they can be much more present, and proud of their presence, in our communities?

Stephen Mosley: I totally agree. Small business Saturday started in the United States, and it is thought that last year US consumers spent \$5.7 billion, which is about £3.6 billion, in small, independent retailers on small business Saturday. Following its success in the United States, small business Saturday first burst on to the scene in the UK in 2013. I am aware that the hon. Member for Streatham (Mr Umunna) was very much involved in bringing small business Saturday over to the UK.

Valerie Vaz: To make a link between the United States and here, we were lucky to have the Reverend Jesse Jackson holding up a sign for small business Saturday with my hon. Friend the Member for Streatham (Mr Umunna) in Walsall.

Stephen Mosley: I know how much the hon. Member for Streatham has been involved. He first learned about small business Saturday when he saw celebrities and high-profile people in the US tweeting about it. He, with Members from all parts of the House, put in a huge amount of work to bring small business Saturday to the UK last year. In the UK, small business Saturday has settled on the first Saturday in December, and it

aims to have a long-term impact by encouraging shoppers to shop local and support the small businesses in their local area.

An independent community interest company, Small is Big, has been set up to run small business Saturday in the UK, and it endeavours to encourage organisations to support small business Saturday and get the word out about the day. Organisations such as the Federation of Small Businesses, the Association of Town & City Management, the Association of Convenience Stores and the Northern Ireland Independent Retail Trade Association have given their support have encouraged their memberships to get involved. Last year's small business Saturday gained widespread support and publicity across the UK in the newspapers, on TV and in social media.

Surveys show that 48% of UK customers were aware of last year's small business Saturday and of the campaign's aim to encourage people to shop small and shop local. The small business Saturday UK Facebook page gained more than 1.5 million views, and #SmallBizSatUK was in Twitter's top three trending items all day. The campaign gained widespread support across the country, with 40% of local authorities also supporting the day. It is estimated that more than £460 million was spent in small businesses on that day alone, with 43% of shoppers deciding specifically to shop at a local store, spending £33 each on average.

Last year, small business Saturday gained the support of more than 200 Members of Parliament, including the Prime Minister and Members from both Front Benches. I was one of those 200 MPs, and I used small business Saturday to try to boost our local small shops and high streets in Chester. We distributed fliers and posters, and with the support of the local newspapers, we advertised both the day and special offers by many of our local shops. More than 400 local shops took part, and I started my Christmas shopping in the wonderful Chester suburb of Hoole, which has a fantastic reputation as one of the premier local high streets in Chester and is full of local, independent shops.

Running alongside small business Saturday, I was delighted to organise and run our first small business awards, which allowed customers to nominate and vote for their favourite independent shops and businesses. It was obvious that local people recognise the difference that these businesses make, whether it be the great customer service they receive or the high-quality products that the shops deliver. More than 150 businesses took part in the awards, and more than 1,000 local people voted for their favourite business. G&M Goold funeral directors in Vicars Cross and Monogram dry cleaners in Newton were the joint winners of my awards last year.

This year's small business Saturday looks likely to beat all records. Like last year, we are seeing a huge push on the internet and on social media. The website www.smallbusinesssaturdayuk.com contains loads of useful information and promotional materials, such as digital packs of downloadable marketing material, including posters, logos and social media icons. There is also advice on running successful social media campaigns and a useful guide to avoiding the most common Twitter pitfalls—something some of our colleagues could do well to read. The small business Saturday team is using social media channels to feature 100 small businesses—one a day—in the 100 days leading up to small business Saturday, highlighting all that is great about small businesses.

Foodies, an Edinburgh cafe, bakery and caterer launched with help from the Prince's Trust, is today's "small biz 100" company.

Alongside the online campaign, the small business Saturday bus is travelling the length and breadth of the country advertising small business Saturday and handing out promotional materials. There is also a big campaign in the traditional media, with many national and local newspapers already getting behind small business Saturday, highlighting the importance of Britain's small businesses and backing the "shop small, shop local" campaign.

Chester will again be playing its part in ensuring that small business Saturday is a huge success. My office has produced small business packs containing posters and fliers, which we have distributed to small shops in the city centre and in suburban shopping areas. We have launched this year's competition to find Chester's favourite small business and distributed thousands of nomination slips, as well as allowing people to nominate their favourite small businesses on my "Championing Chester" website. Chester has a strong reputation as home to many successful small independent shops and I look forward to seeing the nominations and joining the celebration of our small business scene's diversity and success.

Small business Saturday is an excellent way of highlighting the importance and success of small business across the UK, but the campaign, as we have heard, is about more than encouraging people to use small, independent local shops on one day a year. It is also about changing people's mindsets so that they shop local and shop small every day of the year. Just as consumers need to be there to support small business 365 days a year, the Government also need to be there 365 days a year.

So far, as we have heard in interventions, the Government have an impressive record. I will briefly outline some of the welcome measures and support that have been provided to help small businesses thrive and grow. They include: the employment allowance, which has cut each company's national insurance Bill by £2,000, which directly benefits smaller companies disproportionately more than large multinationals; the reduction in corporation tax rates; the doubling of small business rates relief, and the welcome announcement from the Chancellor yesterday that that will continue after April next year. A £1,000 business rates discount has also been introduced for retail premises with a rateable value up to £50,000, which the autumn statement yesterday increased to £1,500 from April next year.

Toby Perkins (Chesterfield) (Lab): We all know business rates are a bugbear for many small businesses, particularly in the high-street sector. What was his view on the Government's decision back in 2012 to put off the revaluation of business rates? Does he think that that was a mistake, on reflection, or does he support their decision?

Stephen Mosley: I am delighted by the action that the Government have taken, whether it is the introduction of small business rates relief, the rebate for small retail units or, as we heard earlier, the decision announced yesterday to review the business rates system. I hope that the Opposition support the Government in achieving their aims.

Toby Perkins: In terms of the business rates, I am not clear what the Government's aims are, other than having a review. However, I was asking the hon. Gentleman specifically about the decision to put off the revaluation of business rates, which will have had a significant impact on most northern communities, and probably on his. I would be interested to hear his analysis and whether he supported that measure.

Stephen Mosley: I was trying to keep the small business Saturday debate non-political to show what support exists across the House for small business in the UK, but if the shadow Minister wants to get political, I could point out why this Government inherited massive spending problems in 2010. Huge mistakes were made up to 2010. I do not want to go there; I want to keep this debate positive about what we can do to help small business going forwards. Is the hon. Gentleman happy with that?

Toby Perkins: I am happy to take that challenge, although I do not know why the hon. Gentleman feels quite so threatened. He was reading off a list of things that the Government had done, and one of the most significant decisions that they have taken over the past few years has been their decision on business rates. He is talking about business rates, so I asked whether he supports that decision. He should not necessarily see that as hostile; I am just asking him what his view is.

Stephen Mosley: I quite agree that the Government have done a lot, whether on small business rates relief, the doubling of rates relief or the rebate. I totally support those actions, and I support the announcement yesterday of a future review of business rates.

The measures on business rates and corporation tax allow small businesses to keep more of their hard-earned cash—money they can use to take on more staff, invest in new equipment, or simply pay down debt. To help small businesses raise the cash that they need to start or grow, the Government have also launched the British Business bank, providing up to £4 billion in funding for business on top of the successful start-up loans scheme, which has already provided £150 million to enable more than 20,000 entrepreneurs to follow their dreams and start their own small companies. I am sure that the Minister will highlight many more of the schemes that he and his Government have introduced to help small business in his response to the debate.

Since 2010, hundreds of thousands of new businesses have been launched every year, so that, as we heard the Prime Minister say at questions yesterday, there are now more than 760,000 more businesses in the UK. In my constituency of Chester, new business start-ups have increased by 300%. Small businesses have been responsible for nearly half the job creation in the UK. They employ about 15 million people and make up about half of our private sector economy. Small business has an absolutely fantastic story to tell, and small business Saturday is an opportunity for us all to shout from the rooftops about how important our small and local shops and businesses are.

Although the Government have done a lot to help, it is also crucial that local communities, groups and businesses come together and celebrate all that is great about our small businesses and the contribution they make to our economy and our high streets, because the people who

benefit the most from having successful, popular and thriving local shops are local communities themselves. I will be shopping small and local in Chester this Saturday, and I hope that the Minister and other Members will back small business Saturday too.

Mr Philip Hollobone (in the Chair): An excellent example for us all.

1.55 pm

Mr William Bain (Glasgow North East) (Lab): It is a pleasure to serve under your chairmanship, Mr Hollobone. I congratulate the hon. Member for City of Chester (Stephen Mosley) on securing this debate. I recall speaking in a similar debate last year, and I am pleased to reflect on the fact that we have had a welcome year of solid growth in small and medium-sized businesses since then, as well as a good deal of job creation. We should welcome and encourage that. Later in my remarks, I hope to set out some of the challenges that small businesses in my constituency—and across the country, through the Select Committee on Business, Innovation and Skills—have mentioned to me and on which they are seeking help from Government and all of us in politics.

There has been some discussion about the consistency of policy among Governments of different complexions. Some 77% of all employment growth between 1998 and 2010, when we were in government, was due to small and medium-sized businesses. All of us in this House have a huge commitment to recognising the economic and social contribution made by small businesses, and hopefully some good ideas will emerge from this debate about how we can strengthen them further.

I think of the bakeries, coffee shops and newsagents open long before we all get up in the morning, hard at work providing services and making a terrific contribution to the economy, but I also want to single out some of the important small businesses that have surged in the last few years in my constituency. One of them is Gaia-Wind, a manufacturer of small wind turbines in Port Dundas, which has hugely expanded the number of local Glasgow people it employs over the past five years. The company has now cracked open access to markets in Japan and Denmark, so its contribution in exports to the Scottish economy will be much larger.

Speaking with Gaia-Wind threw up some issues that many small businesses across the country still experience. The first is access to finance. According to the Bank of England's most recent inflation report, SME lending is still falling. It has fallen every year during this Parliament, despite initiatives such as funding for lending. It illustrates the need for powerful structural reform of our banking sector and for a British investment bank that can provide finance to major infrastructure projects and strategically important industries in our economy. The green investment bank needs more powers to drive an increase in green investment that will benefit the entire economy and help us show the global leadership that we should be showing in decarbonising our energy supply by 2030.

We can learn from other countries such as Germany, which in both good periods of economic growth and periods of downturn have been able to keep funding going to small and medium-sized businesses in a way that the traditional banking system in this country has been unable to. I hope that in the next few years we will see more action for more regional banks. That would help.

Seema Malhotra: My hon. Friend is making an excellent speech. He rightly raises the issue of access to finance and creative ways in which banks might now start to provide that access. Does he agree that there might be more opportunity to think about how businesses are reached? When I was in India earlier this year, I met the founder of the Mann Deshi bank, which uses mobile banking—a bit like our chip and pin system—to go out into communities and deliver services on the doorstep. That makes a huge difference to people, particularly women, who are setting up their businesses.

Mr Bain: My hon. Friend makes an excellent point. Indeed, one of the trends that we have spotted in the last few years is the number of women becoming increasingly keen to start up their own businesses, which policy in politics and the financial system should seek to promote. She made her point very well indeed.

There is a need for structural banking reform and for the Government to emphasise more the role that our small and medium-sized businesses can play in terms of exports. It was disappointing yesterday, after the autumn statement, to read in the fiscal report by the Office for Budget Responsibility that it has had to downgrade its forecast for the contribution that net trade will make to growth in this country for each of the next five years. That is a desperate position and Members from all parts of the House should be concerned about it.

I urge the Government, following this debate, to take more steps to make UK Trade & Investment much more proactive, to build on the work that our excellent exporting SMEs are doing in all our constituencies, and to ensure that the Government not only react to businesses but proactively engage with them and open up new markets. That is what the small businesses in my constituency tell me is needed, and it is an urgent priority for the Government during the next year.

We have heard, quite rightly, tributes to my hon. Friend the Member for Streatham (Mr Umunna)—small business Saturday in this country is his initiative. However, we should also follow some examples that originated, in principle, in the United States. That would be helped by having a small business administration within the Department for Business, Innovation and Skills. When small businesses speak to me, too many of them say that they feel there is too much of a silo mentality in Government, with too many Ministers in different Departments but not enough working together to produce the best approach—particularly when it comes to our manufacturing exporters. I hope that a small business administration within BIS would begin to break down that silo mentality, so that we would see improvements.

Small and medium-sized businesses deserve other help from Government when it comes to procurement. This Government, I remember, came to office and pledged that a quarter of all Government procurement contracts would go to SMEs. That simply has not happened; that target has not been met. It is clear that the next Government, whichever complexion they have, will have to do substantially more to make up for the underperformance of the Cabinet Office during the last four and a half years. An emphasis across Government on how the procurement system can help SMEs has got to be a priority of Government policy.

Small businesses also tell me about the problem they face in gaining access to broadband. Again, the previous Government had a commitment for universal access to broadband by 2012. This Government decided to scrap that commitment; they made new commitments about superfast broadband, but in the last year or so those have been put back to 2017. With more and more people shopping online, even with local firms, it must be a priority of Government to ensure that as many people and as many small businesses are online as quickly as possible. That involves both getting support from the Department for Business, Innovation and Skills and dealing with issues such as payroll, tax and benefits. If we are to have an infrastructure in Britain that is fit for the 21st century, it is an absolute priority that we see businesses online as quickly as possible and with a good, reliable broadband speed; small businesses also regularly complain about their broadband speed.

Another issue critical to small businesses is Government policy on skills. Commenting after yesterday's autumn statement, the National Institute of Adult Continuing Education said that it was disappointed that the measures in the statement did not tie up with rhetoric that we had heard beforehand. NIACE particularly points to the issue about adult skills and workplace training. The Minister and I have regularly conversed about it.

Given the OBR's verdict on productivity and investment, it is absolutely critical for the future of small businesses that they have a willing partner in Government to ensure that investment in a skilled work force is a priority and is improved in the coming years. The Federation of Small Businesses, among others, is very concerned about this issue.

It has also become clear this week that there are still very disappointing numbers on earnings growth, and that is borne out by our experience as constituency MPs every weekend. If we consider the information that came out from the Office for National Statistics this week about the annual survey of hours and wages, we see that wage growth in SMEs is becoming a particular problem. The number of workers across Scotland and the rest of the UK being paid less than a living wage has risen this year compared with last. That makes the case for having a more proactive approach from Government, to support small businesses that want to pay the living wage and that will see the benefits coming from the Government's taking more action on it.

I simply commend the idea of having a fiscal incentive. Labour Members have sought to put that incentive together in the form of “make work pay” contracts. The Government ought to be looking at that type of incentive as well, so that we can go ahead on a cross-party basis, as the hon. Member for City of Chester has asked us to. Such an incentive would do a great deal to help businesses feeling pressure from lack of access to finance to be able to benefit from the living wage, where that is affordable, as well as helping the workers who do such great work for those businesses.

I am optimistic about the future of our small businesses. They have a huge amount to provide, not only for our domestic growth but for the export-led growth that all of us, from all parts of the House, want. However, we need a more active Government who take action on skills, finance, procurement and investment, and I hope that that will be one of the consequences that follows from this excellent debate this afternoon.

2.8 pm

Andrew Bingham (High Peak) (Con): Thank you, Mr Hollobone, for calling me to speak. It is a pleasure to serve under your chairmanship again.

I congratulate my hon. Friend the Member for City of Chester (Stephen Mosley) on securing this important debate. As a former small business man myself, I know and appreciate the value of small businesses, both to our local economies in our own constituencies and to the national economic recovery. Every debate in Westminster Hall is important, but this one has an extra level of importance, and coming today—just two days before small business Saturday—it could not be better timed.

People wonder what the definition of a small business is. Companies employing fewer than 50 people often fall into the category of “small business”, and I suppose that if we compare that number with some of the larger conglomerates in the country, that is a fair description. However, I will focus on what are, in my view, the small businesses—the really small businesses, or the micro-businesses.

I ran a micro-business for 20-odd years and I can assure Members that running one is not easy. Employing only a handful of people, as I did, I used to have to deal with customers of all different sizes and types. I was salesman, credit controller, debt control, buyer and human resources manager all at once, and many small business operators are in the same boat. To do all those roles, they have to work late into the night, putting in many hours. They take their work home and they live, eat and breathe their business.

In High Peak there are 3,520 businesses and 98.5% of those have fewer than 50 employees. It is all too often too easy to forget them because of their size. One small business man said to me, “I don’t have time to lobby my Member of Parliament or to go to meetings. I’m too busy trying to earn a living.” It is up to us as MPs to go to them, to tell them that we support them and want to help them.

As politicians, we would always seek to claim the glory of any economic recovery and, yes, we play a significant part, because we can legislate to help and support these businesses. I am proud that this Government are on the side of the small businesses. We do not regard “profit” as a dirty word and we want to help them into profit, because they can reinvest that and create more jobs and employment in our constituencies. Any economic recovery is driven by businesses, including small businesses. The figure that I cited—the 98.5% in my constituency—shows that small and micro-businesses are very much at the forefront of that effort and the recovery that we see today.

There is a perception among some that the typical small business owner sits there with an expensive cigar, counting the money, but I assure hon. Members from all parties that that is not so. They have staff to look after, debts to service and overheads to worry about and, above all, they have customers whom they have to service and please.

Often a small business’s strongest asset is its staff. Although there were never many of us, my staff were the most important: they were the ones who spoke to customers. The staff in a business operating in a specialist field are trained in a certain specialism, making them even more important. A customer once said that he did

not have one mortgage on his house, but had 25 mortgages to service, because his 25 employees relied on him for their income and the ability to pay their bills.

The small business has no human resources or personnel departments and no credit control. The owner has to juggle all the different roles and responsibilities, to provide jobs for people, generate profits and pay his or her taxes. I hesitate to say it—and many hon. Members in the Chamber from all parties have worked in small businesses—but unless people have been in the situation, it is difficult to understand and comprehend it.

I remember many experiences well. I remember the day when my two best customers went into liquidation. Anybody who has been in a small business may know that liquidation letters usually arrive on a Monday. Looking at the letter from a firm of solicitors, people will think, “Oh dear, what’s this?”, and open it up to find that XYZ Ltd is in liquidation. The first thing to do is see how much is owed, although we all know fine well that we will not get the money back from that limited company.

I remember being faced with the fact that I had lost a significant sum—not only that, but I had lost my two best customers. Such a situation leads to cash-flow problems and affects the ability to earn that money back. It was not the greatest day and it will live with me for a long time. That is why I say that we should pay particular attention to the experiences of people who have to run these businesses and face such challenges daily.

We should remember that all big businesses usually start as small businesses. My company used to sell air compressor machinery. I am not sure whether many hon. Members know what an air compressor is. I could tell them in great length if they wanted and, since we have plenty of time this afternoon, we could have a great lecture on air compressors.

I remember well a company coming to see me that wanted a machine that cost £400 plus VAT. It was just starting up and did not have the money and said that it could just about squeeze £200. I did a deal with them and it paid half up front and the rest on a post-dated cheque. That company, which makes ready meals, now employs 270 people—it might even be in the constituency of my hon. Friend the Member for Cheadle (Mark Hunter). That company dealt with us for many years, because we had a bond of loyalty, and I was always grateful to it for that reason. Credit is due to it for growing into a large company. We should remember such examples and never forget small businesses. Small business Saturday is so important, because it gives us a chance to support them.

Pretty much every shop on every high street is a small business: every pub is a small business, for example. As well as the retail outlets that we have heard about, we should remember and support plumbers, joiners and electricians—all small businesses in their own right that people can support on small business Saturday. However, I make a plea on behalf of the small and micro-businesses to all residents in my High Peak constituency, and others: do not make small business Saturday an exceptional day in your year’s shopping. People who use a small business should make every day a small business day, not just one day a year—with the greatest respect, that is not much use to people who run small businesses. They cannot make a year’s profit and turnover in a day, so make it every day.

As well as retail and public-facing small businesses, there are trade businesses. I did very little business with the general public; I was doing business with other companies. I make a plea to the Minister on behalf of such businesses. Big companies, multinationals and especially the public sector, whether councils, Government agencies or Departments, should all embrace this small business ethos and small business Saturday, as I have said before in the House. I venture that such organisations may not work on Saturdays, so they should think of other days and embrace the concept of dealing with small businesses.

I have said it before and I say it again: take the lead, give the small businesses and the micro-businesses a chance to supply Government agencies and local councils, because they can often provide a better product at a better price. Do not put ridiculous surveys, questionnaires and assessments, and all that sort of thing, in their way. Look at their products, what they can offer and their prices. Do not have the same revolving merry-go-round of big organisations dealing with big organisations. Let the small company feed at the table as well. As I have said before, public sector companies would do better to use small businesses wherever they can, because they would get a more personalised service and a better product at a cheaper price.

I am sorry if I am getting a bit evangelical about this, Mr Hollobone, but, as I said, I spent many years trying to deal with big organisations and local authorities, knowing that I could do them a better deal. I remember dealing with a local authority, knowing full well that my product was the same and my service was better, but I did not have certain bits of paper with certain ticks on them. I was facing somebody with an agenda to get all the forms ticked and filled in and knew that I was not going to get the work. It was work that I wanted to get and I knew that I could provide a service at a better rate. Unfortunately, the taxpayer was being short-changed, because those organisations were paying a higher price for the product.

I applaud small business Saturday, but let every day be a small business day. The big businesses—the conglomerates—can shout up for themselves; they have people on their payroll who can do that for them. I am here to shout up for the small business man and woman—incredibly hard-working small business owners in the High Peak and across the country who do so much and create so much for my constituents, yet they are forgotten, overlooked and not recognised for their efforts. My message to them is and always has been clear. I will support them and I am proud that the Government support them. As we near Christmas, I salute every one of them for the sleepless nights, the hard work and the graft that they put in to help our economy. I salute them for what they have contributed over this last year.

While I am on my feet, I have to be honest and say that I am not a big lover of the Christmas festivities—[HON. MEMBERS: “Bah, humbug!”] Yes—bah, humbug! Absolutely. Lent is more my ethos. Anyway, while I am on that theme, I wish small business owners a very merry Christmas and, more importantly, a prosperous Christmas and new year.

Mr Philip Hollobone (in the Chair): It is perfectly in order to be evangelical.

2.17 pm

Andy McDonald (Middlesbrough) (Lab): It is a pleasure to follow a wonderful speech by the hon. Member for High Peak (Andrew Bingham). I congratulate the hon. Member for City of Chester (Stephen Mosley) on securing the debate. He spoke well, and I am sure that the city of Chester will be a thriving, vibrant place on Saturday and that he will enjoy it, as we all will.

Hon. Members have made the point that there is a wealth of experience in the House. A number of us come from business backgrounds, from all sorts of disciplines, and I recognise the endeavour and energy and the hours that people put in, which the hon. Member for High Peak extolled. Having run small businesses myself—a computer software house and a solicitor’s practice—I know exactly what he means. People not only work all hours, but they are often the last to be paid. Those stresses should never, ever be underestimated.

It is right that every day should be small business day. However, the whole point of small business Saturday is to draw attention to the need for us to support our local businesses. This is the one day that we can really shine a light on them and, hopefully, it will establish practices and shopping behaviours.

I am looking forward to Saturday. If last year’s was anything to go by, we have a lot to look forward to. Last year in Middlesbrough I met dozens of businesses over two days: we claimed Friday as well, making it a two-day celebration of the brilliance and endeavour of so many small businesses. There are some 4,000 small businesses in the borough of Middlesbrough. I apologise if I trespass on to the territory of my hon. Friend the Member for Middlesbrough South and East Cleveland (Tom Blenkinsop), but I will talk about the entire borough. Debates such as this bring home the total privilege it is not only to represent and speak up for such terrific people, but to go around my constituency and see at close quarters what brilliance and drive we have in our communities. I am sure that that is the case for all Members and their constituencies.

This debate is a cross-party celebration of small businesses, but I hope that Government Members will not mind too much if I mark out for some attention the shadow Secretary of State for Business, Innovation and Skills for coming up with the idea of bringing small business Saturday from America across the pond to the UK. That mood of genuine cross-party celebration was captured well by the hon. Member for City of Chester.

Last year, I took the opportunity to visit small businesses in the shopping centres and in the town centre, and it was incredibly uplifting and revealing. The range of businesses was remarkable, and it was wonderful to speak to so many entrepreneurs who took to their trades and crafts with such enthusiasm, from a one-man leaded window manufacturer with an overflowing order book, to some brilliant young people with a thriving business digitising outdated film formats, to some terrific catering businesses in the superb Baker Street Kitchen and the Olde Young Tea House, which was so busy that we could not get a seat. I am delighted to say that the latter business has been such a roaring success in the intervening 12 months that it has had to move into bigger premises.

[*Andy McDonald*]

I also had the opportunity to call in at the magnificent Psyche clothing store on Linthorpe road. I was delighted last week to attend a sparkling event at the store to honour its founder Steve Cochrane, who rightly received a special award from the mayor for his endeavour and his massive contribution to our town. Steve epitomises the energy and drive of entrepreneurs in Middlesbrough. He started off extremely small some decades ago, with a small shop selling an eclectic mix of bespoke clothing. He moved into bigger premises some 10 years ago, and then moved into the former Uptons department store. That was a ridiculously ambitious project, but it has been an overwhelming success, and it is so much more than a fashion store; as the mayor himself said, it is a work of art in its own right. People come from far and wide to enjoy the fabulous fashions in a wonderful environment. Since opening and establishing such a presence, that business has attracted other fashion retailers and idiosyncratic bars and eateries into the vicinity, creating a terrific buzz on Linthorpe road.

What really impressed me when I visited Baker street was that it has real cachet and is full of stylish and distinctive fashion outlets. There is a real Carnaby street feel about the place. Again, unique businesses have attracted others, including two very successful micro-pubs. There is Sherlocks for one and the Twisted Lip for another one—or even two. I should also mention the long-standing family businesses that are synonymous with our local town stories. They are part of our local histories and narratives. An example in my constituency is the magnificent, family-run, three generations old HS Interiors on North Ormesby road. The same can be said of W.H. Watts on Parliament road, which has been selling prams and buggies to generations of Middlesbrough families. There are so many businesses like that, including the famous Jack Hatfield Sports.

Mark Hunter: I am enjoying listening to the name-checking of so many different businesses in the hon. Gentleman's constituency. He paints an encouraging picture of progress. Does he agree that one thing we should do on such occasions as this is pay particular tribute to small shops and businesses that go the extra mile? As he was talking, I was thinking of all the small businesses in my patch that come together to organise events of their own. That is not just Christmas fairs or switching on the Christmas lights but events throughout the year. Usually it is the traders themselves who show entrepreneurship and initiative to get together to try to make the shopping centre, the village high street or whatever it is more attractive. They are the people who deserve to succeed, because the days when shopkeepers could sit back and wait for people to come to them are a thing of the past. I invite him to pay tribute to all those who go that extra mile and put on those events for the benefit of the wider community and not just for themselves.

Andy McDonald: I would be delighted to accept that invitation. I pay tribute to those people, because we see it in our communities—parades of shops where people go the extra mile, like the small greengrocer who decides, "I will do some bespoke delivery services. I will ensure that the entire parade of shops can market itself and get materials out to people." We see good instances of people's innovative drive. Those people are absolutely

vital to our communities. If they disappeared from our sub-regional shopping centres, we would be all the poorer for it. I pay tribute to them, because they are the lifeblood of our communities. Their businesses are the ones that define our local economies. The big multinational stores bring much to our high streets and shopping centres, but it is the smaller local businesses that mean so much to our communities. As the hon. Member for City of Chester pointed out, for each pound spent in small businesses, the vast majority of that pound—some 60p—circulates in the local economy. That should always be borne in mind.

What was self-evident last year was the huge number of young women who had started their own businesses, especially in the fashion street I mentioned, but in other places as well. I am delighted that my friend and colleague Louise Baldock, the prospective parliamentary candidate for Stockton South, will be with the Stockton business women's forum providing encouragement, support and opportunities to local female entrepreneurs and business leaders. She has her own marketing consultancy offering services to a variety of businesses, and I look forward to welcoming her into the House in 2015, where I am sure her experience and expertise in business will make a significant contribution.

Without any shadow of a doubt, we want to praise our local small businesses, but we should also focus on the need to create the conditions that enable businesses to flourish. I want to mention the work of Middlesbrough council, which has invested in the regeneration of a redundant building in the heart of the town centre that was riddled with asbestos. It has also underwritten a project to create a new hotel with 138 bedrooms. The beauty of that project is that it will bring people to the town and encourage and stimulate business activity in its immediate vicinity. Those sorts of projects and initiatives cannot be ignored, and I pay tribute to the council.

Tom Blenkinsop (Middlesbrough South and East Cleveland) (Lab): My hon. Friend is pointing out the good facts about Middlesbrough town centre and his constituency. In south Middlesbrough, we are equally reliant on the town centre being strong and providing employment. The civic pride that those small businesses provide and reflect in a town or area is equal in the smaller shopping precincts outside—in Hemlington, Marton, Coulby Newham, East Cleveland and Guisborough and places like that. The civic pride comes from those small businesses not only providing profit for themselves, but having pride in their local area and helping to maintain it. I pay tribute to Middlesbrough council for its free parking scheme, which it has been running for some time to provide small businesses with extra support, encouragement and footfall.

Andy McDonald: I entirely endorse what my hon. Friend says. That local initiative was important, because we all face the challenges of out-of-town shopping centres. We want to ensure that people have an equal opportunity to come into town centres to shop. He is absolutely right when he talks about the sense of place and identity and people supporting their sub-regional centres, which is vital.

In conclusion, I put on record my enthusiasm for small business Saturday. We got off to a good start last year, when the event added some £500 million of trading

to GDP in 24 hours. I strongly suspect that with the momentum and capacity that has built up over the past 12 months, this year will be even better. I welcome the initiative and congratulate the hon. Member for City of Chester on securing the debate.

Mr Philip Hollobone (in the Chair): We will now go to a right hon. Lady in striking blue, who will be followed by an hon. Lady in striking red. I call Maria Miller.

2.29 pm

Maria Miller (Basingstoke) (Con): It is a great pleasure to serve under your chairmanship, I think for the first time, Mr Hollobone, in this important debate. I congratulate my hon. Friend the Member for City of Chester (Stephen Mosley) on securing the debate. I had the great pleasure of visiting Chester with him recently, so I know how wonderful that city is and about the important investment that is going into the city centre.

I pay tribute to my local branch of the Federation of Small Businesses, in particular Tim Colman, the regional vice-chairman, who does an extraordinary amount to support local businesses in my area. In the work that he does, he goes above and beyond the call of duty.

My hon. Friend the Member for High Peak (Andrew Bingham) spoke about his experience as a small business man. His comments resonated with me because my father was a small business man, so I recognise exactly the challenges he described. Running a small business is a tough job, especially for those with families. We should all pay tribute to the people who take that risk—who put themselves out there and run businesses to generate income not only for their own family, but for other people as well.

Andrew Bingham: Like my right hon. Friend's father, my late father set up his business at the age of 27. The whole family were part of that business, because dad set it up and we lived and fell by his efforts. We were born into that as we came through as the next generation.

Maria Miller: My hon. Friend is absolutely right that it is in the blood, and we can see that in him.

Small business Saturday gives us all an opportunity to think about and celebrate small businesses not only nationally, but in our own communities. It is important that people shop locally. Residents of Basingstoke can do that every day of the week, but they have an extra opportunity to do so next week, because on Friday the Hampshire farmers market, one of the largest in the country, will be in Basingstoke, showing that the ingenuity and entrepreneurial spirit is very much alive and kicking in my part of the world. I encourage everyone to go along and see the entrepreneurial spirit of Hampshire showcased there.

As I said, people in Basingstoke can shop locally every day of the week and our local council has played a great role in that achievement. The Viables Craft Centre on Harrow way is home to a number of small, local businesses, which have had the opportunity to come together to create the right environment for their products. They include the Butterfly Tree florists and Les Jolies Choses, which was set up by Lisa Wyatt—I know her well—who, starting from just an idea, set up a business that is now thriving. That is the epitome of what one thinks about when one celebrates small businesses.

Of course in Basingstoke we also have the top of town shopping area, our historic area, which many overlook. It is the site of our 900-year-old market and the Basingstoke assembly rooms, made famous by Jane Austen because they provided much of the material she used in books such as “Mansfield Park.” Whenever hon. Members think about shopping in Basingstoke, I urge them to think about its history as well as its modernity.

I mentioned the importance of local authorities in building small businesses and nowhere can that be more true than in Basingstoke. In the past year, we have seen more than 1,000 new businesses formed in Basingstoke—indeed, we have more than 6,800 small businesses, which account for 98% of the businesses in the borough. They grew by 6% in the past year and they are forecast to grow by a similar amount in the next 12 months.

Small businesses are the lifeblood of our economy and they have been nurtured by our local authority through a variety of measures. Our local council has a procurement strategy that helps to support local small businesses, so that they can tender more effectively for contracts—a really positive action that can make an enormous difference—and we have a small business concordat, which helps that come into play. The local council has also invested in small businesses. In particular, it has ensured that our top of town is small business-friendly. We have a shop-front grant scheme to help improve the appearance of the shops in the top of town, with up to £5,000 made available through the council, and we are continuing to develop that area as a centre of retail activity in the town. In particular, I thank Councillor Terri Reid, who spearheaded that initiative. I know that local retailers are also grateful. I think it is the teamwork and partnership between our local small businesses, the local council and parliamentarians that makes that work as well as it can.

We like to celebrate small business success in Basingstoke. We have the Inspire business awards, now the largest business awards in Hampshire. This year we celebrated small business of the year winner the Basingstoke Energy Services Co-operative, a fantastic organisation that I know well. An outstanding example of a co-operative run on sustainable values, it is a deserving winner of the Inspire award. This Saturday, I, like many other right hon. and hon. Members, will be going along to join small businesses in our market square to celebrate small business Saturday.

I would like to take a couple of minutes to comment on some of the announcements made by my right hon. Friend the Chancellor yesterday that will be of particular benefit to businesses in my constituency and indeed every constituency, such as the fuel duty freeze and the structural review of business rates, as well as the road improvements announced earlier this year. In my constituency, the improvements to the M3 in the Winchester and Fleet areas as well as the Black Dam roundabout improvements funded by the Government will make a huge difference to local businesses' ability to get in and out of the town, improving their ability to trade effectively.

The abolition of employers' national insurance contributions for those taking on apprentices is also a positive measure for small businesses, which are taking a real risk when they take on extra staff. The more the Government can do to mitigate that risk, the more

[Maria Miller]

likely small businesses are to take on extra staff, so I particularly wanted to put on record my thanks to the Chancellor for that measure.

There are a number of other measures that I could talk about, but it is important that the House notes the positive way in which the Chancellor's autumn statement was received by businesses in Hampshire. The Hampshire chamber of commerce said that the Chancellor's statement will help to create jobs and stimulate economic activity. The Federation of Small Businesses in Hampshire has specifically welcomed the extension to the funding for lending scheme, which will help to provide cash for small businesses. Access to finance can be the difference between a business succeeding and it not succeeding, so it is that sort of insightful announcement that has done so much to generate such a positive reception from businesses in Basingstoke and throughout Hampshire.

If we are to make sure that our economy is the success that we need it be, we must look to the future. I have three questions for the Minister about how we ensure the health of businesses, and small businesses in particular, in the future. In Basingstoke, we are incredibly fortunate to have been nominated by Surrey university to be a hub for the development of 5G technologies, translating 5G research and development into businesses of the future. We will be working with Surrey university's innovation centre and a consortium of Huawei, Samsung, Fujitsu and many others to ensure that that incredible research is grown into British businesses. That is an exciting opportunity for my community and something that we are well placed to do, because of the incredible skills that we have in our local work force.

My question for the Minister is: is he satisfied by the progress being made in connectivity for small businesses? If we are to exploit not only 4G but 5G technologies to their utmost, we need to make sure that small businesses have the sort of connectivity that enables them to do that. In bygone years, connectivity was all about transport—trains, roads and aeroplanes. Those remain important, but into the millennium and the next century we will need to ensure that broadband connectivity is at the heart of that as well.

My second question for the Minister is about the role of small business in getting more people into work. I am particularly interested in the fact that under this Government we now have record numbers of women in employment, which should be applauded. There has been a global rise in the number of female entrepreneurs, and the gap between the number of women and of men entrepreneurs is closing. Interestingly, the *Harvard Business Review* recently produced a report stating that 37% of enterprises globally are run by women; 126 million women are running businesses around the world. Dow Jones research has shown that venture-backed companies found to be successful had twice the number of women involved in forming them. Women have a critical role to play in successful businesses. The Government have already done a huge amount to support women into employment, but what else is the Minister planning to make sure that women play a full role in the economic success of this country?

On the back of that, for me, social enterprises are a hugely important part of the ability of this country to form new and small businesses. I pay tribute to Sue

Dovey, the chief executive of Action Hampshire, who runs the School for Social Entrepreneurs in Hampshire. We have numerous success stories coming through that organisation of women setting up businesses and social enterprises that are hugely successful and beneficial to our community. In particular, I pay tribute to the work of Catherine Waters-Clark, who set up Inspero, a social enterprise giving young people the opportunity to grow vegetables and their own food and then to learn how to cook it. What a wonderful example of how social enterprise can start up a small business that is incredibly important and useful to our local community. My question to the Minister is, what more will he do to support social enterprises, which are a fantastic opportunity for women and men to get into employment or set up their own businesses?

Last but by no means least, there is the important role of enterprise in the lives of young people in this country. In Hampshire, we have an active Young Enterprise organisation. Young Enterprise is the largest business and education charity in the UK, supporting 250,000 young people to learn about business, and it is active in my constituency. One of the most important things that we can do during a child's education is to teach them about enterprise and the opportunities of entrepreneurship. I will be interested in the Minister's comments.

Small business is the foundation of British business. The Government's long-term economic plan provides the right conditions for small businesses. What we have to do is unlock the entrepreneur in all of us, so that we can see our economy thrive and do as well as we need it to in the future. I look forward to the Minister's responses to my questions.

2.44 pm

Seema Malhotra (Feltham and Heston) (Lab/Co-op): It is a pleasure to serve under your chairmanship, Mr Hollobone, and to make a contribution to this important debate marking our national small business Saturday this weekend. I again congratulate the hon. Member for City of Chester (Stephen Mosley) on securing the debate. I also thank my hon. Friend the Member for Streatham (Mr Umunna), who helped to build the coalition of support to bring small business Saturday to the UK last year.

I grew up in my parents' small shop in Hounslow. It was very much a community shop and in many ways it was there that I learned the value of feeling part of and serving in a community. Through that experience, I gained a love for small businesses and an appreciation of the role that they play. Growing up in a shop is a different kind of family lifestyle—although it is a common experience for many in my constituency, as I am sure it is for many in other constituencies. The lifestyle is different because it can sometimes be much harder to separate work and home. The shop or business can be a passion for those who are running it, and it becomes part of the whole family life.

Such a life is also a great challenge, with many small business owners sometimes having a day-to-day struggle to make ends meet. They need all the skills—whether being the strategist, the marketing expert, the one who sorts out technology, the accountant or the financial manager. I recall many instances of my father being up late at night dealing with the accounts after putting the kids to bed. When we think about and

thank small businesses and their contribution, it is important to recognise the daily challenges faced by many of them.

Many small business owners have also faced such challenges as part of the cost-of-living crisis that we have experienced. I have met many running businesses in my constituency who were struggling to make ends meet. They talked about problems with banks and about taking out extra loans to get through tough times. They welcomed Labour's commitment to freeze energy bills, because that would save not only families but small businesses significant costs of up to £5,000 a year.

Another important point about small businesses that has already been made is their social contribution. Small businesses make our communities feel so much safer and more friendly. They can make a difference by being open slightly later; when they shut early, local streets can feel deserted and far less safe.

I hope that this weekend we will see many more residents and visitors shopping in local businesses—not only celebrating their success, but helping them with their revenues and growth and making them feel much more valued as real actors and players in our community. It is an excellent fact that 43% of consumers who knew about small business Saturday last year said that they spent more on the day, which contributed to some £500 million in trade. I hope to see that figure exceeded this year. I am certainly looking forward to starting my Christmas shopping in Feltham and Heston in our small businesses.

Small business Saturday is also a chance to celebrate how local businesses can contribute on the national stage. One business in my constituency, Kool Cakes, was founded by Kulwinder Paul Kumar. He was one of the official cake makers for Her Majesty's diamond jubilee and he made Frankie's cake in the 2012 "Big Brother". It is quite something to go into his small shop in Heston, where I often stop for tea and a slice of eggless cake, and to see pictures of such things on the wall and to think, "Actually, this is a local business." Such people are heroes—national ones as well as local ones.

Many hon. Members have referred to women who run businesses. Last year on small business Saturday, I stopped for a cup of tea at Charlie's Café in Feltham, which is run by Carol Chownsmith. She is another example of somebody who comes forward because they want to do something that is a passion of theirs and that will make a contribution to their community—a place where local people can come to meet, eat and share their lives. This weekend, I will also visit Heston Florist, which I know is doing some excellent special offers for Christmas—Christmas is, of course, at the forefront of many people's minds.

I say all this because it is important to think about the character of our businesses. They serve the needs of members of the local community. It is important to have access to such vibrancy and to a range of businesses; it is so much more attractive than going into a supermarket, where the level of service is not nearly as personal.

I will touch on a few other matters. The first has already been raised by several hon. Members: the importance of creating an infrastructure of support and the important role of local authorities, chambers of commerce and others in helping to achieve that. In

Hounslow, we have West London Business and the Hounslow chamber of commerce, which do a lot of work to help to network businesses and encourage training programmes.

Hounslow council also encourages the setting up of small businesses, and has made a big difference during the past year by introducing a free half hour of parking—something that many local traders had called for. I have seen the contribution that has made in my inbox, as I now have fewer complaints about the cost of being able to have access to trade on our doorstep. Parking costs had been stopping impromptu trade, so the free parking has made a big difference for traders in my constituency.

Alongside some of the positives, businesses have also raised some challenges with me. For example, they are often on the receiving end of antisocial behaviour. Also, if local authorities do not clear waste quickly enough from in front of their shops, that can be unsightly. Small business owners spend hours and hours in their place of work—they do not leave and come home—so that place is important to their well-being. I have been working with local police on tackling antisocial behaviour and the small crime that affects local shops. That kind of work is incredibly important and we must focus on it at the national level as well. It does not just help shopkeepers and small business owners to feel safe; it is better for the workers in those stores and creates a safe environment for consumers so that they can shop in and support local businesses, whether in the morning, afternoon or evening.

Toby Perkins: I am enjoying my hon. Friend's contribution immensely. She focused on the important role for local authorities in supporting small businesses and on the connection between many different aspects of public services and the success of small businesses. Is she concerned about the autumn statement, in which we heard that there will be absolutely unprecedented cuts in public spending—much of which I suspect will fall on local authorities? We cannot sit in this place and say, "This is what we are doing for local authorities," and then close our eyes to the impact of local authority cuts on the capacity of councils to support small businesses in their areas.

Seema Malhotra: My hon. Friend makes an important point. I worry about the extent of the cuts and the damage that they will do. We absolutely need to respond to those cuts and listen to our businesses and local councils in the debate about them. Reform is also important. We have seen some innovations such as the sharing of work between local authorities and the police, as has happened in Hounslow, with them working together, co-locating and sharing budgets. That will make a huge difference.

Another issue is skills and relationships with local schools. There are some excellent examples—from abroad as well as from this country—of young people in schools getting access to work experience. That gives access to the world of work and an understanding, through experience, of its opportunities and satisfaction; it also allows young people to experience some of the challenges of running an enterprise.

Will the Minister tell us to what extent building links between local businesses and schools is part of a programme for work experience development, including for under-16-year-olds in schools? To what extent is that embedded

[*Seema Malhotra*]

in strategies for local enterprise partnerships and other parts of our economic infrastructure? Support for small businesses on skills and on the ways in which they connect to their communities should be part of a coherent national strategy—it should not just be subject to what a local authority does.

I will close by saying that it is important that we should have had this debate and shared some perspectives from small businesses in our constituencies. As politicians, we must stay live to the reality. Small businesses are the backbone of our economy, and the giants of the future often start small. Supporting businesses when they start up so that they can grow is an incredibly important challenge and one on which we must maintain a national focus.

Mr Philip Hollobone (in the Chair): If the Front Benchers wish to split the remaining time between them, they will have 45 minutes each, but it is not compulsory for them to do so.

2.56 pm

Toby Perkins (Chesterfield) (Lab): Thank you for that advice, Mr Hollobone. I will take both parts of it seriously. It is a pleasure to serve under your chairmanship, for what I believe is the first time.

I congratulate the hon. Member for City of Chester (Stephen Mosley) on securing what has been an excellent and timely debate about small business Saturday. The debate has ranged over a variety of issues, but has had at its heart a recognition of the exciting opportunity the day brings. For Members across the House to have a chance to speak about the importance of small businesses and of small business Saturday just two days before the event is very welcome.

[*JIM SHERIDAN in the Chair*]

Today the small business Saturday bus tour reaches its conclusion, as it visits Camden. Last year, memorably, it drove up Downing street and was given a prominent and welcome salute. Whether moving from Westminster to Camden is going up in the world or down is a matter of opinion—I will let individual Members make up their own mind on that—but the tour has been very successful, going out into communities to let businesses know what they can do to promote the day, and ensuring that people know it is happening and that they have an opportunity to support it.

Many hon. Members have been on the bus when it has visited their constituency. It has made 14 visits over the past three weeks. I was there for the tour's launch in Leeds on 17 November, and very impressive it was, too. I was delighted when on 24 November it came to Chesterfield and I had the opportunity to promote what small business Saturday is all about in my own constituency. The bus tour has been right around the country, to Leeds, York, Edinburgh, Belfast, Manchester, Nottingham, Norwich, Birmingham, Cardiff, Bristol, Plymouth, Lambeth and Camden, as well as to Chesterfield, and has been well saluted. Anyone who has been on it and had the opportunity to see people's response will have a sense of how strongly people in our communities feel about how important small businesses are, a feeling that has been reflected in the debate.

Small business Saturday in 2013 was a massive success. It drove hundreds of millions of pounds of extra trade to British small businesses and 48% of UK consumers were aware of the day. The hon. Member for City of Chester said there were 1.5 million Facebook views and that #SmallBizSatUK was trending in the top three on Twitter all day. Some 40% of all local authorities supported the campaign and hundreds of events took place across the UK. It was probably the biggest celebration of small businesses the UK has ever seen.

The hon. Gentleman was generous in his recognition of the role of my hon. Friend the Member for Streatham (Mr Umunna) and the fact that this event has been taken up right across the political sphere. It is another example of what happens when everyone in Britain gets together in support of Labour party ideas. It shows what can be achieved, and he was generous in reflecting that. It is right to recognise that wherever the idea started, the most important thing is that it is being supported universally. It also demonstrates what can be achieved in these straitened times without necessarily having a big pot of Government money. Innovative ideas are often what matter, and campaigns that start from the bottom up are incredibly powerful. That was good.

I want to reflect on some of the contributions to this excellent debate. The Gentleman was right to emphasise the importance of small business Saturday. We often think of it in the context of retail and shopping, but it is about much more than that and his comments reflected that. If anyone thought of small business Saturday purely in the context of retail, the fact that a funeral director won the award in his constituency may have removed that misapprehension. The hon. Gentleman made a great speech and I was pleased to hear it and to take up some of the challenges he offered.

The hon. Gentleman listed measures that he thought were positive and then said he did not want a party political debate. He might have hoped for a little too much there, but his point about business rates is incredibly important. He asked me whether the Labour party supports the Government's aims for the review of business rates. I am not entirely clear what those aims are, but the fact there will be a review is positive. Increasingly in the last few years, the level of business rates has been seen as punitive. We have the highest level of corporate property tax in the G20, corresponding with the lowest level of corporation tax in the G7. We have said we want to maintain the lowest level of corporation tax, but a focus on constantly reducing profit tax and having ever spiralling corporate property tax encourages an economy in which businesses bring their books to the UK, but do not bring their jobs and manufacturing or a presence on the high street. I totally support a review of business rates, but whether I support what the Government want that review to find, I am thus far unable to enlighten the hon. Gentleman, because I am not entirely clear what their aims are. I certainly welcome the fact that there will be a significant debate.

My hon. Friend the Member for Glasgow North East (Mr Bain) made a wide-ranging speech focusing on the importance of a small business administration at the heart of Government. He will be pleased to know that a future Labour Government will want to introduce that, in recognition of the need for Departments throughout Whitehall to work together to support businesses,

particularly small businesses. He also focused on procurement, which is an area where the Government could do much more to support small businesses. That point was echoed by other hon. Members.

My hon. Friend also spoke about the universal broadband commitment. In my time in my present role, I have been to 45 areas of the country doing small business consultations, and at almost every one broadband access was raised. A few days ago, at a lunch with the Rural Shops Alliance focused on the needs of rural businesses, the alliance spoke strongly about the importance of a more universal offer on broadband.

The hon. Member for High Peak (Andrew Bingham) reflected on the many different roles that a small business owner has. I tried to combine those with being a parliamentary candidate so I know how difficult it is.

Andrew Bingham *indicated assent.*

Toby Perkins: The hon. Gentleman is indicating that he did the same. It was no easy task. In what he described as an evangelical contribution, he highlighted the importance of support for business owners, who often have brilliant business ideas but do not instantly have the different knowledge bases needed. The Government should take some responsibility for supporting access to skills development, so that small businesses are not shut out of Government contracts because they cannot find their way through complicated procurement processes. We must ensure they have access to apprenticeships and Government schemes such as funding for lending. There are pieces of knowledge that are found in big businesses, but not when someone starts a small business. Providing such support for small businesses is incredibly important.

The hon. Gentleman argued that we should make every day a small business day, and won support from other hon. Members. That was an interesting idea. He and I are former small business owners, and all small business owners I speak to do not want special favours or expect people to shop with them as a favour. All they want is a fair chance for people to consider what they have to offer and whether it is worth buying from them, taking a step off the beaten track and looking down some of the small arcades where many of those businesses are located.

Small business Saturday is not about saying that big businesses are bad, or suggesting that we do not need to support all our retailers. We are not in any way demeaning the contribution that big businesses make. What it says is that on one day every year, let us all take a bit of extra time to look at the hidden gems on our high streets or just off them. When we have visited them and perhaps spent money with them, we may return to them naturally because we found things that we did not know were out there. To my mind, that is what small business Saturday is all about.

Andrew Bingham: The hon. Gentleman is right. Our business did not want or expect special favours; we just wanted a fair chance to ask people to look at the product, to look at the price and to give us a fair crack of the whip. We just wanted an even playing field and a fair chance to compete with the big boys.

Toby Perkins: I am grateful to the hon. Gentleman for saying that because it fits in with something I will say in a few moments about the Government's role of

ensuring that all businesses in a free market get a fair chance. His contribution was powerful in several ways and I look forward to returning to it.

My hon. Friend the Member for Middlesbrough (Andy McDonald) reflected on the fact that small business owners often work incredibly long hours to keep the wheels of commerce turning, and he was right to point that out. He also said that they are often the last to be paid, both personally in terms of taking money out of the business, and often because they are way down the list of supplier payments. As he knows, the Labour party feels passionate about that, and there is a role for the Government to ensure that we do more to eradicate the scourge of late payment to small businesses.

The sense of excitement and anticipation my hon. Friend feels as he looks forward to small business Saturday positively crackled out of every word of his contribution. He demonstrated his wide-ranging—almost encyclopaedic—knowledge of the small businesses in Middlesbrough, and he particularly promoted the fabulous fashions available there. He did not let us know whether he was dressed in one of the latest of those fashions, but I suspect that he and my hon. Friend the Member for Middlesbrough South and East Cleveland (Tom Blenkinsop), who was here a moment ago, are examples of just some of the fashions available on the Middlesbrough high street, and what fine examples they are too.

The hon. Member for Cheadle (Mark Hunter) paid tribute to the businesses that go the extra mile. He made an incredibly important point about the contribution businesses often make to the vibrancy of the high street and the community by supporting initiatives, either with local authorities or as part of the business community, and business improvement districts have been important contributors in that respect. It is important that everyone gets together to make sure our high street has a vibrant offer.

Many hon. Members reflected on the progress that has been made on woman entrepreneurs and on their importance, and that is an incredibly important issue. One of the key challenges the country continues to face is how to develop women's entrepreneurial potential further, particularly after they have had children. We continue to do less well than we could, because of the impact of child care costs and the fact that we are a time-poor society in many ways. Broadband is important, because women entrepreneurs often want to run businesses from home. There are therefore a huge number of challenges the Government should look to take up, and it is great that Members have reflected on the importance of the issue.

Maria Miller: The hon. Gentleman has reflected on the importance of child care, particularly for women entrepreneurs. I therefore hope that he will welcome the tax break that the Government have, for the first time, given the self-employed in relation to child care. Surely that is an important step in the right direction, and I hope that he will support it.

Toby Perkins: I absolutely do. The right hon. Lady may be aware that the proposal first featured in Labour's small business taskforce report, and we are pleased that the Government have brought it forward. Whoever's idea it is, the fact that good ideas are followed up is positive.

[Toby Perkins]

The right hon. Lady is right to focus on child care. She and many other people across the House will look forward to the day when child care is not seen as just a women's issue, but it remains one of the barriers that women entrepreneurs face. I am therefore pleased that the Labour party has made a commitment to increase the level of free child care to 25 hours a week. We have seen some positive steps under this Government, notwithstanding our concerns about the increase in costs in the sector. However, I entirely agree with the right hon. Lady.

I also enjoyed the right hon. Lady's earlier contribution, in which she paid tribute to the Federation of Small Businesses. She also gave us an evocative historical tour of her constituency. She was right to say that small businesses are an important part of the history of our town centres, and we want them to be a part of their futures as well. That is what this debate and small business Saturday are all about.

My hon. Friend the Member for Feltham and Heston (Seema Malhotra) spoke about the extent to which small businesses can make an impression on the national, as well as the local, stage. She also mentioned the importance of the relationship between our public services and local authorities and our small businesses.

One thing that has come across in the debate is how widespread support is on this issue. My hon. Friend the Member for Middlesbrough spoke about some of the work he has done in his constituency. I did a little research before the debate to find out what happened last year, and I was amazed by the different contributions people told me they had made. My hon. Friend the Member for Bury South (Mr Lewis) wrote to local small businesses and to business groups such as the local chamber of commerce to encourage them to participate in the festivities. My hon. Friend the Member for Bolton West (Julie Hilling) spent the first small business Saturday on the high street in the Horwich area of her constituency interacting with people and promoting the small businesses there. My hon. Friend the Member for Wakefield (Mary Creagh) did her Christmas shopping at the Wood street Christmas market on small business Saturday, combining important family duties with promoting the high street in a very practical way.

My hon. Friend the Member for Liverpool, Wavertree (Luciana Berger) backed local festivals, including I Love Allerton Road and Loving Lodge Lane—there is a lot of love going on in Liverpool—to promote and support the small businesses that trade in those areas of her constituency. My hon. Friend the Member for Dudley North (Ian Austin) publicised the free parking on offer in his constituency, to support the 100,000 people in the wider local authority area who are employed by small businesses. Finally, I had the opportunity to visit 25 different small businesses right across Chesterfield and Staveley—I should stress that I am not being competitive—and I have photos of me at all of them on the wall of my constituency office.

I was also delighted to see that local authorities of all colours have been backing small business Saturday in their own way. Brent has a campaign called “Think Brent, Celebrate Local”. In Stockton, the local council has opened the Enterprise Arcade, with 13 new businesses

testing out their retail ideas ahead of small business Saturday. Ashfield district council is one of many local authorities that will be supporting small business Saturday by offering free car parking. Waltham Forest is running its “Hidden Gems” campaign, which fits in with what I was talking about a moment ago. It encourages people to get off the beaten track slightly. The council has showcased a map giving independent retailers, cafés and bars an opportunity to promote themselves in their local community. Derby city council is hosting an event that will showcase a wide variety of support for small businesses and provide networking opportunities.

Community campaigners up and down the country got in touch to talk about what they were doing. My hon. Friend the Member for Middlesbrough reflected on what was happening in Stockton and Louise Baldock's contribution. In Harlow, Suzy Stride worked to promote small business Saturday by visiting a local “mumtrepreneurs” group promoting the message about female business owners that we have just reflected on. Mari Williams led a small business Saturday in Whitchurch, working with the local community and trader association, and more than 50 businesses took part. Lynette Kelly in Leamington set up a business consultation event at the Lamats hardware store in Regent place on her patch. Andrew Pakes in Milton Keynes worked with the local council to provide high street information packs. Catherine Atkinson ran a “Shop Local” campaign in Ilkeston and Long Eaton. Right across the country, people from across the business community and the political scene, as well as community campaigners, worked together to see what they could do on that one day to promote small businesses. That provides a really powerful recognition of the importance of small businesses and small business Saturday.

The hon. Member for City of Chester spoke about wanting to be positive, and that is absolutely right. We need to say what we in this place can positively do, and we need to think about what the small business community might ask of us in relation to small business Saturday. However, we should also make sure that supporting small businesses is something we do not just for Christmas, but every day of the year.

There are a number of things a future Labour Government should aim to do. The first, which we have had a lot of focus on in the debate, relates to business rates. Labour has a specific proposal to reduce business rates in its first year in government. That would be paid for by not taking forward the final 1% of the planned corporation tax cut and, instead, ploughing all that money into supporting the 1.5 million small firms with a rateable value under £50,000. That would be a really significant step, which would reduce business rates in the first year and freeze them in the second year. That is not a discount approach, and there would not be an underlying rate that is going up all the time, with a discount being offered, as we are seeing currently; there would actually be a real cut and then a freeze. We also have a proposal to freeze energy bills. Energy is one of the highest costs that small businesses pay, and our proposal would save the average small business £1,800.

The banking system was mentioned. Small businesses consistently say that limited access to finance is the biggest barrier to their growth; 89% of UK small businesses are locked into the five big banks for banking facilities, and we are committed to a more competitive banking

system. Hon. Members reflected on Nick Tott's suggestion in 2011 of a British business bank. We are delighted that the Government's British business bank is morphing more into what we originally suggested, but we think that we can go much further with that—in addition to a generation of new local banks.

A primary child care guarantee would give all parents of primary schoolchildren guaranteed access to child care through their school, from 8 am to 6 pm—we have heard about the need to offer more free child care to nursery age children. We recognise that that would be incredibly important to small businesses.

We are concerned that the privatisation of Royal Mail threatens the universal service obligation. We will campaign to ensure that, under a Labour Government, it will remain.

Late payments mean that small businesses do not get money they are entitled to; 2,500 businesses a year go bust because they have not been paid the money they are owed. The proposals that we have made in debates on the Small Business, Enterprise and Employment Bill to put the onus on customers to pay on time, rather than on small businesses to report them, will be taken forward in the Labour party manifesto. Those proposals have won support from the small business community, including from the Federation of Small Businesses and the Forum of Private Business. Working with councils and the high street, a future Government will be able to make a positive offer on various aspects of skills, which will make a real difference.

I want to repeat my congratulations to the hon. Member for City of Chester and all those who spoke in the debate, and I have a few questions for the Minister. First, we have heard about what action people are taking to support small businesses, and to support and promote small business Saturday. The fact that it is a bottom-up development is valuable, but a quarter of a mile from us in Victoria street there is a huge amount of resource, and it would be interesting to know what contribution the Government have made to supporting the day.

The autumn statement highlighted the fact that consumer debt is fast approaching a record level. Is the Minister concerned about that? Does he think it might affect future high street growth? He will know that the Office for Budget Responsibility predicted in relation to the autumn statement that consumer debt will be higher in the next two years than it was at its pre-recession peak. There is a sense that much high street growth is fuelled by consumer debt.

I am interested in what the Minister may say about balance, in the context of giving communities a say about the make-up of their high street. Often a lack of attention to planning commitment in a high street has led to action that is good in the short term but destroys the look of the town centre in the long term. We need to support town centres through transition periods. Does the Minister think the balance is right, at the moment, between the need for local authorities and communities to have a say about what happens in the high street, and the need for planning to provide opportunities for those with entrepreneurial or innovative development ideas? I have a sense that the Government see planning as a barrier to growth; what do they propose to do in support of getting the right balance in high streets between reflecting history and not preventing reasonable, sympathetic growth?

I look forward to the Minister's responses, and I have enjoyed winding up an incredibly constructive debate.

3.24 pm

The Minister for Business and Enterprise (Matthew Hancock): It is a pleasure to respond to this debate about small business Saturday, so ably and eloquently opened by my hon. Friend the Member for City of Chester (Stephen Mosley), who represents the city of my birth. He is a great ally and friend of small businesses in Chester and beyond. He talked about the difficulties of retail space in Chester—its cost, and the accompanying business rates—and I know very well what he was talking about, because it was the pounding ground of my youth. I am sure that shopkeepers, whether their shops are old or new, will welcome the increase of small business rate relief for retail outlets to £1,500, which was announced yesterday. I hope it will allow them to put the small business Saturday card in their windows, and participate in the day, with even more enthusiasm.

The debate has been positive and cross-party, and small business Saturday has strong cross-party support. I want to answer the first of the questions put to me by the hon. Member for Chesterfield (Toby Perkins)—I almost called him my hon. Friend; we spend so much time together these days that it is almost coming to that—about what the Government are doing to promote small business Saturday. We are putting a huge amount of effort into doing that, but crucially it is a bottom-up, small business-led campaign.

The idea came, of course, from the United States of America, and when we were approached to build it up in the UK we were very keen. However, we are also keen that the Government should not take the lead. I acknowledge the work done by the Opposition Front Benchers to ensure that the enterprise is truly cross-party. Therefore, although the Government have put effort in, we have chosen not to take a lead. It is far better for small business Saturday to be led by the hundreds of thousands, and hopefully in due course millions, of small businesses that participate.

Toby Perkins: I agree entirely with the Minister; but he does not usually hide his light under a bushel, so can he be a little more specific? He said that the Government have put in a huge amount of effort, so what specifically have they done?

Matthew Hancock: Most of the support has been on the communications front, through the brilliant Michelle Ovens, to whom I pay tribute for leading the private organisation for small business Saturday. The communications effort last year included hosting the small business Saturday bus in Downing street and ensuring that the Government communication machine came in behind small business Saturday. This year we will hold a street market in Downing street, and we have invited 100 of the most exciting small businesses in the country. The street stalls are already being constructed in Downing street, to make it an exciting part of the day. The market will run from tomorrow, in advance of and into small business Saturday. We will have Ministers from the Prime Minister down fanning out across the country to celebrate the day, and I am sure that even the Business Secretary will get involved.

[Matthew Hancock]

What we have done has mainly been on the communications side; but to that must be added the policy changes we have made. The Government are incredibly enthusiastic about small business. Of course, a stable and growing economy is the No. 1 thing that can help small business. My hon. Friend the Member for High Peak (Andrew Bingham) talked about the problems of late payment, and the effect of a big customer going bust or going into liquidation. That happened to my family business when I was growing up. It is a very painful memory, because we were days away from going bust, which would have had serious consequences not only for the 20 or so people we employed, for whom we felt a responsibility, but for my mother and stepfather, who worked in the business. I thought my hon. Friend put it incredibly powerfully. Of course, not only is High Peak one of the most beautiful parts of the country, but it has had 2,600 start-ups since 2010, when he became the local representative.

The stable macro-economy makes an important contribution to small businesses. On tax, the hon. Member for Chesterfield said that it was not important to reduce taxes on profits. I know it is his party's policy to oppose that reduction, and I do not want to get too much into that, but the point is that reducing corporation tax sends out a signal that we support and celebrate businesses of all sizes and allows businesses to be attracted to the UK. At the same time, we have to tackle business rates, and we propose to do so with a review, which will report after the election. Business rates raise over £20 billion, so they make a significant fiscal contribution, but the complaints I receive are mostly about their design; they become an overhead, rather than being related to the amount of turnover or profit. They are a higher-risk tax than either corporation tax on profits or taxes on the pay of employees, such as national insurance.

Toby Perkins: The Minister will be glad to know that my right hon. Friend the Member for Morley and Outwood (Ed Balls) has declared that we will continue to have the lowest corporation tax in the G8. On business rates, when Government set out on a review, they usually have an idea of what they want to find at the end of that. We accept that a lot of evidence will come in before the report's final make-up becomes clear, but will the Minister give us an idea of what the Government see the end point looking like?

Matthew Hancock: We announced the review yesterday, so the hon. Gentleman will not be surprised to hear that I do not have its conclusions today. However, we can see the direction of travel. We have reduced the impact of business rates on retail outlets and capped the increase in business rates. We have also extended the discount through small business rate relief, which, when the previous Government left office, was about to close. We have continually extended that—we have done so for a further year from 1 April this year, so we can see the direction of travel.

We will want to get the details right, so we are very keen to hear about how we do that from small businesses, their representative bodies and others with an interest. However, I take the point, made by my hon. Friend the Member for High Peak, that small business people do

not have the time to go and lobby their MPs because they are too busy running their businesses. He is absolutely right about that.

My right hon. Friend the Member for Basingstoke (Maria Miller) made a powerful speech about small businesses in Basingstoke. Let me answer her questions specifically. Am I satisfied with connectivity for small businesses? No, I am not. We are rolling out broadband and increasingly the country is being covered by superfast broadband. The roll-out of 4G has helped with connectivity, but none of these things is complete. I have visited a centre that conducts research into 5G, which is an exciting technology, but the most exciting thing about it is that the research began even before the roll-out of 4G started, which is a sign that we have our eyes on the future. There is a lot of work to do to get all that right. Places in the world such as South Korea are absolutely miles ahead of us on this issue, and we need to keep pushing hard.

My right hon. Friend asked about women in work and promoting female entrepreneurs, and she and I have worked on that in the past. A record number of women are in work, and I am also glad that the gender pay gap has come down to a record low. The details show that for those under the age of 40, the gender pay gap has all but been eliminated. I would like to see it eliminated altogether, but that is a big, positive change.

Undoubtedly, the most important things for female entrepreneurs are exactly the same things that help male entrepreneurs—making it easier to employ people, making it easier to start a business and having a stable macro-economy—but there are specific things that can particularly help. My right hon. Friend spoke about the challenges of running a small business while supporting a family, and in many cases being the primary support for a family. I know about that very well—not as a mother, but as a son—because my mother ran our family's small business. I remember very well sitting on her knee as a child while she worked on the finances of the business. She truly was juggling things, almost literally. We have tried across this Parliament to push the extension of support for child care, and I know that Members on both sides support that.

My right hon. Friend asked specifically about social enterprise. The things that make it easy to run an enterprise that is primarily for profit are the sorts of things that can help expand a social enterprise, but we can do—and have done—more specific things to support social enterprise. That, again, is a cross-Government piece of work, because work comes out of all the different Departments to make it easier to grow social enterprises. I am glad to see that the number of social enterprises is rising as well as the number of small businesses.

The hon. Member for Feltham and Heston (Seema Malhotra) also discussed women in business. She talked about local heroes, some of whom I had not even heard of, so I was very glad to hear about those. She spoke specifically about linking enterprise to schools—that is a big agenda that she may hear more about in coming weeks—and particularly about ensuring that schools promote enterprise and business as an exciting and viable future. We have tried to get more people from all sorts of walks of life, including from business, into schools directly to interact with pupils. In fact, we have put a duty on schools to open up to external employers,

business people and others, in order to lift horizons and engage more with students. I know that there is more to do on that agenda.

The next steps we need to take are these: we need to make sure that we continue the drive so that where regulation is necessary, it is easier to navigate, and we need to deregulate where possible. We have saved businesses over £1.5 billion in annual costs. We have scrapped or improved 84% of health and safety regulations; thousands of small businesses have been removed from proactive health and safety inspections, for example.

We also have to do more on exports, which were mentioned by the hon. Member for Glasgow North East (Mr Bain). When our major trading partners are struggling and, in some cases, in recession, exports are more difficult, but many small businesses get into exports either by accident or because they have found a particular niche. Many small businesses increasingly find that if they start a website with their product on it, they end up fulfilling an order somewhere else around the world, and that is how they get into exporting. However, fewer than half of businesses have websites through which they can trade—that is, websites on which money changes hands. That point is linked to the one about expanding connectivity, because being able to trade through a website is important.

We are also simplifying and streamlining how businesses access our support services. The website greatbusiness.gov.uk is a single place where businesses can now go for all support from Government and others. We heard the reports from small businesses that the offer of support from Government was often confused and in lots of different pots, so we have brought it all together in one place.

Several hon. Members mentioned the business bank and the need for such a bank. That is absolutely right, so I am delighted that on 1 November the British business bank was given independent status and is now fully functioning. Yesterday, in the autumn statement, it got £400 million of extra support. I am excited about the potential of the business bank. I have already seen it in action—I have visited some of the schemes that it supports—and it is undoubtedly helping with access to finance. However, the biggest thing that we can do to support access to finance is to get the banking system as a whole on an even keel and supporting small businesses. I welcome news of moves in that direction by some of the big banks. There is undoubtedly more local engagement, but this is a long journey after a long journey in the wrong direction in the previous decade or more.

There are 760,000 more small businesses now than there were in 2010. There is a record number of small businesses in the UK—5.2 million. These are the vast majority of businesses in the UK—we could call them the 99%. Conservative Members support them wholeheartedly. There is support across the House for small business Saturday and the work that its promoters are doing to make it a first-rate success. I know that 40% of local authorities were involved in small business Saturday last year. For the first year of an enterprise, that was pretty impressive, but we want to do better and we want small business Saturday to grow and grow.

In my hon. Friend the Member for City of Chester, small businesses have someone who is passionate in his support of them. There are few who would be a better champion of them; there are few whom it would be better to have on their side. I pay tribute to him and the

work that he has done, not only as the Prime Minister's small business ambassador for the north-west of England but nationally, through this debate and many other activities, to ensure that people know about small business Saturday this Saturday. I hope that people will shop small, shop local and support small businesses on Saturday and throughout the rest of the year.

3.42 pm

Stephen Mosley: I thank the Minister for his kind words, but it is not just me in this Chamber who has experience of small business. Almost every hon. Member who spoke has such experience, whether they were brought up in a small business or have set up their own business, and anyone who has been involved in a small business knows how difficult that can be. There can be very good times, but there can also be difficult times. As we heard from my hon. Friend the Member for High Peak (Andrew Bingham), the person running a small business has to be the salesman, the accountant, the credit controller and the marketeer; they have to do all those jobs. I remember that when I was setting up my own small business, I had trouble sleeping at night when I realised that I had £6,000 of expenditure a month to pay out and no visible means of raising the money. For me, it worked out, but it can be very difficult. The more support that small business gets, the better.

There were some fantastic speeches today. The two that I will concentrate on are those by the hon. Members for Middlesbrough (Andy McDonald) and for Feltham and Heston (Seema Malhotra), because too many times during this Parliament I have been sitting on the Government Benches and have heard Opposition Members paint a rather bleak picture of their constituencies. As a business man, as someone who would want to invest, I would think, "Why would I invest in a community that is portrayed as bleak?" Neither hon. Member did that. They both portrayed their constituencies as vibrant and happening, and they talked about the huge successes in those communities. I listened to them and thought, "Those are the sort of places where I would want to go; they're the sort of places where I would want to shop; they're the sort of places where I would want to invest and set up a business." As Members, we all have the responsibility of championing our own constituencies, of encouraging investment and of supporting the businesses in our communities, and those two hon. Members in particular did an absolutely fantastic job today.

The single most important thing that came out of the debate was that vibrant communities need vibrant small businesses. By backing and supporting small business, we can create successful communities. If we take one thing from small business Saturday, it should be that we all have a role to play in securing the future of small business. By encouraging our constituents, our local councils and business organisations and others to get behind small business and small business Saturday, we can increase turnover in our local shops, increase the number of shops in our local communities and improve our communities. Small business Saturday was a huge success last year, and I hope that it will be an even larger success this year.

Question put and agreed to.

3.46 pm

Sitting adjourned.

Written Statement

Thursday 4 December 2014

CULTURE, MEDIA AND SPORT

Telecommunications Council

The Minister for Culture and the Digital Economy (Mr Edward Vaizey): The Telecommunications Council took place in Brussels on 27 November 2014. The Deputy Permanent Representative to the EU, Shan Morgan, represented the UK. It is worth noting that the agenda was taken in a different order as reported in the pre-Council statement and this is reflected in this statement.

The first item was a proposal for a directive of the European Parliament and of the Council on the accessibility to public sector bodies' websites. (First reading EM 16006/11). There were no major interventions on this item.

The second item was a report on the state of play from the presidency on the proposal for a regulation of the European Parliament and of the Council laying down measures concerning the European single market for electronic communications and to achieve a connected continent. (First reading EM 13562/13 and 13555/13 + ADDs 1-2). This item began with a "state of play" from the presidency. This item included a request that the Council should look to reach a common position to enable commencement of negotiations with the European Parliament at the earliest opportunity.

The UK, Germany, Spain, Romania, Portugal, Malta, Poland and France endorsed this proposed approach. However, the majority of the remaining member states

opposed this idea. Many member states also suggested that further work was needed on roaming, including impact assessments, consultations and advice from the Body of European Regulators for Electronic Communications (BEREC). With regard to the net neutrality proposal, member states generally supported the presidency's proposal for a principles based approach. The UK intervention was as per the pre-Council statement.

The presidency concluded this item by noting that Council remained divided on this package, but would strive to work towards reaching a common position. The new Commissioner for the Digital Economy and Society, Günther Oettinger, intervened stating that the Commission would continue to push this package at political and technical level, to enable the completion of the negotiations.

There then followed information from the presidency on a proposal for a directive of the European Parliament and of the Council concerning measures to ensure a high level of network and information security across the Union (First reading EM6342/13). There were no major interventions on this item.

There then followed the adoption of draft Council conclusions on internet governance. They were adopted with little comment from most member states.

The final major item was a "full table" debate on the mid-term review of the Commission's EU 2020 strategy. The ensuing debate was focused on the digital agenda. Highlights included: many member states linked progress on the digital agenda with the need to encourage jobs and growth within the EU; some signalled commitment to the digital single market; and a number of others highlighted the importance of broadband roll-out. The UK intervention was as per the pre-Council statement.

Finally, the Latvian delegation informed the Council of their priorities for their forthcoming presidency before Council adjourned until the next meeting in summer 2015.

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