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**HOUSE OF COMMONS**  
**OFFICIAL REPORT**

**PARLIAMENTARY**  
**DEBATES**

**(HANSARD)**

**Monday 1 February 2016**



# House of Commons

*Monday 1 February 2016*

*The House met at half-past Two o'clock*

## PRAYERS

[MR SPEAKER *in the Chair*]

## Oral Answers to Questions

### WORK AND PENSIONS

*The Secretary of State was asked—*

#### State Pension Eligibility

1. **Martyn Day** (Linlithgow and East Falkirk) (SNP): What support his Department has made available to women born in the 1950s who are affected by recent changes in the age at which they become eligible for the state pension. [903344]

2. **Ms Tasmina Ahmed-Sheikh** (Ochil and South Perthshire) (SNP): What support his Department has made available to women born in the 1950s who are affected by recent changes in the age at which they become eligible for the state pension. [903345]

7. **Ian Blackford** (Ross, Skye and Lochaber) (SNP): What support his Department has made available to women born in the 1950s who are affected by recent changes in the age at which they become eligible for the state pension. [903350]

10. **Sir David Amess** (Southend West) (Con): What recent representations he has received on the pension arrangements of women aged between 60 and 65. [903354]

14. **Rachel Reeves** (Leeds West) (Lab): If his Department will make an assessment of the merits of options for transitional protection for women who will adversely be affected by the acceleration of increases in the state pension age. [903358]

**The Parliamentary Under-Secretary of State for Work and Pensions (Mr Shailesh Vara):** Working-age benefits are available for those who have not yet reached state pension age. A concession of £1.1 billion was made, and 81% of those affected will see a delay of one year or less. For the rest, the delay will be no more than 18 months. There are no plans for further transitional arrangements.

**Martyn Day:** In 2005, the Pensions Commission said that

“a policy of significant notice of any increase (e.g. at least 15 years) should be possible”,

to mitigate the impact of any such changes. I would argue that the start of that 15-year process should be the beginning of the changes in 2010. In effect, the retirement

age for women will be 63 from April this year, so will the Department look again at smoothing out to 2025 the increase in pensionable age for women aged 63 to 66?

**Mr Vara:** The equalisation measures of the Pensions Act 2011 were introduced, and the matter was expedited, to ensure that we covered for the fact that there had to be a sustainable pensions budget. It is also important to remember that people are living a lot longer. We have to take that into account, which is why we had to accelerate the issue.

**Ms Ahmed-Sheikh:** The Minister speaks often of equality, but his Department's policies clearly have a disproportionate impact on so many women in this country. Not only are women born in the 1950s unequally affected by the pension plans, but many women will also lose out under the new single-tier pension rules. Should not the Government act now to allow people to opt to have a year treated as a qualifying year if, by including the income from two or more jobs, that person's earnings are at least equal to the earnings factor for that year?

**Mr Vara:** I remind the hon. Lady of the record issues we have achieved for female employees. We now have record female employment, at a rate of 69.1%, and there are more than 1 million more women in work since 2010. The number of older women in work is at a record high, with more than 100,000 more than last year. The people to whom the hon. Lady refers are all benefiting from the measures I have mentioned.

**Ian Blackford:** I hope the Minister will answer my question, given that he ignored the one asked by my colleague. Will he apologise formally for the utter shambles his Department has made of communicating the changes to the acceleration phase, as raised by Women Against State Pension Inequality, and for the inaccurate communication to pensioners regarding national insurance contributions? We learned over the weekend that the Government Gateway website is still showing that the pensionable age for women is 60. How does the Minister expect the House—and, indeed, the public—to have confidence in his Department's ability, given that it has failed so spectacularly to communicate and to deliver fairness?

**Mr Vara:** The issue to which the hon. Gentleman refers is isolated and he should regard it as such. The matter has been corrected. It is about time that he took on board all the other arguments that have been raging about this particular issue, rather than a solitary, individual mistake on a website, which has been corrected.

**Sir David Amess:** I fully accept that we are talking about huge sums of money. I was here in 1995 when we first announced the changes, but will my hon. Friend consider whether the Government have taken appropriate action in communicating to women these significant changes so that they can prepare for their retirement? Have the changes been clearly advertised on the Government websites?

**Mr Vara:** The initial changes were made in 1995. Until 2010, when the coalition Government came to office, there had been at least 10 Labour Pensions Ministers, one of whom held the position twice, and they made

absolutely no effort in terms of communication. I want to put it on the record that, as far as the Pensions Act 2011 is concerned, more than 5 million people were written to, including the women affected, using the addresses we had from HMRC. For those who want more information, it is available on the Government website.

**Rachel Reeves:** Many of the women whom we are talking about are caring for elderly parents or young grandchildren. Many have been working since they were 15 years old, and very few of them have significant pension savings. Will the Minister give those women some hope and look at transitional arrangements, such as allowing women who are affected to draw their pension credit early to help them through this difficult time?

**Mr Vara:** A concession was made in 2011. On Second Reading, the Secretary of State said that he would go away and consider matters. He did so, and when he came back he made a concession worth £1.1 billion and reduced the two-year extension to 18 months. In the case of 18 months, 81% of women affected will have to work no more than 12 months.

**Angela Rayner (Ashton-under-Lyne) (Lab):** More than 2.6 million women will be hit by this change, more than 5,000 of them in the Minister's constituency. The least they deserve is to be given the facts to allow an honest debate. We know that the Government considered £3 billion-worth of transitional protection but allocated only £1 billion, as the Minister outlined. In the spirit of an open and honest debate, will the Minister release to the House details of all the options for transitional protection that the Government have considered?

**Mr Vara:** Perhaps an apology should come from the hon. Lady about the fact that there was no element of communication when her people were in power for 13 years. Let us not forget—[*Interruption.*] Precisely! The hon. Lady mentions 1995; she will recall that within two years there was a Labour Government, who were around for 13 years. As I have said, there was no communication from any of the 10 Pensions Ministers. As far as the transitional arrangements are concerned, I responded to the hon. Member for Leeds West (Rachel Reeves) that a concession worth £1 billion was made, and the time period was reduced.

**Sir Edward Leigh (Gainsborough) (Con):** I am not sure that it helps these ladies, some of whom are in very difficult circumstances, for both Front-Bench teams to trade insults. Although everybody accepts that there should be equalisation, I want to mention the case of a widow who came to see me on Friday, who has worked hard all her life but has no occupational pension. Because she paid into the state earnings-related pension scheme, she says that she will lose up to £55,000. That is a real blow for her, because she has little in the way of savings. Is there no way in which we could look at further transitional concessions, or perhaps a cap, so that we could help some of these disadvantaged ladies?

**Mr Vara:** My hon. Friend is absolutely right that we need to discuss the matter in a measured way, but that means that we need to look at it in a broad context. A whole lot of other benefits are available to the women

who may be affected—for example, jobseeker's allowance, employment and support allowance, income support, carer's allowance and personal independence payment.

Let us not forget that pensions will be uprated. There is the triple lock, and the simplified new state pension will be introduced in April. Pension freedom allows those who have a pension some flexibility. There has been a permanent increase in cold weather payments. Winter fuel payment has been protected, and more than 12 million pensioners benefited from it last year. As far as female employment is concerned, I have mentioned a number of benefits that we have brought in for female employees. It is important that we look at things in a broad context, rather than simply looking at people in the narrow confines that Members prefer to debate in this Chamber.

**Mr Speaker:** No one could accuse the Minister of excluding from his answer any matter that might in any way, at any time or to any degree be judged to be material, and we are grateful to him.

**Barbara Keeley (Worsley and Eccles South) (Lab):** The Minister talks about life expectancy, but he is not giving us the full picture. Life expectancy for women fell in 2012-13, and Salford has some of the worst life expectancy figures in the country. Female life expectancy in one ward in my constituency is only 72 years, and healthy life expectancy is only 54. Why should 1950s-born women in Salford carry the burden of the equalisation of the state pension age given that working until 66 is clearly going to be difficult for them? Those women need transitional arrangements.

**Mr Vara:** The general trend for longevity is increasing. The new state pension will ensure that 650,000 women will receive £8 extra a week. Women live longer and, in the longer run, they will benefit a lot more.

**Ben Howlett (Bath) (Con):** Although I appreciate that emotions are high on both sides, it is important to ask why, in 13 years of government, the Labour party did nothing to address the issue, especially since they knew that women were living longer. Does the Minister agree that a triple-lock single flat-rate pension would be much fairer to women than the old system?

**Mr Vara:** Absolutely. Such a pension will be much fairer. When such passionate comments come up at oral questions and in the various debates we are having on this issue, it is worth remembering that not one party—neither the Scottish National party nor the Labour party—put such a measure in its manifesto. That is because simply to reverse the 2011 measures would cost over £30 billion, and it would cost countless billions more to reverse the change made in 1995. Those parties should be mindful of the fact that the issue was in not in either of their manifestos.

### Private Sector Jobs

3. **Damian Collins (Folkestone and Hythe) (Con):** What assessment he has made of trends in the level of private sector jobs. [903346]

12. **James Cartlidge** (South Suffolk) (Con): What assessment he has made of trends in the level of private sector jobs. [903356]

**The Secretary of State for Work and Pensions (Mr Iain Duncan Smith):** A record 26 million people are working in the private sector, up over 500,000 in the past year and by 2.7 million since 2010.

**Damian Collins:** Will the Secretary of State join me in welcoming the fact that the unemployment rate in my constituency has fallen by 48% since 2010? Does he agree that the roll-out of universal credit, which came to my constituency on 25 January, is a further fundamental part of our welfare reforms to make sure that everyone can benefit from work?

**Mr Duncan Smith:** My hon. Friend is right that universal credit provides the support and incentives that people need to get back into work. Evidence released a few weeks ago shows that universal credit claimants are more likely to have been in employment, spent a longer time in employment, done more job-search activity and earned more than those on jobseeker's allowance. It is also important to note that, as part of the national roll-out, universal credit has now been rolled out across the whole county of Kent, which includes my hon. Friend's constituency.

**James Cartlidge:** I very much welcome the fact that youth unemployment has halved in South Suffolk in the past 12 months and that long-term unemployment is down by over a third. Does my right hon. Friend agree that we cannot be complacent, and that there is an important role for community initiatives? Such an initiative is In2BK2, run by Kingfisher HR in Long Melford in South Suffolk, which takes local small business volunteers to help even more young people and the long-term unemployed back into work.

**Mr Duncan Smith:** I commend my hon. Friend for working for such organisations, about which he has spoken to me in the past. A huge amount of progress has taken place in this area, as he maintains. It is worth noting that, as a result of what we have been doing with the reforms and in working with organisations such as the one he mentions, the youth claimant count is at its lowest level since the mid-1970s, the number of those unemployed is down nearly 300,000 since 2010 and, most importantly, the unemployment rate for those not in education is 5.8%—pretty near the lowest it has ever been. We will carry on trying to get this right, but this is good evidence that welfare reform is working.

**Stephen Timms** (East Ham) (Lab): On 1 November 2011, the Secretary of State issued a press release saying that

“the Universal Credit IT programme is...progressing well with 30% of the new technology required to deliver it now complete”.

Will the Secretary of State tell the House what proportion of universal credit IT has now been completed?

**Mr Duncan Smith:** The roll-out of IT across the country is nearly complete. The roll-out nationally will be complete before April, as I said to the right hon. Gentleman last time he asked exactly the same question. It is always good to have old questions: the old ones are

always the best. The roll-out is progressing well. As he knows, he has an invitation to come and visit the final digital development, which will start to roll all the other benefits into universal credit in May.

23. [903368] **Mr Robin Walker** (Worcester) (Con): In Worcester, unemployment overall is down two thirds and youth unemployment is down three quarters since it peaked under the previous Labour Government. How can we go further and achieve the Prime Minister's aim of eliminating youth unemployment over the long term, and what role can apprenticeships play in delivering that goal?

**Mr Duncan Smith:** There are two elements. The first is that, as my hon. Friend knows, we have introduced a work experience programme, which has been hugely successful in getting young people back into work. When we came into office, people could take work experience through a jobcentre for only two weeks, but we have now increased that to two months—or three months for people who get the chance to have an apprenticeship. Over 50% of those who do work experience have gone back to work.

My hon. Friend is absolutely right that the huge increase in apprenticeships we are now planning will reskill our young people and ensure that the work they do is high skilled, high value and well paid.

#### Life Chances Strategy

4. **Paul Maynard** (Blackpool North and Cleveleys) (Con): What contribution his Department plans to make to the strategy announced by the Prime Minister in January 2016 to ensure that people from all parts of society have equal life chances. [903347]

11. **Luke Hall** (Thornbury and Yate) (Con): What contribution his Department plans to make to the strategy announced by the Prime Minister in January 2016 to ensure that people from all parts of society have equal life chances. [903355]

**The Secretary of State for Work and Pensions (Mr Iain Duncan Smith):** My Department is leading the development of the life chances strategy. The strategy marks our commitment to transforming children's lives by tackling the root causes of poverty—worklessness, poor educational attainment, family breakdown, problem debt and addiction.

**Paul Maynard:** Improving life chances is very important in my constituency, given the high levels of deprivation, which are often linked to ill health. What more can the Department do to help people stay in work when they experience ill health, rather than dropping out and having to engage with the benefits system?

**Mr Duncan Smith:** I commend my hon. Friend on the huge amount of work that he does so tirelessly in his constituency, which I have seen at first hand when visiting projects with him. He is a huge champion for those who have difficulties getting back into work. As he knows, we have introduced the “Fit for Work” programme, which helps employees facing long-term sickness to get back into work sooner and helps employers to get people assessed properly, rather than allowing them to fall away and have difficulties, so that occupational

health can look at them as well as their having a health assessment. That will introduce a new way of looking at people to keep them in work because, as the Department of Health now agrees, work is part of a health treatment and should not be seen as separate. The White Paper that I will bring forward shortly will talk about that.

**Luke Hall:** Does my right hon. Friend agree that family stability is hugely important to life chances? Will he update the House on what his Department is doing to strengthen family and relationship support services?

**Mr Duncan Smith:** I fully agree with my hon. Friend. In the last Parliament, the Department did a huge amount to get better advice and support for those who are thinking about breaking up. We invested over £30 million in relationship support over the last Parliament, which meant that about 160,000 people had access to preventive support. As the Prime Minister announced recently, we are doubling the funding available over the next five years to £70 million. The life chances strategy includes the important aim of strengthening and stabilising family life.

**Frank Field (Birkenhead) (Lab):** I welcome the Secretary of State's approach on this issue. Given that he has taught the House the fundamental point that life chances for most children are determined before they are five, will he bring forward a debate in Government time on how the policy of life chances is developing so that the views of Members can be taken into account before the Government publish the White Paper in the spring or summer?

**Mr Duncan Smith:** I will certainly look at that request. The door is open to the Chairman of the Select Committee on Work and Pensions. He has had a huge part to play. One of his recommendations, which is quite legitimate, is that we look at how we incorporate early years into the life chances measures. We are looking at that and would be happy to discuss it further with him.

22. [903367] **Mrs Madeleine Moon (Bridgend) (Lab):** There is increasing inequality across society for those who are disabled and need access to aids and adaptations. Those who can afford to buy them are fine, but there is a postcode lottery of availability. Is it not unfair, therefore, to look at aids and adaptations in assessments for the personal independence payment? Will the Secretary of State withdraw them from the PIP assessment?

**Mr Duncan Smith:** I say to the hon. Lady, whom I respect enormously, that we are consulting on what changes are necessary to aids and adaptations to ensure that the support, which was always bound into the personal independence payment, gets to those who need it most. That is the critical point. All of us should want to ensure that people get the support they need for the things they need most to get by. The door is always open to her, as it always has been, and I would be happy to discuss this matter further in light of the consultation.

**Chloe Smith (Norwich North) (Con):** My right hon. Friend will be aware of the index published by the Social Mobility and Child Poverty Commission over the weekend and will share my concern that children growing up in the Norwich City Council area have some

of the lowest chances of doing well in life. Does he agree that we should have the highest possible ambition for Norwich children? What does he suggest could be done locally to target that?

**Mr Duncan Smith:** A huge amount can be done locally. Universal support, which is now part of universal credit, is being trialled with a lot of councils to look at the families with the greatest difficulties. It involves councils in getting financial support to those families and in helping them to sort out drug and alcohol abuse. As they receive the special payments, we expect councils to work with us to ensure that their problems are put right, rather than ignored and left to one side.

**Neil Coyle (Bermondsey and Old Southwark) (Lab):** The Department is responsible for providing support to some people who, sadly, are at the end of their lives and have a prognosis of six months or less to live. Will the Minister update the House on progress to remove the 28-day waiting rule for terminally ill people who are transferring from the disability living allowance to the personal independence payment?

**Mr Duncan Smith:** May I write to the hon. Gentleman about that? We are considering that issue but have not quite made a decision, so I will provide a full answer in due course.

**Debbie Abrahams (Oldham East and Saddleworth) (Lab):** My hon. Friend the Member for Bridgend (Mrs Moon) is right. Poverty affects people's life chances, and disabled people are twice as likely to be living in poverty as the non-disabled population. We know from the Government's own figures that disabled people on incapacity benefit or the employment and support allowance are between two and six times more likely to die than the population as a whole. As my hon. Friend said, the recent consultation to review eligibility for the personal independence payment, just two years after it was introduced, will mean even more cuts for disabled people. That comes on top of the proposed cuts to ESA, the work-related activity group, and the £23.8 billion that has been taken from disabled people as part of the Welfare Reform Act 2012. With 5.1 million disabled people living in poverty, what is the Government's estimate of how many more disabled people will be living in poverty as a result of those measures?

**Mr Duncan Smith:** Even though we have created a new benefit—I believe that PIP is a better benefit than the DLA, and it is far better for those with mental health problems, as many charities and support groups have admitted—we must constantly keep it under review to ensure that the money allocated for it goes to those who need it most. As the hon. Lady knows, a recent court case widened the whole element of aids and adaptations, which would mean that fewer people got the kind of money that they needed. We believe that the personal independence payment is far better, and that it will deliver exactly what we expect to those who need it most. Our job is to support those who need it. The Government that the hon. Lady was part of did absolutely nothing to sort out the mess of the disability living allowance in the whole time they were in power.

### Single-tier Pension

5. **Kelvin Hopkins** (Luton North) (Lab): What estimate he has made of the number of people who will receive a lower state pension under the single-tier pension. [903348]

**The Parliamentary Under-Secretary of State for Work and Pensions (Mr Shailesh Vara):** Provided that people have at least 10 national insurance qualifying years, they will not receive a lower pension under the new state pension based on their own national insurance contributions than they would have already built up under the current system.

**Kelvin Hopkins:** The truth is that under the Government's new pension system, substantial numbers of pensioners will lose money. Why did the Government turn their face against the obvious solution, which is to move to a much higher basic state pension, backed up by a compulsory state earnings-related scheme for all, with defined benefits?

**Mr Vara:** It is important that the hon. Gentleman appreciates that the new state pension is based on national insurance contributions. He will be aware that for many years many people have contracted out, and a small portion of their national insurance has gone towards a work pension or a private pension. If they add the new state pension to their other pension, which was paid for by national insurance contributions, they will find that in many cases they will be better off than they would be under the new state pension, which is £155.65.

**Andrew Stephenson** (Pendle) (Con): Will not the new state pension remove injustices that have persisted for far too long, benefiting women and low earners especially?

**Mr Vara:** Absolutely. As of April this year, with a new state pension and the triple lock, people will be £1,000 better off than they would have been under the old system whereby pensions were uprated. The triple lock will benefit people by £1,000 by April this year.

### Under-occupancy Penalty

6. **Ms Karen Buck** (Westminster North) (Lab): What evaluation his Department has made of the effect of the under-occupancy penalty. [903349]

**The Parliamentary Under-Secretary of State for Disabled People (Justin Tomlinson):** The number of people subject to a reduction owing to under occupancy has been reduced by 18% since the introduction of this policy, and has already saved the taxpayer £1 billion. We will therefore be maintaining this policy, and will continue to protect vulnerable claimants who require additional support through discretionary housing payments.

**Ms Buck:** London is by no means the region worst affected by the bedroom tax, but even so, just one in four people affected in my constituency have been able to downsize in the three years since the policy came in. The Government's own research indicates that three-quarters of those hit by the bedroom tax have had to cut back on food, and 46% have had to cut back on

heating. What steps will the Minister take to ensure that those who are unable to downsize their homes are not left cold and hungry?

**Justin Tomlinson:** First of all, the £870 million discretionary housing payments fund has been set aside for this Parliament. The one in four looking to downsize will be welcome news to the 241,000 families in overcrowded accommodation and the 1.7 million on the housing waiting list.

**Mike Wood** (Dudley South) (Con): What guidance is being made available to local authorities on the use of discretionary housing payments so that we can make sure that in exceptional cases, such as when homes have been adapted for disability, they can benefit from the additional money that has been made available?

**Justin Tomlinson:** I thank my hon. Friend for raising that point, which goes to the very heart of it: it provides the flexibility to allow local authorities to work with organisations such as the police, social services and medical professionals. The Local Government Association recently said:

“Councils can bring local services together in a way central government will never be able to in order to ensure no-one falls through the cracks.”

**Dr Eilidh Whiteford** (Banff and Buchan) (SNP): Last week's Court of Appeal ruling that the bedroom tax discriminates against disabled people comes hard on the heels of a ruling in November that the inclusion of carer's allowance in the benefits cap also discriminates against disabled people. The Government have been forced into a climbdown on carer's allowance. Why will they not do the same on the bedroom tax and end discrimination against disabled people?

**Justin Tomlinson:** In fact, it was about whether it is possible to find such exemptions or whether discretionary housing payments give the right flexibility. What we do not want to do is create an artificial line that some people will then just fall beneath and not be able to get support. The £870 million gives the flexibility to work with different agencies. Let us remember: the 1.7 million people on the housing waiting list and the 241,000 families in overcrowded accommodation welcome any moves to help to free up those valuable family homes.

**Dr Whiteford:** That really is just sophistry. The UN Committee on the Rights of Persons with Disabilities is currently investigating the UK for grave and systematic violations of the UN convention on disability rights. Ministers should be thoroughly ashamed that the UK is the first country to face such an investigation. Does the Minister agree that scrapping the bedroom tax is actually the best thing the Government could do to bring their policy into line with articles 9 and 20 of the convention, which ensure accessibility for disabled people, including access to housing, an adequate standard of living and social protection?

**Justin Tomlinson:** We are very proud of our record and refute the allegations of that investigation. I absolutely will not abandon the 241,000 families in overcrowded

accommodation and the 1.7 million on the housing waiting list. They want us to do this and we will carry on doing it.

**Mr David Nuttall** (Bury North) (Con): Does my hon. Friend agree that one effect of this policy is that it saves taxpayers about £500 million a year, and that it is incumbent on those who suggest reversing the policy to explain where they would find that money?

**Justin Tomlinson:** Over the course of this Parliament, it will deliver a saving of £2.5 billion. I suspect that we will be waiting a very long time to get an alternative from those on the Opposition Benches.

**Owen Smith** (Pontypridd) (Lab): In the light of last week's Court of Appeal ruling, will the Minister tell us how many victims of domestic violence the bedroom tax currently discriminates against and what it would cost to exempt them?

**Justin Tomlinson:** I do not believe it does discriminate. Discretionary housing payments are there to make sure that nobody falls under an artificial line. As a Government, we have trebled the support for victims of domestic abuse to £40 million, a measure I think people on all sides of the House welcome.

**Owen Smith:** That is a curious answer, given that the Court of Appeal said that it did discriminate against those victims and that the Government admitted that they discriminated against those victims. I am sure the Minister knows the answer to my question: it is 280 victims of domestic violence and it would cost about £200,000 to exempt them. If he will not tell me that, will he tell me instead how much it will cost him to try to defeat those victims in the Supreme Court? Is it more or less than the cost of exempting them?

**Justin Tomlinson:** This is about doing the right thing and having the flexibility so that people do not fall beneath an artificial line. If this is so wrong, why did Labour Members not introduce this when they brought in the measures for the private sector? It is right to make sure that those who need the support—the vulnerable in society—are given the right support.

#### Pensioners' Incomes

8. **Huw Merriman** (Bexhill and Battle) (Con): What steps he plans to take to maintain the level of pensioners' incomes during this Parliament. [903351]

**The Parliamentary Under-Secretary of State for Work and Pensions (Mr Shailesh Vara):** The Government will triple lock the basic and new state pension, top up income to a guaranteed minimum level for the poorest pensioners, and protect benefits for older people, including free eye tests, NHS prescriptions, bus passes, television licences for those aged 75 and over, and winter fuel payments.

**Huw Merriman:** Given that 28% of my constituents are over 65, compared with a national average of 17%, the Minister's answer is welcome news indeed. What steps are the Government taking to ensure that pensioners claim all their state entitlement?

**Mr Vara:** My hon. Friend makes a good point. I can assure him that the Government use a wide range of channels. On pension credit, we believe that one of the best ways to reach people is through community partners, and we provide a web-based pension credit toolkit containing a range of resources to encourage take-up among pensioners. Information and leaflets on other benefits are also available from the Department's offices, advice agencies and local authorities, as well as some post offices and doctors surgeries. Information about all benefits and how they may be claimed is readily available on the gov.uk website.

**Andrew Gwynne** (Denton and Reddish) (Lab): A triple lock of nothing is still nothing. The women of the Women Against State Pension Inequality campaign have been done an injustice by this Conservative Government. We also know that a group of women from 1956 will miss out on the new state pension benefits too. What has the Minister got against women from the 1950s?

**Mr Vara:** The hon. Gentleman has a problem understanding, so I will say this very slowly: as a consequence of the triple lock, which means an increase in line with whichever is highest out of inflation, earnings and 2.5%, when the new state pension comes into place in April, pensioners will get £1,000 a year more than under the old system. As he should remember, Gordon Brown insulted pensioners with a 75p rise, so we will take no lectures from the Opposition on who really cares about pensioners.

#### Universal Credit Work Allowance

9. **Chi Onwurah** (Newcastle upon Tyne Central) (Lab): What assessment he has made of the effect on the income of working households of changes to the universal credit work allowance. [903353]

**The Secretary of State for Work and Pensions (Mr Iain Duncan Smith):** The changes to universal credit work allowances form part of a broader package of measures, including the introduction of the new national living wage, the increase in the personal tax allowance and the enhanced package of childcare support. Importantly, the single taper rate of 65% ensures that the benefits of work are clear and that support is withdrawn at a predictable and consistent rate, unlike under the existing tax credits arrangement.

**Chi Onwurah:** The Government were forced into a climbdown over tax credit cuts, but it was only a temporary reprieve, because cuts to the working allowance mean that 2.5 million families will be £1,600 per year worse off by 2020. How can the Secretary of State say that he is making work pay, when low-paid working families are paying the price for his cuts?

**Mr Duncan Smith:** I disagree with the hon. Lady. An independent study has already shown that with universal credit people get into work faster, stay in work longer and progress faster in earnings. She cannot take this in isolation, however; it is worth remembering that the national minimum wage is rising to some £9, and that under universal credit women will get 85% of their childcare costs, instead of 70%. There will be free childcare for poorer people with two-year-olds, and childcare support

for people with three and four-year-olds. The total package is hugely beneficial to people who want to work, which is why, as we get more people back to work, our record will only improve. That compares with the last Government's shocking record: one in five households with nobody in work.

**Nick Thomas-Symonds** (Torfaen) (Lab): It is good to see that the Secretary of State has screwed up the courage to come back to the Dispatch Box to answer some questions.

According to the Government's own advisers, some working families in this country will be £210 a week worse off as a result of cuts to universal credit. That means that someone on the minimum wage working full time will have to work an extra 30 hours a week to make up the difference. The Chancellor of the Exchequer claims that the Conservative party is the party of work. Did he forget to mention there would be 70 hours a week of it for the lowest-paid?

**Mr Duncan Smith:** I do not need any lessons on courage from the hon. Gentleman. What takes no courage is to sit there with a leader who talks about getting into bed with all sorts of extremists. I find that takes no courage whatever. [*Interruption.*] I note that the shadow Secretary of State is shouting, but he has already declared his interest in being the leader of the Labour party when the current leader fails.

The reality is very simple. Even under tax credits right now—this is why the figures of the hon. Member for Torfaen (Nick Thomas-Symonds) do not add up—when circumstances change, people actually have lower payments. The difference between us and the Labour party when in government is that we have cash-protected people through transitional protection so that when they move off tax credits on to universal credit, they will suffer no loss.

### Women in Employment

13. **Lucy Frazer** (South East Cambridgeshire) (Con): What progress he has made on increasing the number of women in employment. [903357]

**The Minister for Employment (Priti Patel):** Supported by this Government's reforms of welfare and the equalisation of the state pension age, there are now more women in work than ever before, with an increase of over 1 million since 2010.

**Lucy Frazer:** It is absolutely vital that after women have had children, they have the option to go back to work if they want to. What steps is the Minister taking to ensure that her Department encourages that?

**Priti Patel:** My hon. and learned Friend is absolutely right. In encouraging more women back into work, this Government are committed to increasing and providing more childcare places. In fact, I look forward to when we this week announce the early adopters of the new 30-hour childcare policy. I think it fair to say that alongside the increase in the national living wage and the increases in the personal allowance, there is more support for women to get back to work and to work longer hours.

20. [903365] **Mr Barry Sheerman** (Huddersfield) (Lab/Co-op): Does the Minister agree that there is a special category of women—women on the autistic spectrum—who find it very difficult to get into employment? With the right kind of support, however, they can make a valuable contribution to our economy. Will the Minister look at Ambitious about Autism, which is launching an employability initiative for people with autism, and give it some support?

**Priti Patel:** Of course the hon. Gentleman is absolutely right. We are working with that organisation. I have been in touch with the National Autistic Society, too, to discuss what more we can do to work with employers and find more employment engagement for people on the spectrum. The hon. Gentleman is also right to highlight the need for more support for women with autism—and that is exactly what this Government are committed to do.

**Richard Graham** (Gloucester) (Con): Increasing the number of women in employment is a key goal for this Government. Many good things are happening, but one thing going on in my Gloucester constituency highlights that more needs to be done—helping women on employment and support allowance back into employment. In that context, will the Minister join me in thanking a partnership called Forwards, which, led by the county council and in tandem with organisations such as Pluss, is making a huge difference to the lives of individuals who are now coming into work for the first time?

**Priti Patel:** I thank my hon. Friend for making that point and for his observations from his own constituency. He is right to say that more support can always be provided for women on ESA, but also for people in general on it. That is why this Government are committed to the reforms that we have outlined. Importantly, we are committed to working in partnership with other organisations, including charitable organisations—as well as local authorities—such as the one my hon. Friend mentioned from his own constituency.

**Mr Jim Cunningham** (Coventry South) (Lab): What is the Minister doing to help women on zero-hour contracts to get tax credits?

**Priti Patel:** The most important and significant thing we have done as a Government in respect of zero-hours contracts is to abolish the exclusivity clauses, which the hon. Gentleman's party, when in government, did absolutely nothing about.

**Philip Davies** (Shipley) (Con): More and more people, particularly women, are taking on caring responsibilities. I thank the Minister for meeting me and Carers' Resource from my constituency about this particular issue. Does she agree that it is important for employers to have more carer-friendly employment practices and that we need to do more to encourage that to happen in order to get the best for those people? Will the Government ensure that they do something to recognise the success of those employers who are carer friendly?

**Priti Patel:** My hon. Friend is absolutely right. It was with great pleasure that I met Carers' Resource from his constituency. Earlier today I discussed how we can

support and work collectively with that organisation to support more women with caring responsibilities to get employment and also to work with employers to do more to support getting people into work—carers in particular. I look forward to working with my hon. Friend and Carers' Resource to see what more we can do to pilot more initiatives locally.

### Workless Households

15. **Andrew Bridgen** (North West Leicestershire) (Con): What progress his Department has made in reducing the number of workless households. [903359]

21. **Henry Smith** (Crawley) (Con): What progress his Department has made on reducing the number of workless households. [903366]

**The Secretary of State for Work and Pensions (Mr Iain Duncan Smith):** The number of workless households is now at its lowest-ever level, having fallen by over 680,000 since 2010.

**Andrew Bridgen:** I welcome that encouraging figure, which means that fewer children are growing up in workless households. Does my right hon. Friend agree that, while ensuring that every family includes a member in work is the best way out of poverty, it also offers a great role model to any children in the household, increasing family stability and thus giving children the stability and security they need to have the best possible life chances?

**Mr Duncan Smith:** I do agree with my hon. Friend. We know that unemployment is one of the causes of family breakdown. Having a family member in work helps to create strong and stable families, which are crucial to giving children the best possible start in life. It is therefore very welcome that the number of workless households in the east midlands—a huge part of which my hon. Friend represents—has fallen by 68,000 since we came to power. I remind my hon. Friend and the House that, notwithstanding all the nonsense that we hear from Labour Members, some 2.5 million children were growing up in workless households when they left office. That is not much of a record.

**Henry Smith:** Will my right hon. Friend join me in welcoming the fact that the number of workless households in the south-east has fallen by more than 50,000 since 2010? Does he share my dismay that Labour Members are still set against welfare reform, and want a high tax, high spending economy to take us back to the pre-2010 days?

**Mr Duncan Smith:** My hon. Friend's question is a strong endorsement of the reforms that have reduced the number of workless households in the south-east by such a large number. Since 2010, the claimant count in Crawley has fallen by 60%, and the youth claimant count has fallen by 75%. Getting people into work clearly has a huge effect. However, my hon. Friend should not be too unkind to the Opposition. I know that many Labour Members who are not now on the Front Bench think that they should be engaging with us on welfare reform, but their new leadership does not believe in that; it believes only in opposition.

**Dr Lisa Cameron** (East Kilbride, Strathaven and Lesmahagow) (SNP): What assessment has the Department made of the barriers that prevent members of households with disabilities from accessing work, and what steps will the Secretary of State take to address them?

**Mr Duncan Smith:** We are increasing the number of advisers in jobcentres, and we are giving advisers much better training. A huge amount of money—more than £100 million—is being invested in training them to look at a wider perspective and a bigger picture, so that they can help those who have difficulties to get into work and support them when they are in work.

It is also important to note that universal credit opens the door to a much better package of support and care, because the advisers do not leave these people. When people receive tax credits they see no one, but from now on, when they go into work, they will be able to come back and see the same adviser. If they have a problem, they will be able to pick up the phone.

This is a hugely positive step, and I congratulate the hon. Lady on her question.

### Topical Questions

T1. [903334] **Dr Rupa Huq** (Ealing Central and Acton) (Lab): If he will make a statement on his departmental responsibilities.

**The Secretary of State for Work and Pensions (Mr Iain Duncan Smith):** We are trialling a new feature of the access to work scheme. From today we shall be testing the use of personal budgets, which will allow disabled people who have received grants to decide exactly how and when the money can best be used to support their individual needs. That gives them more choice and more control over the support they receive to help them to start work, to stay in work, or even to start a business.

**Dr Huq:** Last week the bedroom tax was declared unlawful in the Court of Appeal because it discriminated against domestic violence victims and disabled children. However, the Government are set to spend more on appealing against the decision than they would spend on abiding by the ruling. Surely the Secretary of State agrees that that means poor value for the taxpayer, and that this despicable and discredited policy needs to go.

**Mr Duncan Smith:** The hon. Lady ought to check her lines before making statements like that. The truth is that that is not what the Court of Appeal said last week. The debate in the Court of Appeal was about whether we should isolate individual groups and rule them out of the benefit system, or leave it to local authorities to handle the matter with extra money. We believe that, with the extra money that we are giving them for discretionary housing payments, local authorities are quite capable of allowing people to stay when they think that that is necessary, without limitation.

What I really wonder about—and this applies to the Front Bench as well—is the fact that Labour Members never, ever talk about those whom they left in overcrowded homes, on waiting lists, and unable to get decent homes. It was they who introduced this policy; we have merely followed through.

T2. [903336] **Tim Loughton** (East Worthing and Shoreham) (Con): Can the Secretary of State give me some indication of when he will publish the draft regulations on housing benefits for 18 to 21-year-olds? Will he also look sympathetically at exempting from those regulations those who cannot live safely in their neighbourhood where their family home is because of sexual abuse, gang-related activity or overcrowded housing?

**Mr Duncan Smith:** We will publish the draft regulations shortly, although the Welfare Reform and Work Bill has to be passed first. I am very happy to discuss those elements. Of course, there are always exemptions for those who are most in need, and I am very happy to discuss that matter with my hon. Friend if he would like to come and see me.

**Luciana Berger** (Liverpool, Wavertree) (Lab/Co-op): Last week, the Government were significantly defeated in the House of Lords over their plans to cut the benefits of sick and disabled people. More than half the people in the work-related activity group have a mental health condition. They face barriers getting into work as a result of their condition as well as stigma from employers. Will the Secretary of State now accept how utterly unfair and ineffective this proposed cut is, and abandon it?

**The Minister for Employment (Priti Patel):** No one will lose out as a result of the changes we are making to employment and support allowance. Importantly, that means that there will be no cash losers. I think it is worth my reflecting on the point that the Secretary of State made, which is that this Government are focused on supporting those on ESA in a way that the previous Labour Government did not when they introduced the work capability assessment. That is why we have kept the WCA under review. We will announce the publication of a White Paper in the spring that will look into further reforms.

T4. [903338] **Simon Hoare** (North Dorset) (Con): As the chairman of the all-party parliamentary group on multiple sclerosis, may I ask the Minister to join me in applauding the excellent work of the Multiple Sclerosis Society in supporting people with MS? Will he tell us how his Department is supporting people with MS to get into work or to keep their jobs after a diagnosis of MS?

**The Parliamentary Under-Secretary of State for Disabled People (Justin Tomlinson):** I join my hon. Friend in paying tribute to the fantastic work of the Multiple Sclerosis Society. Only two weeks ago, I was at the Swindon branch's 50th anniversary. The society has a huge number of volunteers across the country who are making a difference. Its work toolkit stands out as an example of best practice, both for employers and employees, and I am keen for that to be highlighted and for that best practice to be shared among other organisations.

**Drew Hendry** (Inverness, Nairn, Badenoch and Strathspey) (SNP): The Minister's latest proposals to change the way in which personal independence payments are assessed will be a further blow to disabled people, who have been among the hardest hit by the UK Government's austerity measures. I know from my constituents who are experiencing lengthy delays that

the assessment process is not yet working. Will the Minister abandon these latest proposals, which will narrow disabled people's eligibility for benefits, and instead focus on getting this part of the process right rather than adding complex changes that will reduce the support available to disabled people?

**Justin Tomlinson:** We are doing ongoing work with disability groups and user groups following the Paul Gray review, which flagged this as an area, and we are determined to get a clear and consistent policy as we analyse those consultation responses. The length of time for an assessment has fallen by three quarters since June 2014. It is now down to five weeks for an assessment, and 11 weeks median end to end. That has been a settled position for quite some time now.

T5. [903339] **Mr Alan Mak** (Havant) (Con): Jobs fairs are an effective way for local employers to promote their apprenticeships, which are a key element of this Government's long-term economic plan. Will the Minister join me in congratulating local Havant businesses Fasset, Barratt Homes and Lockheed Martin on supporting my jobs fair later this month?

**Priti Patel:** I thank my hon. Friend for making this point about the great work that is taking place in his constituency. I absolutely endorse his commitment to holding apprenticeship and jobs fairs, because they are the gateway to new jobs and employment opportunities for many young people. I commend him for the work that he is doing.

T7. [903342] **Mr Jim Cunningham** (Coventry South) (Lab): May I ask the Minister to speed up the review process for benefit claimants who have been sanctioned or whose claims are being investigated? Over the Christmas period, a number of my constituents, despite having done everything right, ended up having to borrow money to get through that period because of delays. In some cases, this has happened after the Christmas period as well.

**Mr Duncan Smith:** None of that should actually happen. There are now loans available immediately, so if someone has been sanctioned they are immediately told about hardship loans, which are advertised inside jobcentres. Delay times have fallen to their lowest level ever; they are far lower than they were under the previous Government. If the hon. Gentleman has an individual case in mind, he should write to us immediately or give us a call and we will help to solve the matter straight away.

T6. [903341] **Christopher Pincher** (Tamworth) (Con): Will my right hon. Friend congratulate Tame Plastics and other manufacturing firms in Tamworth that are creating new jobs and apprenticeships? What can he do in areas of low unemployment to turn jobcentres into recruitment agencies for more and better-skilled roles?

**Priti Patel:** My hon. Friend is absolutely right in what he says. There is no doubt that a great deal of work is being done with Jobcentre Plus to support local firms such as Tame Plastics, not only in recruiting new employees but in supporting the skills base that important companies such as this need in his constituency.

T8. [903343] **Patricia Gibson** (North Ayrshire and Arran) (SNP): Last week, the Government suffered another embarrassing defeat in the House of Lords on the proposals to cut ESA WRAG support by £30, which would leave many disabled people in a very difficult financial position. Despite what has been said earlier today, will the Secretary of State now re-examine the arguments put forward by the Scottish National party? Will he categorically give a commitment today that no one will lose out on this critical financial support?

**Priti Patel:** Let me remind the hon. Lady of my earlier comments, when I said that no one currently on ESA will lose out as a result of the changes. Importantly, too, our Government are focused on supporting individuals who have health conditions and are on ESA, which is why those in need would automatically go to the support group.

**Chris Green** (Bolton West) (Con): A jobcentre's role is especially important for those who do not have the necessary support at home. Does my right hon. Friend agree that in addition to the youth obligation, there should be an obligation on jobcentres to offer more specialist support?

**Priti Patel:** My hon. Friend raises an important point: jobcentres have a significant role to play in providing support to young people. That is why we have just started a pilot that takes Jobcentre Plus, with employers, into school to act as a gateway to provide new employment, work experience and work placement opportunities. He has also made the point that the new youth obligation focuses on ensuring that young people are either earning or learning, and do not end up trapped in the benefits system, which is exactly what happened under the previous Labour Government.

**Mark Durkan** (Foyle) (SDLP): We have already heard that the Department has changes afoot in relation to benefits for people with disabilities, not least with the narrowing of the personal independence payment. Are Ministers hoping to extend that to Northern Ireland as well, using the direct rule powers that exist until the end of this calendar year?

**Mr Duncan Smith:** We have no plans to do that, but I am happy to see the hon. Gentleman if he wishes to encourage us.

**Heidi Allen** (South Cambridgeshire) (Con): Following on from the comments about the ESA WRAG changes and the Lords having passed the matter back to us, I welcome the opportunity to look at this again and am excited to see the content of the White Paper. Can the Minister give us any feel at all about the cost recognition for claimants in the future? This is not just about support; it is also about the additional costs that they face to live.

**Priti Patel:** I thank my hon. Friend for the point she raises and her question, and I come back to the comments I made earlier. Importantly, the changes we are making, particularly through the Welfare Reform and Work Bill, show that we are committed to transforming people's lives by supporting more people with disabilities who face barriers to work. This also means an increase in

funding support for those with health conditions and disabilities of almost 15%, and we will bring that forward in the new work and health programme.

**Diana Johnson** (Kingston upon Hull North) (Lab): Will the Minister agree to look at the case of my constituent Mr Beet, who has home dialysis three times a week but is also trying hard to keep his job to support his family? He has been turned down for PIP twice. Does she feel, as I do, that if a person is having dialysis, they are eminently suitable to receive PIP?

**Priti Patel:** I would be very happy to look at this case with the hon. Lady to see what support we can provide her constituent. She makes an important point, which is that he wants to work and therefore should be supported to stay in employment, too.

**Peter Heaton-Jones** (North Devon) (Con): I look forward to welcoming my hon. Friend the Minister for Disabled People to North Devon next month for a Disability Confident event. Does he agree that these are very important events, not only for people with disabilities, to bring them closer to the world of work, but for employers, who do not realise what untapped talent there is?

**Justin Tomlinson:** I thank my hon. Friend for that. I am particularly excited about going to visit his constituency to support his excellent Disability Confident event, and I pay tribute to the other 48 MPs who came into our drop-in event last week and have committed to hold their own events in their constituencies.

**Alison Thewliss** (Glasgow Central) (SNP): Does the Secretary of State believe that the two-child policy and the rape clause are consistent with his Government's obligations under the UN convention on the rights of the child?

**Mr Duncan Smith:** I am quite convinced that the proposals that we bring forward will make it absolutely certain that all those who suffer rape will not be put upon in any way by this proposal.

**William Wragg** (Hazel Grove) (Con): What steps are the Government taking to ensure that all employees are fully informed of the new auto-enrolment pensions?

**The Parliamentary Under-Secretary of State for Work and Pensions (Mr Shailesh Vara):** I can assure my hon. Friend that the Government are working closely with the pensions regulator to ensure that small employees in particular are informed of the new auto-enrolment changes. Online facilities are easy and simple to use for many people. Offline facilities such as leaflets and so on are also made as easy as possible.

**Paul Blomfield** (Sheffield Central) (Lab): The Government have agreed to remove the 28-day waiting rule for terminally ill people who are transferring from DLA to PIP, but for those who are unable to afford to travel to loved ones, or who are worried about bills in their final weeks, it cannot come soon enough. Will the Minister update us on progress?

**Justin Tomlinson:** I pay tribute to the hon. Members for Sheffield Central (Paul Blomfield) and for Bermondsey and Old Southwark (Neil Coyle) and my hon. Friend the Member for Beverley and Holderness (Graham Stuart) for their tenacious and constructive work in this area, which I am delighted to support in full. Subject to the will of Parliament, we intend to make and lay new regulations and, as set out by the Secretary of State, we will write shortly to update Members on that timetable.

**Dr Julian Lewis** (New Forest East) (Con): Will Department for Work and Pensions Ministers hold discussions quite urgently with civil service and Treasury Ministers about the Conservative manifesto commitment to cap very large redundancy payments? Are they aware of serious concerns that, by including early retirement awards in the capping scheme, we may penalise long-serving but low-paid public employees by a measure rightly intended to limit undeserved golden goodbyes to the very highly paid?

**Mr Duncan Smith:** As my hon. Friend knows, that is really a matter for the Treasury, but I am very happy to undertake such discussions. If he would like to add his extra information on this, I would be very happy to take it.

**Joanna Cherry** (Edinburgh South West) (SNP): Half of those receiving employment and support allowance in Scotland qualify through a mental health problem. A report from the Scottish Association for Mental Health, which has a base in my constituency at Redhall Walled Garden, has found that people who are placed in the work-related activity group report “inappropriate

expectations” being put on them, making their mental illness worse. Does the Minister agree that that will be exacerbated by the Government’s proposed changes?

**Priti Patel:** With respect, I say to the hon. Lady that she is wrong. This Government are investing more than any previous Government in providing financial support and in piloting new projects to make sure that those who have mental health challenges and problems are given the right kind of support. We should make the distinction here that this is about not just financial support but the wider support that they get through DWP and the networks and in the community to help them get into work.

**Wendy Morton** (Aldridge-Brownhills) (Con): I welcome the news that nine out of 10 businesses that started with new enterprise allowance support survived for more than 12 months. Will the Minister update us on what further progress there has been in the Government’s efforts to support jobseekers who are looking to start up their own businesses?

**Priti Patel:** I thank my hon. Friend for highlighting the great work and the results of the NEA, which has been an outstanding scheme, supporting more and more people to get into work and start up their own businesses. There is more support going through our Jobcentre Plus network to mentor, help and engage with those individuals who want to start up their own businesses. We have more reviews coming, but the whole House can join me in commending this programme for its success and for how it has enabled people to get on in life and start up their own businesses and become successful.

## NHS Trusts: Finances

3.33 pm

**Heidi Alexander** (Lewisham East) (Lab) (*Urgent Question*): To ask the Secretary of State for Health if he will make a statement on what steps are being taken to improve the financial position of NHS trusts.

**The Parliamentary Under-Secretary of State for Health (Ben Gummer)**: The House will know that in 2014, the NHS itself set out its plans for the next five years, which included a front-loaded funding requirement of £8 billion. As our economy is strong, this Government have been able to honour that request and will be funding it in full, including a down payment of £2 billion in this financial year ahead of the spending review period.

Next year, there will be an increase of £3.8 billion and taken together, we shall, therefore, be providing £10 billion towards the NHS “Five Year Forward View”. Within that context, there are a number of hospital trusts that are running a financial deficit, in large part because of the need to staff wards safely after what was learned in the aftermath of the scandal of Mid Staffs.

It is also the case that the best hospitals have begun to transform along the lines required by the NHS “Five Year Forward View”, but some have not. This has made the management of their finances all the more difficult. NHS Improvement expects that NHS hospital trusts will report an overall deficit for the current financial year, 2015-16. Savings achieved in the rest of the NHS have ensured that this overall deficit will be offset, so that the system as a whole will achieve financial balance.

For the next financial year, NHS Improvement will continue to work with trusts to ensure that they improve their financial position. To help them in this endeavour, the Department has introduced tough controls on the costs of staff agencies, a cap on consultancy contracts, and central procurement rules as proposed by Lord Carter in his review on improving hospital efficiency.

The House should know that the savings identified by Lord Carter come, in total, to £5 billion a year by 2020. The chief executive of NHS Improvement, Jim Mackey, is confident that taken together, these measures will enable hospital trusts to recover a sustainable financial position next year.

**Heidi Alexander**: I am afraid the Minister seems to be in a state of denial. He claims that the settlement secured by the Department of Health in the spending review will sort the financial pressures that hospitals are under, but either he does not understand the scale of the problem or he simply has his head in the sand.

In the past few weeks it has become abundantly clear that hospitals across the country are buckling under the strain of providing healthcare with an inadequate budget. Four out of five hospitals are now predicting a deficit. Monitor is reportedly assembling teams of management consultants to dispatch to up to 25 trusts in need of turnaround, and now we learn that, along with the Trust Development Authority, it has written to every hospital asking it to take urgent steps to regain control of its budget, including “headcount reduction, additional to the current plan”.

Was the Minister or the Secretary of State aware that this letter had been sent? Did it receive ministerial approval? How many hospitals have subsequently had

meetings to discuss headcount reductions? How many job cuts have been agreed as a result of these meetings? On the one hand the Care Quality Commission is telling hospitals they are unsafe, and on the other, Monitor is telling them to cut staff. So which one is it, Minister? What proportion of these so-called headcount reductions will involve clinically trained staff?

On Saturday the King’s Fund said:

“Three years on from Robert Francis’s report into Mid Staffs, which emphasises that safe staffing was the key to maintaining quality of care, the financial meltdown in the NHS now means that the policy is being abandoned for hospitals that have run out of money.”

Will the Minister now accept that his Government’s financial mismanagement of the NHS has made it impossible for some hospitals to provide safe patient care? Is it not the case that this Government have fundamentally lost control of NHS finances? Is it not clear that the only way Ministers are going make their planned £22 billion worth of efficiency savings will be to cut staff, cut pay and close services? I say to the Minister that it is time to stop the NHS doublespeak and just come clean.

**Ben Gummer**: The hon. Lady started by claiming that the Secretary of State and I were in a state of denial. Were she to look at the outcomes of the NHS this year compared with the last year that her party was in power, she might consider that the performance of the NHS has improved beyond measure. We have 1.9 million more accident and emergency attendances, 1.3 million more operations, 7.8 million more outpatient appointments and 4.7 million more diagnostic tests. This is an NHS that is performing more procedures, helping more patients and doing more for the people of this country than at any time since its foundation. I would therefore gently suggest that those in denial are her party and her. The service is working hard to try to deliver better patient care in a challenging environment.

The hon. Lady asked a number of subsequent questions about staffing levels and letters sent out by NHS Improvement, and I will endeavour to answer each in turn. She asked about the settlement the Treasury has reached with the NHS, and I would point out that that is precisely the settlement that the NHS itself asked for and that the Labour party refused to endorse at the last election.

The hon. Lady’s second question—or statement—related to the fact that there are teams of management consultants. That allows me to remind her that the numbers of management consultants have been cut considerably—by the previous Government and by this one—in contrast to what happened under the Labour Government, who increased the numbers of managers in the 13 years they were in power. We will make no apology for the fact that NHS Improvement and its constituent bodies are working hard with some of the most challenged providers to help to turn them round and to try to address the issues of efficiency and quality they all have. Is the hon. Lady somehow suggesting that they should not be doing that? Should they not be going round hospitals trying to help those that are not able to control their own finances? Should they not be doing what is needed to try to improve the quality of the care those hospitals provide? If that is her suggestion, it is a quite remarkable one, and one that should be more widely shared with the people she seeks to represent.

The hon. Lady talked about the letter sent out by NHS Improvement. Yes, the Department was aware of it, as it was aware of the letter sent out the same day by Professor Sir Mike Richards, of the Care Quality Commission, addressing the issues of quality that need to be tackled across the service. I know that this is news to Opposition Members, but there are not separate parts of the NHS issuing separate diktats. The letters issued on staffing and other issues in the last few months have been co-signed by Professor Sir Mike Richards, the chief inspector of hospitals, by Dr Mike Durkin, the director of safety at NHS England, by Jim Mackey, the chief executive of NHS Improvement, and by Simon Stevens, the chief executive of NHS England. This is one system addressing the particular problems that are evident in some challenged providers and making sure that those providers level up to the best. If the hon. Lady is not convinced of that, she should look at the co-signatories of those letters to see how they correspond one with the other.

The hon. Lady asked about the line in one of the letters about reductions in headcount. I point her to the reductions in the headcount of administrators that the Government have achieved over the past five years. We have managed to reduce the number of administrators in the NHS by 24,000, while increasing the number of clinicians by 16,000. Would the hon. Lady, while not promising the money to the NHS that it has asked for, ask it to maintain the same level of administrators in the years ahead, or would she back NHS Improvement's plan to find efficiencies across the NHS, precisely so that the money that is spent on administrators can be spent better—on clinicians, on increasing the number of clinicians and on directing resources to the frontline? I know the hon. Lady is earnest in what she says about the NHS, but I cannot believe that she is really riding out in defence of increasing spend on back office at the expense of the frontline.

The hon. Lady asked about safe staffing ratios. She made a number of statements that, in retrospect, she might feel were somewhat irresponsible. The reason for that is that the letter issued about safe staffing in October last year, which built on advice given by the National Institute for Health and Care Excellence, was co-signed by Professor Sir Mike Richards, the chief inspector of hospitals, and by NHS Improvement and its two constituent bodies. It was a co-signed letter because quality and efficiency are two sides of the same coin. Those hospitals that are providing the highest quality of care in this country tend to be those that are also in control of their finances. Likewise, those that are struggling with quality tend to be those that cannot control their finances. If the hon. Lady were to suggest that, somehow, there is a binary distinction between the two—that there is a choice to be made between quality and efficiency—I would gently say to her that she is about a decade behind all current thinking on how a successful health service is run. It is about making sure that quality and efficiency go hand in hand, and the very best hospitals can achieve both.

In all this, the hon. Lady should avoid falling into the trap that her predecessor so often did of assuming that there is some kind of trade-off between quality and efficiency, and also attempting a pretty low-level politicising of the NHS—an approach that was roundly rejected at the last election. I ask her to consider the counterfactual—that were she standing at this Dispatch Box now, having won

the last election, she would not have had the £8 billion to invest in the NHS that we have managed to have, and she would not therefore be able to assure the public of continued improvements in the number of patients treated, an increased number of operations, GP numbers in excess of 5,000, which we have promised to deliver by 2020, record numbers of A&E admittances, and record numbers of out-patient appointments. She would have been able to promise none of that. That is why Conservative Members are proud to reaffirm that we are the true party of the NHS.

**Dr Sarah Wollaston (Totnes) (Con):** We all welcome the front-loading of the NHS settlement, and want to congratulate NHS staff on the extraordinary efforts they are putting in to improve quality, alongside coping with rising demand. If NHS Improvement is tasking management consultants to come in and advise trusts on turning around financial problems, will the Minister also task it with looking specifically at issues of social care and how the interrelation between underfunding of social care impacts on the health economies of local trusts, and with looking at improvement and prevention, because prevention was also noted by Simon Stevens to be unfinished business from the spending review?

**Ben Gummer:** My hon. Friend will be aware of the increase in the better care fund that this Government have introduced and the 2% precept on council tax bills that will deliver increases for social care. She will also be aware that “Five Year Forward View” is a holistic understanding of the healthcare system that includes transformation of the NHS and social care towards that point. That is why we are proud to fund “Five Year Forward View” in the manner that Simon Stevens requested—front-loaded, with £3.8 billion in the next year. The manner of that bottom-up integration over the next few years will ensure that the challenge around social care that my hon. Friend identifies will be addressed in years to come.

**Dr Philippa Whitford (Central Ayrshire) (SNP):** With almost 80% of trusts running a deficit, I am not sure that we can say that it is just failing hospitals that are having problems. The Government talk about giving £10 billion upfront, but £2.2 billion of that is already written off in the deficit, and usually budgets are ascribed across the Department of Health, whereas Public Health England and Health Education England are losing money. With the £3 billion that is being clawed back from the areas that are not specifically under NHS England, it is actually £4.5 billion, not £8 billion, that is being put in. “Five Year Forward View” identified public health and prevention as crucial. The Government have a plan to recruit 5,000 extra GPs, but I am not sure how that can be done without Health Education England. The one thing that has so far been shown in evidence to impact on unnecessary deaths is a good, strong ratio of registered nurses to patients, so it is important that we look at how that will be funded. If trusts are not allowed agency or immigrant nurses, how are they going to do this? Why do we not get the National Institute for Health and Care Excellence to finish the piece of work on safe nursing levels throughout hospitals?

**Ben Gummer:** I thank the hon. Lady, who asked some salient questions that I will address. She asked about the deficits across the system. It is true that there are some particularly challenged providers where the heaviest

[Ben Gummer]

deficits fall, and they account for the larger part of the accumulated deficit, but it has been a very challenging time across the system, not only because of the demographic challenges facing the NHS that have got worse in every year of this and the previous Parliaments, but because of the effect of the excessive charges of agencies levied after the increase in staffing levels in the wake of Mid Staffs. To seek to address that area, which makes up the majority of the cost of the deficit, we have brought in the controls not only on agency spend—on locums—but on very high salaries and on consultancy spend. Taken together, that will make a significant difference to hospital trust finances.

The hon. Lady talked about public health. We accept that that is a very important part of achieving “Five Year Forward View”. That is why, over the course of this Parliament, we will invest £16 billion in public health across England, to ensure that we can achieve the kind of transformation that she wishes to see.

On GP recruitment, we intend to have 5,000 additional GPs by the end of this Parliament. I am glad to say that Health Education England is so far meeting its targets in filling those training places. I congratulate its chief executive, Professor Ian Cumming, on the work he has done in that regard.

The hon. Lady mentioned safe staffing and the NICE guidelines. During the process of NICE looking at safe staffing levels, it became clear, as the chief nurse identified, that we need to look more broadly at team staffing levels, not just at individual positions on wards. I think that the hon. Lady in particular will understand that. That is why the chief nurse and Dr Mike Durkin were commissioned together to look at and build on the advice of NICE. The safe staffing guidance, which will be released in the next few months, will show a broader and more complex understanding of staffing levels, which I know the hon. Lady will appreciate from her time on the wards.

I want to be clear that that staffing guidance will be signed off only once it has the approval of NICE, Professor Sir Mike Richards, the Care Quality Commission and Dr Mike Durkin, the head of safety and quality at NHS England. It will require their imprimatur.

**Jeremy Lefroy** (Stafford) (Con): Our experience in Staffordshire is that it takes a medium to long-term plan to put things right. I pay tribute to the work of the staff at the Stafford County hospital and the Royal Stoke University hospital. Will the Minister assure me that any measures put in place, both in Staffordshire and across the country, will take a long-term view and not be driven by the need to cut costs within a financial year? A five-year plan, at the very least, is vital.

**Ben Gummer:** I could not agree more with my hon. Friend. It is important to take a long-term view. That is something that has bedevilled the NHS under all kinds of Administrations since its creation. For the first time, it has a five-year forward view, which means that it can begin to transform properly. The very best trusts in the country, such as that in Northumbria, previously run by Jim Mackey, have been able to do that. We want to bring that kind of excellence to hospitals across England, to ensure that they provide the sustainable staffing and quality levels that my hon. Friend is beginning to see at Mid Staffs after the long-term view taken by that hospital.

**Mr Ben Bradshaw** (Exeter) (Lab): Devon NHS had no deficit in 2010 when we had a Labour Government. It now has the worst deficit in England. What assurances can the Minister give my constituents in Exeter and those elsewhere in Devon that services and waiting times will not deteriorate even further?

**Ben Gummer:** I thank the right hon. Gentleman for his co-operation and help in trying to form the future of the NHS in Devon. This will work only if there is a cross-party effort, and the same is true of the national level. We have particular, urgent problems in Devon, and that means that the deficit will increase unless we take significant local action. That action needs to be led by local clinicians, and I am very glad that they are talking constructively. My job and that of the right hon. Gentleman is to provide support in the coming months so that we can have one plan that we can then implement.

**Stella Creasy** (Walthamstow) (Lab/Co-op): Let me give the Minister an example from my constituency of how some of the challenges are affecting patients. My local hospital of Whipps Cross ended up downgrading the nursing bands in an attempt to save money. As a result, it now has a big crisis in staff morale, the CQC has intervened because of the quality of care, and it has a massive agency bill. Moreover, Whipps Cross University hospital is part of Barts Health NHS Trust, which has the largest private finance initiative deal in the country. It is due to pay back £7 billion on a £1 billion loan, and last year alone it paid out £148 million—half of which was interest—on its PFI deal. What is the Minister doing to help trusts renegotiate such costs and tackle these legal loan sharks of the public sector?

**Ben Gummer:** To ask about PFIs signed by the previous Government is a brave line of attack. I have held a number of meetings about Barts with the hon. Lady's colleagues, and I completely understand the difficulty that she and they—and, indeed, the trust—find themselves in. I had a meeting about Barts this morning. I also had two last week, and I shall be having a further two this week and next week, precisely because I want to see the transformation she needs in her area. I am very happy to discuss that in greater detail with her. In fact, I will convene a meeting of local MPs in the near future.

**Helen Whately** (Faversham and Mid Kent) (Con): The Government rightly front-loaded the extra money that the NHS called for in the “Five Year Forward View”, but it is vital that that money is used to drive transformation, such as the productivity improvement that is needed and the shift of care out of hospitals. Will my hon. Friend assure me that the money will go not just to plug deficits, but to change the way in which services are delivered?

**Ben Gummer:** My hon. Friend is entirely right and speaks from experience. That is why, as part of the spending review settlement, £1.8 billion was set aside as a transformation fund. The principle behind the transformation fund is that the money will go to those trusts that are beginning to show transformation in the way they are running not only their finances, but their whole operations. That is for the betterment of patients as a whole. We have to see transformation; otherwise money will be wasted, as it has been in years previously.

**Keith Vaz** (Leicester East) (Lab): What help and assistance can the Minister give to the ambulance service in Leicester? On Sunday 24 January, 10 of the 25 ambulances that serve the whole of Leicestershire were parked outside A&E at the Royal Infirmary, trying to hand over patients to the staff. On 856 occasions in the last year, ambulances had to wait between two and four hours to hand over those patients. In Leicester we need not more consultants, but a better system of management.

**Ben Gummer:** The right hon. Gentleman raises an issue that has been severe in Leicester, and I am aware of it. I am happy to have a separate meeting with him to discuss the matter and what is being done about it. Across the country, however, we are seeing a rather better performance this winter than last. That is because of the extraordinary amount of planning done by the NHS, and because we are getting better at dealing with the extraordinary pressures that are placed on the NHS in winter. In Leicester, there has been a particular issue. I am aware of it, and I reassure him that it will be fixed in time for next year.

**Jason McCartney** (Colne Valley) (Con): I welcome this urgent question, because clinical and patient decision making in Calderdale and Huddersfield NHS Foundation Trust is being dictated by a catastrophic PFI deal signed in 1998, under which Halifax hospital, which cost £64 million, will eventually cost the taxpayer £773 million. That has led to a proposal to close A&E at Huddersfield royal infirmary. Will the Minister please launch an urgent review into these catastrophic PFI deals? I look forward to exploring the matter further with him in my Westminster Hall debate tomorrow afternoon.

**Ben Gummer:** My hon. Friend should know that that review is already taking place in the Department of Health. We are looking again at the PFI deals that were signed by a previous Administration, who went around the country claiming to be building new hospitals without telling people that they had all been put on the credit card and that the bill would be paid by future generations and, in part, by the NHS itself. That is a great shame, and it has created a great deal of uncertainty for many trusts. I know that my hon. Friend has specific issues in Huddersfield, and we will answer them tomorrow in Westminster Hall.

**Norman Lamb** (North Norfolk) (LD): Will the Minister make it very clear whether he accepts the view of Simon Stevens that if there is a funding gap in social care, which is projected to be the case in 2020 and before, it will simply increase the deficit in the NHS; and that the funding of social care remains “unfinished business”? Does he accept that case?

**Ben Gummer:** I accept the case for the “Five Year Forward View”. Simon Stevens was very clear that the relationship between social care and the NHS needs to be transformed. That called for an additional £8 billion into the NHS, which we have provided, and it required additional money for social care. We have provided that in the better care fund and the council tax precept.

**Mrs Anne Main** (St Albans) (Con): West Hertfordshire Hospitals NHS Trust has been struggling for a very long time. For five of the 12 years from 1998 to 2010,

it registered a deficit, which peaked at £27 million in 2005-06. It is struggling because of a backlog of repairs and maintenance to its elderly estate, through a lack of investment from the previous Labour Government. What more can be done to help hospital trusts that are struggling with a massive backlog of ongoing maintenance?

**Ben Gummer:** My hon. Friend is entirely right. I went to Watford a few weeks ago, and the buildings are in a poor state of repair. They do not enable clinicians to provide the high standards of care that they all aspire to; in many cases, it is difficult to do so. West Herts trust requires additional capital expenditure. I have talked with the trust about how it might realise that, and I am discussing that in the Department at the moment.

**Mr Iain Wright** (Hartlepool) (Lab): I was contacted earlier today by a constituent. She had a scan last Tuesday, and the following day she was told that she required an urgent referral to a gynaecologist within two weeks and that she would be provided with an appointment within 48 hours. That did not happen. This morning, I was told by the NHS that no appointments were available anywhere, and that it had no idea when one would be available. My constituent is frantic.

In an earlier response, the Minister mentioned outcomes and increased numbers of appointments, but the reality of the NHS in 2016, for my constituent and millions like her, is that no funding or staffing is available not just for routine appointments, but for urgent appointments related to cancer. What will the Minister do for my constituent, and how quickly will he get a grip to ensure that appropriate funding is provided for the NHS?

**Ben Gummer:** During the course of the last Parliament and the beginning of this one, we have moved from being one of the worst performers on cancer outcomes in Europe to a position roughly midway in the table. We have done that through making rapid improvements in the work we do with people suffering from cancer. There is a lot more to do, but the money is flowing in and improvements to outcomes are being made. However, if there are individual cases, I will of course look at them, as I know will the Under-Secretary of State for Health, my hon. Friend the Member for Battersea (Jane Ellison), who has responsibility for cancer services. I am happy to take this on as a personal case.

**Henry Smith** (Crawley) (Con): During the past decade, under the previous Labour Government, the healthcare trusts that serve Crawley constituency had chronic deficits, and services such as A&E and maternity were closed at Crawley hospital. Services are now returning to that location. Will the Minister confirm that this Government will invest £10 billion in our NHS over the course of this Parliament, and will he say by how much the NHS is being cut in Wales, where Labour is in control?

**Ben Gummer:** I can confirm that the amount of money available to the NHS will increase by £10 billion over the course of this Parliament. However, this is not just about an infusion of money; it is about concentrating on quality and efficiency across the service. In Wales, not only has money been cut, but there has not been such a concentration on quality and efficiency, which is why outcomes are so much worse in Wales than they are in England.

**Daniel Zeichner** (Cambridge) (Lab): The hospital in Cambridge that serves my constituency, Addenbrooke's, is one of the trusts with the most challenging deficits. Today, it is urging people not to attend accident and emergency, which it explains by saying that it is seeing more and more frail, elderly patients. At the same time, the Conservatives in Cambridgeshire are refusing to levy the 2% that the Chancellor has offered them. We have a crisis in social care and health funding in Cambridgeshire. How can it possibly help hard-pressed staff at Addenbrooke's to hear the instruction that numbers should be cut? Will the Minister assure me, patients and staff in Cambridgeshire that that diktat will be withdrawn?

**Ben Gummer:** No. I cannot assure the hon. Gentleman that we will stop trying to find efficiencies across the NHS. The important thing is to make sure that we channel money right to the frontline, which means doing so in his hospital, as in others. It will sometimes mean finding efficiencies in individual trusts and commissioning groups, and making sure that the money is rediverted. I should say to the hon. Gentleman that the problems at Addenbrooke's go much further than A&E. The hospital is in special measures and there is much to put right. I am confident that that will be managed, under the stewardship of the new chief executive, who has proven himself to be excellent.

**Andrew Stephenson** (Pendle) (Con): Will my hon. Friend the Minister thank the Secretary of State for supporting calls for extra investment in Burnley general hospital? The additional £15.6 million committed last year for a phase 8 development at Burnley general will create a state-of-the-art ophthalmology unit and allow the hospital to centralise all out-patients in one location. Following the new £9 million urgent care centre, this is the latest boost for our local hospital, which lost its accident and emergency department and other key services under the previous Labour Government.

**Ben Gummer:** The reality, as my hon. Friend recounts in relation to his own constituency, is that satisfaction in the NHS is at near-record levels, and that dissatisfaction in the NHS is at record lows. We rank No. 1 in the Commonwealth Fund rankings of hospital and health systems across the world. Far from the picture painted by Opposition Members, the fact is that people feel the NHS is getting better. There is increasing proof that the NHS is safe in the hands of the Conservative party, and it will continue to be so for the next five years.

**Nic Dakin** (Scunthorpe) (Lab): The health economy in north Lincolnshire has been severely challenged for a number of years. When I meet the chief executive and others from the North Lincolnshire and Goole NHS Hospitals Foundation Trust, I get the impression that they are trying run up a finance escalator that is flying down towards them. What can the Government do to help in these circumstances?

**Ben Gummer:** I recognise the problems that the hon. Gentleman has identified at Northern Lincolnshire and Goole Hospitals NHS Foundation Trust and in north Lincolnshire. NHS Improvement is looking at them in detail at the moment. I hope that by working with the trust's existing management, we will see an improvement over the next year. That is the point of what NHS Improvement is trying to do. I reassure the hon. Gentleman

that if Jim Mackey produces the kind of results that he produced in his own hospital trust, his constituents will see NHS outcomes of a quality that has so far eluded them.

**Ben Howlett** (Bath) (Con): I had the great displeasure of seeing at first hand the catastrophe that was NHS Connecting for Health under the last Labour Administration. It was therefore a bit rich of Labour Front Benchers to table this urgent question. Does my hon. Friend agree that this Government have introduced a strong regulatory regime and that joint investigations by NHS Improvement, the Care Quality Commission and Monitor will prevent future contractual failures?

**Ben Gummer:** I can give my hon. Friend that reassurance. Every Monday when I meet leading officials in the NHS, the people in the room are from the Care Quality Commission, NHS Improvement and NHS England. We make joint decisions. That is important because the system has to work as one. If the different parts pull in different places, we will not provide the solutions that we need. That is what has happened throughout the history of the NHS. For the first time, we have a system-wide response to the challenges facing the health service.

**Rachael Maskell** (York Central) (Lab/Co-op): The CQC is downgrading trusts such as York Teaching Hospital NHS Foundation Trust owing to the national NHS staffing crisis. In addition, the trust will have an £11 million deficit for the first time at the end of this year. What risk assessment did the Minister make in respect of patient safety before the Government agreed to endorse NHS Improvement's letter that advises trusts to cut headcount?

**Ben Gummer:** The hon. Lady is wrong. The CQC is not downgrading any trusts. It provides a very important function in the NHS that did not exist before, which is to give open and transparent accounts of how good the quality is in individual trusts. For the first time, patients can see whether their trust is safe, well led and effective. That means that there can be a proper and solid response where there are failings. In too many parts of the NHS, there is not the level of quality that other parts deliver. The CQC shines a light on where we need to improve. Our job, as part of the system with NHS Improvement, is to make those areas measure up.

**Diana Johnson** (Kingston upon Hull North) (Lab): My trust in Hull is predicting a deficit of £21.9 million by the end of the financial year. Following a CQC report a few years ago that criticised the staffing levels in Hull, a huge amount of effort has gone into increasing the staffing levels, but that has come at a cost, especially given the premium that is paid for medical staff. Will the Minister reassure my constituents that we will not return to the staffing levels that the CQC criticised in the past when dealing with the deficit of nearly £21.9 million?

**Ben Gummer:** I can give the hon. Lady that reassurance. When I was in Hull a few months ago, I had a fantastic series of conversations with clinicians—not just those who are leading the hospital, but those on the frontline in the wards—about how to address the staffing challenges in Hull and east Yorkshire. It is tailored responses to the

problems in individual localities that will provide the quality of service in Hull that she wants for her constituents. I am committed, as are the staff in Hull, to ensuring that she sees it.

**Marie Rimmer** (St Helens South and Whiston) (Lab): Will the Minister join me in visiting my local clinical commissioning group, trust and social services? The reason I ask is that St Helens and Knowsley Teaching Hospitals NHS Trust has just been rated “good” in four of the five areas and “outstanding” in care. The chief executive is managing Southport hospital to help there in the interim. She previously helped Warrington out of its problems. We have no problem with our chief executive and our staff are outstanding and work hard. However, we are having to recruit nurses from Spain. There is a wonderful working relationship between the CCG, the hospitals and adult social care, with lots of pooling going on. Nevertheless, Whiston faces a £7 million deficit and that is not down to the PFI tariff. *[Interruption.]* Sorry, Mr Speaker, I will come to the question. Will the Minister please join me for a constructive discussion with those people to see what is happening on the frontline?

**Ben Gummer:** I know that the Under-Secretary of State for Public Health was in Whiston last year. I was in Manchester a few weeks ago, and I plan to go back there and to the north-west in the next few weeks. I will be doing a regional tour, and I would very much like to meet the hon. Lady and talk to her trust’s chief executive. She raises an interesting point, which is that chief executives in many trusts across the NHS are of exceptional quality. It is often easy to knock managers in the NHS, but there are some fantastic managers, and I am sure that her constituency has one.

**Mr Speaker:** I say to the Minister in all friendliness that I hope the region is aware of his upcoming tour. It sounds a most exciting prospect.

**Mr Barry Sheerman** (Huddersfield) (Lab/Co-op): Will the Minister think carefully about what has happened up and down the country? Health trusts such as mine in Calderdale and Huddersfield have run successfully for many years, but recently—I think this is something to do with the destabilisation of clinical commissioning groups—many problems have entered into the general life of those trusts. In Huddersfield we do not want the closure of A&E in our hospital, or the closure of the main hospital and its replacement by a much smaller one. Will the Minister look carefully and forensically at what has happened in the Huddersfield and Calderdale area? It is not just the whipping boy of the unfortunate independent financial arrangement that was negotiated under John Major but signed under Tony Blair.

**Ben Gummer:** The hon. Gentleman is an experienced Member of Parliament and, as he will know, there was a time when reorganisations and changes in the structure of the NHS, and the way that hospitals were disposed, was very much decided in Whitehall. That changed as a result of the Health and Social Care Act 2012, and such changes are now led by clinicians. The changes to which he alludes—which we will discuss tomorrow in Westminster Hall—are led by local clinicians, and ultimately the Secretary of State must defer to their opinion. An independent

reconfiguration panel judges those changes, and so far the Secretary of State has always concluded that the panel and local clinicians have been correct. That is the right thing to do. In this case I hope and expect that we will do the same, but I will look carefully at the hon. Gentleman’s concerns, and ensure that I take them on board and relay them back to the CCG.

**Liz McInnes** (Heywood and Middleton) (Lab): At Pennine Acute Hospitals NHS Trust, which serves my constituency, A& E attendances are at a record high, and this weekend the local paper carried the headline “Stay away from A&E unless it’s life or death.” The trust is predicting a deficit of £29 million by the end of the financial year, and although staff work hard in difficult circumstances, does the Minister truly believe that that is an example of a successfully run NHS?

**Ben Gummer:** There are many examples of success in the NHS, and hospitals, CCGs and community health organisations are delivering exceptional care within existing budgets. We must ensure that we spread that practice and approach to care across the NHS. Some parts of the NHS are not doing that, but with our ability to level up and “universalise the best”, as Bevan coined it, we will ensure that everyone gets the level of care that those in the best areas of the NHS already receive.

**Andy Slaughter** (Hammersmith) (Lab): Last week Imperial College Healthcare NHS Trust reported a £25 million deficit, and announced a non-clinical vacancy freeze on top of 10% vacancy rates, and above-target use of agency staff. Its solution was to pay its chief executive £350,000 last year to oversee the downsizing of the major local hospital, Charing Cross. What is that other than a short-sighted and dangerous attempt to undermine the NHS?

**Ben Gummer:** Given the hon. Gentleman’s record of statements given to his constituents, whether on housing or hospitals, I would prefer very much comments from the clinicians running Imperial College NHS Healthcare Trust, than I do his own comments about this.

**Christian Matheson** (City of Chester) (Lab): On the one hand, the Secretary of State is suggesting that he wants a seven-day-a-week NHS, which I presume is not an empty slogan, and on the other hand Ministers are calling for headcount reductions. That suggests that we are asking fewer people in the NHS to work longer hours. Does the Minister share my concern that that is a recipe for staff overstretch and increased pressure on staff, and therefore potentially for greater failings for patients?

**Ben Gummer:** If the hon. Gentleman had not mischaracterised the situation, he might have been able to ask a more coherent question. The fact is that NHS Improvement was looking for what savings could be made in back-office functions in hospitals so that that money could be recycled into the frontline. All I can say to him is that under this party the number of clinicians has increased by 16,000 since 2010. That is a record of which we are proud and on which we will continue to build over the next few years.

## Bank of England and Financial Services Bill [Lords]

[Relevant documents: Oral evidence taken before the Treasury Committee on 9 September and 20 and 22 October 2015, on the Bank of England Bill, HC445.]

**Mr Speaker:** I must inform the House that I have selected the amendment in the name of the Leader of the Opposition.

*Second Reading*

4.15 pm

**The Economic Secretary to the Treasury (Harriett Baldwin):** I beg to move, That the Bill be now read a Second time.

Following the financial crisis, the Government fundamentally reformed the UK's system of financial regulation, replacing the failed tripartite system with a set of regulators with clear responsibilities and objectives. We have also taken concerted action to improve conduct across the banking sector, and to deal with the abuses and unacceptable behaviour of the past. The Bank of England has rightly been put back in charge of financial stability, and the Financial Conduct Authority is a watchdog protecting consumers from sharp practices and making sure bankers comply with the rules. Quite rightly, the powers and governance of those important organisations are reviewed closely and the Bill makes some modest changes to them.

The Bill has three main aims. The first is to further strengthen the governance, transparency and accountability of the Bank of England so as to put it in the best possible position to fulfil its vital role in delivering monetary and financial stability. It allows the National Audit Office into the Bank for the first time in its centuries-old history. The second aim is to build on concerted action the Government have already taken to drive up standards in financial services by extending the senior managers and certification regime across the sector, including a tough new duty of responsibility for senior managers. The third aim is to support the creation of a secondary market for annuities, protecting consumers by extending the remit of the Pension Wise guidance service and introducing a requirement which, in effect, ensures that certain individuals who are seeking to sell their annuities have received appropriate financial advice.

**Mr Barry Sheerman (Huddersfield) (Lab/Co-op):** Does the hon. Lady agree that one of the real problems in the culture of banking, which we all want to get right, is the role of auditors? Auditors should have been there, should have spotted the dangers and should have blown the whistle, but they did not. Is it not the case that the Bill still does not address the accountancy profession and auditors?

**Harriett Baldwin:** The hon. Gentleman is right to highlight the importance of auditors. Others in this place will consider the role of auditors in the crash, but I think what he will welcome in the Bill is the fact that the National Audit Office, for the first time, will have the ability to do value-for-money studies within the Bank of England.

**Kelvin Hopkins (Luton North) (Lab):** Following on from my hon. Friend's intervention, does the Minister not agree that one of the fundamental problems with

auditors is that they are always employed, effectively, by the managers of banks or companies when they should be representing shareholders? If they want their contracts renewed, time and again private auditors provide a soft option for managers so they get the contract next time. As she says, the great thing about the National Audit Office is that it is independent and in the public sector.

**Harriett Baldwin:** The hon. Gentleman is absolutely correct that the Bill focuses specifically on the role of the National Audit Office, one independent arm of government, and the Bank of England, another independent agency. The Bill does not particularly focus on the role of auditors in private companies, but I am sure other parts of Parliament will consider that in this Session.

I turn first to the reforms that the Bill will make to the Bank of England. It introduces evolutionary changes to its governance, transparency and accountability to put it on the best possible footing to discharge its expanded responsibilities. These changes complement those taken by the Bank itself as part of its "One Mission, One Bank" strategic plan. The Prudential Regulation Authority will stop being a subsidiary of the Bank and instead be run by a committee of the Bank; another deputy governor will be able to join the court, the Bank's governing body; and the Treasury will be able to send a remit letter to the Prudential Regulation Committee.

To strengthen the Bank's transparency and accountability to Parliament and the public, we will give the National Audit Office the power to conduct value-for-money studies. Following debates in the other place and with the NAO and the Bank, we have made sure that that important change is implemented in a way that protects the independence of the Bank's policy-making functions and of the NAO.

**Kelvin Hopkins:** I welcome the fact that the NAO will be looking at the Bank, but it will need extra resources to do that big job. Will the Minister guarantee that the extra people employed will represent the shareholders—us and the people we represent—and will not simply come from the banking sector and be soft on banks?

**Harriett Baldwin:** The hon. Gentleman rightly points out the importance of the NAO's having the right resources. I have not had any representations about this particular move, but I am sure it will make its feelings known, should it require those resources.

The Bill also makes changes to the court. We will simplify and strengthen the governance of the Bank by transferring to the whole court the powers previously given to the oversight committee to oversee the Bank's performance. Following discussions in the other place, to help guard against group-think, we have amended the Bill so that a majority of non-executive directors on the court will still be able to initiate reviews of the Bank's performance without needing to secure the agreement of the whole court.

We will integrate prudential regulation more fully into the Bank by ending the PRA's status as a subsidiary of the Bank. The PRA board will be replaced by a new Prudential Regulatory Committee with sole responsibility within the Bank for the PRA's functions. That is modelled on the Monetary Policy Committee and the Financial Policy Committee. We will make these changes while

still protecting the PRA's operational independence, and we will continue to ensure transparency on the amounts raised by the levy and what the Bank spends in relation to its functions as the prudential regulator.

In order to strengthen governance and make the structures of the Bank more consistent, the Bill harmonises the legislation underpinning the Bank's three policy committees: the MPC, the FPC and the proposed PRC. It moves the MPC to a schedule of at least eight meetings a year, from the current 12, and updates requirements for the timing of MPC publications, implementing the remaining recommendations of the Warsh review, entitled "Transparency and the Bank of England's Monetary Policy Committee" and published in 2014.

Alongside these changes, the Bill builds on the existing arrangements and the strong working relationship between the Bank and the Treasury by updating the formal framework for how the Bank and the Treasury should engage with each other on the public funds risks and the financial stability risks of firm failure. These changes will improve co-ordination while maintaining the existing clear and separate roles of the Bank and the Treasury in the event of a crisis.

**Mr Sheerman:** I am slightly concerned that the Bill moves us towards a system of less tension and a cosier relationship between the Bank and the Treasury. That would worry me and other Members. Is it true? I always thought that that tension was healthy.

**Harriett Baldwin:** The hon. Gentleman is right to highlight the importance of the Bank's operational independence, which Gordon Brown introduced in 1997—it was his greatest legacy to our country—but he will note that his colleagues' motion calls for a stronger role for both the Treasury and Parliament and arguably for less independence for the Bank. It is popularly known as the people's quantitative easing, and I hope that the hon. Gentleman will not support his Front-Bench team on the reasoned amendment.

**Kelvin Hopkins:** Following the point made by my hon. Friend the Member for Huddersfield (Mr Sheerman), it would be even more worrying if there were a cosy relationship between the NAO and the Treasury. The NAO should be responsible to this House, and the Treasury should not be able to get its tentacles on the NAO.

**Harriett Baldwin:** The hon. Gentleman is right to recognise that the NAO is completely independent of the Treasury. Although I have a nominal role on the Public Accounts Committee, the NAO is rightly accountable to Parliament.

**Stewart Hosie** (Dundee East) (SNP): I very much welcome the move to turn the PRA into the PRC on a par with the MPC and the FPC. Does the Minister not have any anxiety, however, that that leaves the FCA, the consumer protection conduct of business element, out on a limb, with a different status from the other three committees?

**Harriett Baldwin:** The hon. Gentleman is right to highlight the fact that the FCA is set up completely differently. However, I stress that the similarity lies in the operational independence. When it comes to the

FCA, the Treasury is obviously able to appoint the chief executive and the board, but the operational decisions are for the FCA board, as we have made clear in recent weeks.

Let me move on to the second element of the Bill, which will make changes to the senior managers and certification regime. As hon. Members will know, the Government are committed to driving up standards of conduct across the financial sector, and to tackling the abuses and unacceptable behaviour of the past. That is why the Government are replacing the discredited approved persons regime with a much more robust new system, the senior managers regime, legislated for by the previous Government in the Financial Services (Banking Reform) Act 2013.

I find it quite extraordinary that, in the amendment they have tabled, Opposition Members have seen fit to claim that

"the Bill reduces regulation of financial services".

This Bill is a vital opportunity to remove what the Parliamentary Commission on Banking Standards described as the "complex and confused mess" of the approved persons regime for 60,000 financial services firms, all insurers, FCA-regulated investment firms and all consumer credit firms, and to replace it with the more targeted and robust senior managers and certification regime.

Let me set out the benefits of the new regime; perhaps the Opposition will then reconsider their position. The approved persons regime is a relatively broad, unfocused regime in which all individuals who were considered to hold significant influence functions in the firm, or who dealt with customers would be subject to the regulators' pre-approval in a tick-box exercise. Crucially, clarity of responsibilities at the top of firms was woefully inadequate. Firms could pass the buck for ensuring the fitness and propriety of their staff to the regulators, and the regulators could take enforcement action only against the individuals they had pre-approved.

The senior managers and certification regime tackles those problems head on. First, it focuses regulatory pre-approval on senior managers, the key decision makers at the top of firms. It enhances the accountability of these individuals through statements of responsibilities, documents that give clarity on which senior manager is responsible for each area of the firm's business, and through the proposed statutory duty of responsibility that requires senior managers to take reasonable steps to prevent breaches of regulations in their areas of responsibility.

**Mark Garnier** (Wyre Forest) (Con): Does the Minister agree that the senior managers regime will cut through the accountability far more, as the Parliamentary Commission on Banking Standards discovered? The regulatory regime at the time had the effect of forcing senior managers to create ignorance of what was going on within their institutions. The Bill will now absolutely reverse that, so that senior managers must know what is going on within their institutions so that they can take responsibility for infringements of the rules.

**Harriett Baldwin:** My hon. Friend, who was a distinguished member of the Parliamentary Commission on Banking Standards, is right to say that the commission highlighted the fact that the approved persons regime

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made it very difficult to pin down responsibility. The new regime, with its duty of responsibility clearly articulated—every organisation will have that set out when managers are first appointed and on an annual basis thereafter—is a much stronger regime. It also delivers more flexibility in the regulators' enforcement powers, enabling them to impose high standards of conduct through rules applying to individuals, including those whom they have not approved. The expansion of the new regime to all authorised financial services firms will enhance personal responsibility for senior managers, as well as providing a more effective and proportionate means of raising the standards of conduct of key staff more broadly.

Given the improvements that the senior managers and certification regime with the statutory duty of responsibility delivers in terms of senior accountability, the reverse burden of proof is simply not necessary. In extending the new regime to all authorised financial services firms, it is important to consider whether, under these new circumstances, the application of the reverse burden of proof to any or all firms is appropriate. Most of the firms to which the regime will now apply are small, and it simply would not be proportionate to apply it to those firms. By retaining it for the banking sector alone, we would raise serious questions of fairness and competition.

**George Kerevan** (East Lothian) (SNP): Can the Minister explain what has happened in the two and a half years since the 2013 Act was passed—essentially, by a Conservative Government—to change the reverse burden of proof?

**Harriett Baldwin:** As the hon. Gentleman knows, the measures in the 2013 Act are due to come into force on 7 March this year. The position in relation to the reverse burden of proof is becoming increasingly clear. Andrew Bailey said in his evidence to the Treasury Committee, of which the hon. Gentleman is a member:

“I support the change, because what the change does is it turns the process round and puts the judgment back on to us”—that is, the regulator.

“I would rather it does that than have us heading down this tick-box regime with legal questions around it over human rights.

I do not want to come back or have one of my successors come back to you in the future and have to say, ‘I am sorry; we could not use this regime in the way that was intended, because it was always a bit doubtful that we could make it stick’. It is far better we come at this point to you and say, ‘I do not think this has a sufficient probability of being effective’.”

I could supply further quotations, from members of the Parliamentary Commission on Banking Standards in the other place, but I must make fairly rapid progress now.

**Mr Andrew Tyrie** (Chichester) (Con): Will the Minister give way on that point?

**Harriett Baldwin:** I will give way to the Chair of the Select Committee on that point.

**Mr Tyrie:** It surprised a number of members of the Committee when both the Prudential Regulation Authority and the Financial Conduct Authority told us that they supported the removal of the reverse burden of proof. I think that many of us would be in a different place had they not given that evidence.

The Minister has just placed great emphasis on the need for the senior managers and certification regime. Has she asked the regulators for a report on progress in its implementation? If so, will she tell us what it said and put it in the public domain? I have to say, on the basis of what we have heard, that progress is inadequate.

**Harriett Baldwin:** I appreciate my right hon. Friend's contribution, because he has been examining the issue for longer than most. He will know of the points that were made about this topic in the other place. The regime is due to come into force on 7 March 2016, which is pretty soon. The rolling out of the implementation will focus on the larger organisations first, but the Committee and, I am sure, the Treasury will want it to apply in particular to the large, systemically important firms by 7 March.

The third element of the Bill relates to the extension of the important new freedoms that the Government are granting to allow people to take control of their retirement savings. It will help to ensure that consumers who will be able to sell their annuity incomes through the secondary market in annuities are sufficiently supported. There are two key measures. The first will extend the Pension Wise guidance to those who, from April 2017, will be eligible to sell their annuity incomes through the secondary market in annuities. That will include the offer of guidance to those who have a right to an income under the annuity, such as any dependants and beneficiaries as well as the primary annuity holder.

The second measure will require the FCA to make rules to ensure that specified firms check that individuals with annuities above a threshold value have received appropriate financial advice. On 19 January, the Chancellor set out the Government's intention to legislate to place a new duty on the FCA to cap excessive early exit charges. I should like to take this opportunity to announce that that new duty will be introduced as a Government amendment in Committee.

**Stewart Hosie:** The Minister has used the words “guidance” and “advice” almost interchangeably in her last few sentences. Many of us across the House are concerned that it is advice that will be required, particularly by those with rather modest annuities. Can she give a guarantee that what is being offered is advice and not merely guidance?

**Harriett Baldwin:** The hon. Gentleman is absolutely right to highlight that semantic distinction. His constituents and mine want help; they do not know whether they are asking for regulated advice or guidance. He will also be aware that we have carried out a consultation—the financial advice market review—which closed in December. We are now studying the responses to that consultation with a view to seeing whether the current distinction is linguistically, and indeed legally, appropriate. He will hear more on this interesting topic in due course.

The Bill also makes a number of smaller changes. We are legislating to give the Treasury the power to make recommendations to the PRA and the FCA about aspects of the Government's economic policy. Those will be non-binding remit letters. We are also allowing the Treasury to make regulations implementing a more competitive framework for insurance-linked securities business. That will help to preserve London's position as a centre for specialist insurance and reinsurance.

Following debates in the other place, we are also making a change that will support our ambitions for a diverse financial sector by putting consideration of mutuality and other types of business organisation into both regulators' guiding principles. There will also be changes within an existing banking group to authorise a bank to issue banknotes in Scotland and Northern Ireland.

Illegal moneylenders prey on the most vulnerable people in society, causing their victims immense misery. That is why we will act now in the Bill to ensure that illegal moneylending teams have the funding they need to continue to protect consumers and prosecute loan sharks. We will introduce an amendment in Committee to give the Treasury a power to provide financial assistance to persons involved in taking action against illegal moneylending. The amendment will also give a power that allows the FCA to collect a levy from consumer credit firms in order to fund their financial assistance.

In conclusion, the measures that I have outlined today build on reforms to financial regulation and contribute to the Government's commitment to deliver a new settlement for financial services. I see that the hon. Member for Hayes and Harlington (John McDonnell) is now on the Opposition Front Bench. By indicating that they do not support the Bill, the Opposition have put themselves on the wrong side of the argument on a range of sensible measures. By voting against the Bill, they will be voting against stronger governance and transparency in the Bank of England and in particular against making the Bank more accountable to Parliament and the public by giving the National Audit Office the power to conduct value-for-money studies of the Bank. They will be voting against extending the benefits of greater accountability for the senior managers and certification regime to all authorised financial services firms.

By voting against the Bill, the Opposition will be voting against ensuring that consumers who can sell their annuity income through the new secondary market have access to Pension Wise guidance and, where appropriate, take financial advice to support their decision. As well as that, they will be voting against proposals to place new duties on the FCA to cap early exit charges for those eligible to access the pension freedoms and to ensure that illegal moneylending teams have the funding they need to continue to protect consumers and prosecute loan sharks. The Labour party has been wrong on financial services regulation in the past and it is wrong again today. I commend the Bill to the House.

4.39 pm

**Richard Burgon** (Leeds East) (Lab): I beg to move an amendment, to leave out from "That" to the end of the Question and add

"this House, whilst noting improvements made to the Bill in the House of Lords, declines to give the Bank of England and Financial Services Bill [Lords] a Second Reading because the Bill fails to increase oversight and accountability of the work of the Bank of England, because the Bill reduces regulation of financial services and because the Bill removes the reverse burden of proof with regard to personal responsibility in the Senior Managers and Certification Regime which was introduced following the cross-party Parliamentary Commission on Banking Standards and enacted in the Financial Services (Banking Reform) Act 2013; and considers that there is no evidence base to justify the removal of the reverse burden of proof which has not yet been implemented."

The regulation of financial services has been discussed at length and legislated upon in this House since the financial crash, with the Financial Services Act 2012 and the Financial Services (Banking Reform) Act 2013 being passed, and this Bill now being brought to this House. The Bill is made up of two parts: first, amendments to the structures of the Bank of England; and, secondly, regulation of financial services. We believe that the Bank of England should carry out its work in the most efficient way possible, with transparency and accountability in its decision making, serving the interests of the people who have sent us here to represent them. We also believe that senior bankers and others in the financial sector should be effectively and appropriately regulated, in order to deliver a banking culture that is free from the systematic greed and reckless risk-taking that precipitated a bankers' crisis of historic proportions in 2008.

**Cat Smith** (Lancaster and Fleetwood) (Lab): Is it not the case that Labour rescued the banks in 2008 and that now the Conservatives are selling off RBS shares at a loss to the taxpayer?

**Richard Burgon**: I thank my hon. Friend for her intervention, and she is correct. It shows what disregard the Chancellor has for the taxpayers' coffers and the public purse—he is also showing that in his numerous meetings with Google and their shoddy outcome. Financial stability and the effective regulation of our banking and wider financial services industry are vital in ensuring that the sector serves the interests of the whole economy, does not hurt ordinary people or small and medium-sized businesses, and delivers vital investment that our country needs for long-term growth. Getting the balance of regulation right is an important task for any Government, one that Governments around the world have failed to fulfil in the past decade. It is a task that has been attempted since the bankers' crisis of 2008, but today the Government are threatening to set back this task.

The context of the Bill is vital to understanding our concerns, and the reasonable concerns and demands of the public. We are eight years on from the economic crisis—the bankers' crisis, which brought the financial services sector and the country to its knees. Banks that were too big to fail were bailed out by the state.

**John Redwood** (Wokingham) (Con): The hon. Gentleman was not here then, so he can form a dispassionate view. What has he learnt about the mistakes the regulators made under Labour, when we saw all those excesses that he is now talking about?

**Richard Burgon**: I thank the right hon. Gentleman for his intervention. At the time, Conservative Members were calling for even lighter regulation, but what is clear, and what I will illustrate, is that Labour Members have learnt the lessons of the banking crisis but that this Bill shows they have not been learnt by Conservative Members. Eight years on, bankers' behaviour and bankers' bonuses remain in the news. Court cases and institutional fines continue, with hundreds of millions of pounds-worth of fines issued, yet still only one person is in prison, despite all the damage done. Despite a series of commissions and reviews, there remains too little evidence that the lessons of the bankers' crisis have been learnt. We should all know that the public remain angry at what a number of top bankers did to our economy and our society.

**Kelvin Hopkins:** My hon. Friend is making an excellent speech and I strongly agree with it. Was it not astonishing that before 2008 those in the private banking sector did not appear to spot the crisis that was coming? They were too busy making money hand over fist for themselves.

**Richard Burgon:** I thank my hon. Friend, who has extensive experience in these matters, for that. Troublingly, the people who now say there is no risk of a financial crisis ever again were the very same people in the very same sector who were saying before 2008 that everything was fine and there was no risk of disaster at the time. Sadly, how wrong they were! Despite what the bankers did to our economy and our society, about which there was entirely justified anger among the population, the Chancellor has cunningly turned the bankers' crisis into a crisis of public spending, and has adopted a policy of spending cuts to vital services to which there seems to be no end in sight. In looking at this Bill, it appears that the Chancellor believes that he can now turn back the clock in the banking and financial sector.

Under this Chancellor, things are going in the wrong direction. For example, he sold off shares in the Royal Bank of Scotland at a very significant loss to the taxpayer; he appointed Angela Knight, who was head of the British Bankers Association during the financial crisis and who defended the top bankers during the crisis, to head up the Office of Tax Simplification in the Treasury; and he decided he could do without the continued services of the respected chief executive of the Financial Conduct Authority, Martin Wheatley. I am sure that he is delighted with the new appointment, as we have been told by the Minister that Mr Wheatley's successor is fine with the abolition of the reverse burden of proof. I wonder whether Martin Wheatley, who departed prematurely, would have said the same.

The FCA's planned public review into banking culture has now been cancelled, and its investigation into the promotion of tax evasion by HSBC has been brought to a premature conclusion. I know that we will be hearing more about the FCA in another debate this evening.

The Bank of England and Financial Services Bill was originally drafted, according to the Chancellor at a Treasury Committee meeting, to make changes to the Bank of England's structure. One important concern is that it includes a major change to the regulation of senior bankers, undoing a key measure taken after the bankers' crisis to change senior bankers' conduct and to deliver transparency and accountability to financial decision making. I am talking about the presumption of responsibility—or the so-called reverse burden of proof.

We welcome the extension of the senior managers regime to senior managers across all regulated financial firms, but we do not accept the Government's case for ending the presumption of responsibility for the top managers in banking.

The presumption of responsibility, as currently set out, applies to senior managers. It means that, to avoid being found guilty of misconduct when there has been a regulatory contravention in an area for which they are responsible, they will have to prove that they took reasonable steps to prevent that contravention. This Bill removes that onus on senior bankers. The onus is entirely reasonable, proportionate and, as bitter experience tells the British people, entirely necessary. Misconduct and misdemeanours in financial services are not merely a

tale from history. In 2015, for example, the FCA had to fine firms more than £900 million. There was also a LIBOR scandal, foreign exchange fines and the mis-selling of payment protection insurance to the value of up to £33 billion.

**Sammy Wilson (East Antrim) (DUP):** At the conclusion of her speech, the Minister indicated that by voting against the Second Reading of this Bill Members would be putting the public at risk from further bank abuses. Does the hon. Gentleman not agree that, by voting against this Bill and getting it changed so that the reverse burden of proof is put back in place, we are safeguarding against the abuses of the past?

**Richard Burgon:** I thank the hon. Gentleman for putting that necessary point so powerfully. People outside this place will be shocked to hear that, as a result of this Bill, senior bankers in the top firms will have less guards on their personal responsibility.

**Harriett Baldwin** *rose—*

**Richard Burgon:** I do wish to make some progress. [HON. MEMBERS: "Give way!"] I will give way.

**Harriett Baldwin:** I thank the hon. Gentleman for giving way. Further to that point, the measures that he seems to object to so much are in clause 22. Why is he voting against Second Reading when there are many other excellent measures to which he presumably does not object?

**Richard Burgon:** It may be that others can explain to the Minister the real purpose of a reasoned amendment in these circumstances. I think our action is entirely right.

The presumption of responsibility is so reasonable and necessary that the policy was introduced with cross-party support. That should not be forgotten. It was originally proposed by the Parliamentary Commission on Banking Standards, led by the Conservative right hon. Member for Chichester (Mr Tyrie) and Labour's Lord McFall of Alcluith, and it was the Liberal Democrat Lord Newby, a Minister in the Conservative-Liberal Democrat coalition, who moved its introduction into law. I have to echo a point previously made by the hon. Member for East Lothian (George Kerevan), sitting on the SNP Front Bench, that it was passed as recently as December 2013, and the presumption of responsibility has yet to come into effect. It was meant to come into effect in March this year, and it remains untested. We must remember that this was a safeguard brought in by the very same Chancellor who is now seeking to scrap it.

**Mark Garnier:** The presumption of responsibility has not gone. The senior managers regime absolutely includes the presumption of responsibility for everybody in these institutions. The hon. Gentleman may have had a number of conversations with some of the banks being affected by this, as I have, and I served on the banking commission that brought in the reverse burden of proof. What is interesting is that the banks are now complaining bitterly that the reverse burden of proof has now been reversed, because that managed to be a tick-box operation and they now have a much more onerous responsibility for management than they ever

had before. This is a far stronger measure for ensuring probity for the managers of banks than the reverse burden of proof.

**Richard Burgon:** I thank the hon. Gentleman, who is experienced in these matters, for his intervention, but every time we have received correspondence from, and listened to, bankers on this matter, they seem desperate for the reverse burden of proof to be scrapped. They say how dreadful it would be, how it was totally unjustified and that business as usual is fine—that we can just return to things with no risk of a repeat of the financial crisis of 2008. Unfortunately, I believe they were wrong, but we need to remember that this presumption of responsibility, or the reverse burden of proof, was a safeguard brought in by the very same Chancellor who is now seeking to scrap it.

In 2013 the Chancellor said he had

“called for a thorough and intensive investigation into how to improve standards in the banking system and the PCBS has delivered. I am pleased to say that the government will implement its main recommendations.”

Of course one of its main recommendations was this presumption of responsibility.

On that occasion, the Chancellor was not alone. This was his Bill and Conservative Members backed it. Indeed, the right hon. Member for Tunbridge Wells (Greg Clark), then Financial Secretary to the Treasury, clearly explained that his Government were introducing new rules to promote higher standards for all bank staff and were reversing the burden of proof so that bank bosses are held accountable for breaches within their areas of responsibility.

The Conservative Member for Macclesfield (David Rutley) was briefly on the Treasury Committee, and he said:

“It is critical to bringing about the individual accountability that many of us want to see across our financial services sector, with the tough senior persons regime, reversing the burden of proof and criminal sanctions for reckless misconduct. All those steps are vital”.—[*Official Report*, 9 July 2013; Vol. 566, c. 261.]

His party colleague, the hon. Member for North East Cambridgeshire (Stephen Barclay), said:

“I do not think there can be any doubt about the merits of reversing the burden of proof... The Government’s announcement that they will reverse the burden of proof is extremely welcome.”—[*Official Report*, 8 July 2013; Vol. 566, c. 119.]

I could go on, but instead I ask this question: what has changed? What, or who, has so dramatically changed the mind of the Chancellor? At the Treasury Committee in October the hon. Member for Wyre Forest (Mark Garnier) put the question many of us are thinking when he asked the Chancellor whether the proposed scrapping of the presumption of responsibility was “largely as a result of lobbying by the banks, which has the flavour of getting stronger.”

**Grahame M. Morris** (Easington) (Lab): My hon. Friend is making an interesting argument in a powerful speech. Does he agree that the Chancellor had said he had not met the banks in the lead-up to the general election, but apparently he has met bankers on five separate occasions since the general election—presumably to discuss the contents of this Bill? Is he concerned, as I am, that the Chancellor might be the victim of Stockholm syndrome and has become a prisoner of the bankers and their financial interests?

**Richard Burgon:** Of course it is correct that the Chancellor meets senior bankers, but what concerns me and many people outside this place is that the Chancellor appears to be acting in their interests alone.

**Imran Hussain** (Bradford East) (Lab): Following comments made to the media by Robert Jenkins, a member of the Bank’s Financial Policy Committee, that the regulators and their political masters were captured by banking leaders in the run-up to the meltdown, is my hon. Friend concerned that the Bill shows that the Government are still being captured by banking leaders?

**Richard Burgon:** My hon. Friend hits upon an important point. The role of a City Minister, a shadow City Minister and of the Government is not to represent the interests of the City to the population, but to fulfil their democratic function. A Government are not there to take orders from the City of London. Yes, we must listen to the City of London and value its contribution, but we are not its political representatives on earth.

On the Chancellor’s change of mind, the Chair of the Treasury Committee put it well when he asked his Chancellor a very reasonable question: “Why did you not wait for the regime to come into force to enable an assessment of it, how it works, before implementing this further change?” That was an extremely serious question. The change is based on no evidence, which is the worst kind of change.

Banks are having to put significant effort into identifying and establishing new procedures to meet the requirements of the 2013 Act, which received cross-party support in Parliament. The issues were already abundantly clear then, but now the Conservative Government have performed a dramatic U-turn and are not willing even to test the procedures that they initially supported. It is rare for an important measure to be abolished before it has even been introduced.

How will the public feel when they learn that the Chancellor is scrapping a duty on senior managers in banks—a duty that was welcomed as necessary on a cross-party basis—before it has even been implemented? The public’s deep concern about the behaviour of some senior bankers should extend to the Chancellor, who, it appears, is doing the bankers’ bidding, not the bidding of the British people. Do not the Chancellor and the Government understand the widespread anger of the public and their mistrust of the banking system? The public are right to remember that, because of the bankers’ behaviour, people whom this House is meant to represent lost their homes and their jobs. We should never forget that it was the bankers’ crisis that caused the deficit that this Government have relied upon as their justification for their political choice to cut our public services, cut funding to our local authorities, cut the incomes of working people and cut support for the most vulnerable people in our communities.

**Mark Garnier:** The hon. Gentleman is being generous with his time. I am sorry to be a pedant, but in 2005 there was a £43 billion budget deficit. There was a deficit long before the banking crisis, and there was a structural deficit that the banking crisis brought out.

**Richard Burgon:** I appreciate the hon. Gentleman’s pedantry. With respect, he makes a point that does not bear too much political scrutiny. The global financial

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crash caused the huge increase in the deficit and stalled the economy. It also gave the Government the opportunity to carry out their long-harboured ideological desire, decades old, to cut public services and wither away the state.

The Bill comes to us from the other place, where there was considerable debate at every stage. The Bill has changed, following a number of amendments proposed by the Government. In our reasoned amendment, we recognise those changes as improvements, and they are welcome, but the Bill has not changed significantly enough. As I mentioned, the Bill is in two parts, and on the first part—on the Bank of England's structures—we recognise that the Government have made some positive movement, although it is insufficient. We recognise that they have moved on aspects of the oversight powers of the Bank's court of directors, but the directors' forum for discussion—the oversight committee—remains abolished.

We also recognise that the Government have moved on the proposed power of veto for the Bank's court of directors over National Audit Office investigations, but the memorandum of understanding referred to in the Bill remains under negotiation and unpublished. On other aspects, in the House of Lords, there was no agreement. I wrote to the Chancellor asking that the memorandum of understanding be presented to this House during the passage of the Bill. I am glad to say that the Economic Secretary responded, explaining that it is not yet complete and is subject to ongoing discussions between the Bank and the National Audit Office. She explained that she will write to the Governor of the Bank of England and the Comptroller and Auditor General at the National Audit Office to see whether they will be in a position to share the draft memorandum of understanding during the passage of the Bill. In such an important matter, it can only be right for the House to have sight of that crucial memorandum of understanding. Any other approach would be a cause for concern.

The Bill replaces the Prudential Regulation Authority with a new Prudential Regulation Committee. Peers on both sides—including Government peers—expressed concern that that represented a downgrading and threatened a loss of independence.

As I have discussed at length, the Bill also replaces the presumption of responsibility with a duty of responsibility. Opposition peers challenged that on Report, and the Government's measure scraped through by only 200 votes to 198. If I believe what I am told by the Minister, scrapping the presumption of responsibility is entirely uncontroversial and entirely reasonable. Unfortunately, that is not the case, and the issue gives us particular cause for concern in the wider context of the Chancellor's new settlement with financial services.

We need a healthy and effective banking sector that is appropriately regulated, that serves the interests of the whole economy, that does not hurt ordinary people or small and medium-sized businesses, and that delivers the vital investment our country needs for long-term growth. The Conservative Government climbdown on the presumption of responsibility, which they previously supported, will hinder, not help, the fulfilment of those ambitions. Personal responsibility is vital for the operation of our regulatory systems. The Chancellor's policy U-turn

reduces exactly the personal responsibility that the Parliamentary Commission on Banking Standards recommended in its 500-page report. Scrapping a key measure before it has even had the chance to be tested makes no sense—unless, of course, the Chancellor is just following bankers' orders. The startling and precipitous scrapping of a widely welcomed measure shows that there is a very real risk of failing to learn the lessons of the bankers' crisis.

Our concerns go much wider than the presumption of responsibility, to the role of the Governor, the work of the FCA and the programme of selling off, for example, Royal Bank of Scotland shares at a loss to the taxpayer. The Chancellor's whole approach says, "Let's get back to business as usual." However, it was the bankers' business as usual that brought Britain to the brink; it was the bankers' business as usual that caused the deficit. Returning to business as usual will make another financial crisis even more likely, with disastrous consequences for those we are meant to represent in this place, and that—to clear up any confusion on the part of the Minister—is why we are asking the Government in our reasoned amendment to think again today.

Several hon. Members *rose*—

**Madam Deputy Speaker (Natascha Engel):** Order. Before I call the Chairman of the Select Committee, may I remind Members that there are 12 Members wishing to speak in the debate, and that there is an important Backbench Business Committee debate to follow, so if everybody restricts themselves to 10 minutes, including interventions, everybody will get in, and we will have plenty of time for the Back-Bench debate. To set an example, I call the Chairman of the Treasury Committee, Andrew Tyrie.

5.4 pm

**Mr Andrew Tyrie (Chichester) (Con):** I fear that I may disappoint you slightly in that regard, Madam Deputy Speaker, but I will do my very best—unless you were giving an instruction from the Chair.

First, I want to find a point of agreement. I strongly agree that there is still widespread mistrust of the banks. A great deal of damage has been done, and it is agreed that there is a lot more work to do to sort it out, but there is a lot more work for the banks to do as well, to demonstrate that they are worthy of trust. The recent conduct scandals and the IT failures are just two examples of how much further we have to go.

Rather than talk in great detail about each clause of the Bill, I thought it might be helpful to take advantage of this Second Reading debate to say something more generally about the progress we have made on regulation. Last time a banking Bill was brought before Parliament—in 2012—it legislated for the ring fence. On behalf of the Treasury Committee, I asked the Government to think again, describing the Bill as "defective", with parts of it being "virtually useless". They listened to what the Committee said and changed the Bill, and adequate electrification of the ring fence is now part of the legislation.

This time, there is no need for a fundamental rethink. This Bill goes very much in the right direction. It brings the Bank of England more up to date as an institution, and in doing so it should greatly improve the scope for making it accountable to Parliament and the public.

In 2011, the Committee published a report on these matters, and a high proportion of the proposals in this Bill originate or have roots in that report.

This is the sixth piece of legislation the House has been asked to look at in response to the financial crisis. As I said, before examining the specific measures, it is helpful to keep all this in perspective. Banking supervision has been rethought and fundamentally reconstructed three times in the past 30 years—that is a heck of a lot in a historical perspective. The Bank of England initially resisted most of these changes. First, it resisted the creation of the Board of Banking Supervision in the wake of Johnson Matthey. Then, in 1998, it complained that it had not been consulted about the creation of the new supervisory body, the Financial Services Authority. On that occasion, perhaps it was right. Gordon Brown's creation of the FSA separated banking supervision from central banking and brought in a new "light touch" approach to supervision embodied in the principle, "We'll make some clear rules, and if you comply with them we won't interfere." That all sounded very reasonable, but it left far too much scope for irresponsible buccaneers to pursue reckless business strategies, sometimes egged on by myopic shareholders.

At the same time, the Bank decided to define its role much more narrowly and concentrate on its new responsibility for monetary policy. In doing so, it was seduced by the benign economic conditions at the time, which it called "the great moderation". Just as bad, it was reassured by the audited but nevertheless misleading and, in some cases, useless accounts of the big banks. The Treasury Committee is trying to do something about inadequate auditing right now. The Bank neglected its financial stability responsibilities right through the period up until 2007, and it failed to rise to the challenge when liquidity seized up in that year.

Perhaps worst of all, the statutory responsibilities of the FSA and the Bank created a large supervisory gap. Nobody paid enough attention to the banking system as a whole, even when it was known, for example, that the banks were becoming excessively reliant on wholesale deposits for funding. In principle, the gap was to be filled by the so-called tripartite, backed by a memorandum of understanding. In practice, the tripartite was considered an irrelevant backwater by all three parties involved, and we later learned that the heads of the three bodies never met prior to the crisis. Parliament was largely asleep on the job; we were all looking through a glass darkly. Some raised voices of concern, including Vince Cable, who is no longer a Member, and, on several occasions, my right hon. Friend the Member for Hitchin and Harpenden (Mr Lilley). For what it is worth, I argued vigorously that the tripartite was an accident waiting to happen and that the Government were neglecting systemic risk. Those were all partial warnings; there was nobody with a comprehensive picture.

The multiple failures of 2007-08 were not just the result of bad supervisory arrangements aggravated by a complacent Government and a sleepy Parliament. Nearly everybody who had responsibility in the field failed—and to some degree, in my view, they are still failing—including directors, managers, credit risk analysts and auditors. Shareholder discipline, in particular, was and is still lacking.

Limited liability brings a limited sense of responsibility, but it implies an unlimited liability for taxpayers, and the bail-outs have added to moral hazard. They have

made it essential that the objectives and organisation of banking supervision be fundamentally rethought. Hence we have got to where we are now—twin peaks. Put crudely, supervision is back with the banks, and the FCA is responsible for conduct. Twin peaks, and particularly ring-fencing with electrification, is and remains an experiment. Experiments need particular care, and that means a particular responsibility for Parliament to keep an eye on it.

A number of issues already present themselves for attention. For example, it is becoming clear that prudential risk management is about not just adequate capital on the balance sheet, but proper conduct of business. The shocking treatment meted out to customers has triggered massive fines. UK banks have paid about £30 billion in fines in redress since 2009. In theory, those fines should be enough to wake up even the sleepest shareholder, but so far they have not done so, or certainly not enough. The systemic implications of conduct risk also make it essential that the Bank of England and the FCA be better co-ordinated than they were in the days of the calamitous tripartite. Parliament needs to keep a close eye on that.

Most important of all, the Bank has huge new powers, some of which are enhanced by the Bill. How it runs itself can no longer be left to the Bank; it is a matter of considerable public importance. That is why the Treasury Committee has been pressing for years that the Bank should abandon the style of governance that Alistair Darling memorably characterised, whether fairly or not, as the

"court of The Sun King."

It needs a modern board, one fit for the 21st century.

That is where the Bill comes in: it does a good deal of the statutory heavy lifting required to enable a modern board to be created. Its main effect is to rationalise the demarcation between the Bank court and the Bank executives, which previously contained some curious anomalies that were created after 2007-08 by on-the-hoof policy making by both Governments.

The Prudential Regulation Authority will no longer be a subsidiary of the Bank, but part of the Bank. The Financial Policy Committee will no longer be a sub-committee of court, and the oversight of the executive will be the responsibility of the court itself, rather than a sub-committee. Even though it was not called a sub-committee, it was, in fact, a sub-committee, and a weaker committee than the court.

The Bill also provides for the appointment of another deputy governor. I would say in passing that, over the 300 years that the Bank has been around, it has managed to rub along quite well with one deputy governor. In 1998, it acquired a second one, then the Financial Services Act 2012 gave it a third, and now we are told that it needs a fourth. I just wonder how many this old lady really needs.

It is greatly to the credit of the current Governor and deputy governors that they have grasped the importance of being required to explain themselves in greater depth before Parliament. The Bank's initial resistance to the Treasury Committee's 2011 proposals, now embodied in the Bill, have largely evaporated. It has grasped the fact that with accountability can come enhanced authority. Far from weakening the Bank's effectiveness, scrutiny and explanation can enhance it.

[Mr Andrew Tyrie]

The Bill also provides for the Comptroller and Auditor General to have, for the first time, a role in the audit of the Bank's accounts. That sounds sensible at first blush, and it was an easy win for the Chancellor on Budget day, but I think it flatters to deceive and we certainly should not expect too much of it. The National Audit Office lacks the expertise to do that kind of work, and I think it is already trying to rectify that by hiring some people, so there is an extra public expenditure cost involved.

I am sure the NAO can learn the skills, but there is a bigger risk: it is essential that the Comptroller and Auditor General should not be induced, whether by accident or design, to bring pressure on the Bank in a way that could adversely affect the decision making of the three policy making committees, or their funding. That is not an idle concern. After 1997, I am told, with the changes that had been made and the transfer of supervision to the FSA, the Bank was encouraged by the Treasury to save money. Foolishly, the Bank cut back the amount that it spent on financial stability, and lost some of its institutional experience of financial crashes—high-quality people—as a result. An idea that might have looked like good value for money at the time turned out, in retrospect, to be a big mistake. I hope that the NAO treads carefully, strong value-for-money man though I am.

There is a risk that the over-mighty Governor problem will be reinforced by the removal of the PRA's subsidiary status. The independence of the PRA—or the Prudential Regulation Committee, as it will now be—is essential. A single point of systemic risk, in the Governor, has been created and will remain. Parliament will need to keep alert to protect the PRA's independence.

On that score, I believe that more transparency could help. I have a proposal off my own bat, not on behalf of the Committee; I have not yet discussed it with Committee colleagues. The PRA could consider making more of its rulings available, not only to the managers of companies affected but to shareholders—they are the people who are supposed to be responsible for these companies' affairs. That would mean making that information public. At the same time, it would reveal, and provide an opportunity to challenge, the PRA's reasons for its rulings. I have said that that should be considered; there is a lot more to think through before it can be done.

In the meantime, the PRA appears to be accepting a related and more modest proposal from the Treasury Committee, which relates to banking competition. It is well known that challenger banks, which are new in the market, can be impeded by onerous capital requirements. A few weeks ago, I wrote to the chief executive of the PRA to suggest that the average of capital requirements of established banks be published, together with the average of capital requirements of challengers, so that a comparison could be made between the two. I am pleased to say that the PRA is looking into that.

At the heart of the Bill is the strengthening of the court. A strong board is needed to ensure that the policy committees are doing what they should be doing, and it will need to be forthcoming when the Treasury Committee asks for technical and other support for our scrutiny work. When we need information, reports and, occasionally, investigations, we will expect the court to be co-operative.

Before I sum up, I will raise one relatively minor issue that has not been touched on. The court, despite our request, has not been renamed the board of the Bank of England. That is a mistake. What is in a name? I am a strong supporter of most traditions, except when they get in the way of good outcomes, and this one is on the cusp, at best. Perhaps the Chancellor, who likes 18th-century history, has been too swept up in 18th-century court politics and cannot bear to lose the name, but I think that it is time it went.

With six relatively new pieces of legislation to implement, some time should pass to allow their effectiveness to be established. A lot of legwork will be required from supervisors and regulators to implement them all. A couple of quick examples will suffice. First, regulators have not reached the point where they can allow a bank to fail, and they have told us as much in evidence. What does that mean? It means that the taxpayer could still be at risk. Secondly, several banks still seem too big to manage. That poses a threat to financial stability and increases the risk of misconduct. The proposals of the banking commission were designed to address that problem directly. Detailed implementation towards certification, in particular, has been pretty sluggish so far. I am concerned that the Minister is not pressing more vigorously to make sure that certification and the senior managers regime will be fully implemented and to time.

I would like to end with a broad observation. With all this legislation, we are making some huge demands on the Bank and the FCA, and we may be close to the point of regulatory and supervisory overload. By that, I mean that the Government and Parliament could be raising expectations of what they can achieve to a point where they will never be perceived to have succeeded. We need to ask just how much national regulation can achieve in an open financial world. The truth is: perhaps not that much, and certainly less than many people think. We probably cannot stop the next financial crisis. The best we can hope for is to delay it, to reduce its impact by developing somewhat stronger institutions, including financial institutions, and to give us a better prospect that regulators are a bit more alert and prepared than they were in 2007-08.

In the long run, competition must take more of the regulatory strain. In markets for most products and services, customers can vote with their feet and barriers to market entry are tolerably low. Businesses with weak balance sheets or poor customer standards go to the wall. Neither of those is yet the case in banking. We are a long way from the point where competition can be a full substitute even for conduct regulation in banks, and the contagion risk inherent in the banking system would make supervisory withdrawal and reliance on market disciplines even more hazardous. Until competition is much stronger and market discipline more of a restraint, there will be no substitute for a strong and sometimes interventionist Bank of England and an effective conduct regulator.

Overall, although with some weaknesses, the Bill takes a step in the right direction—the direction of strengthening that framework—which is why I will vote for it on Second Reading.

Several hon. Members *rose*—

**Madam Deputy Speaker (Natascha Engel):** Order. Let us see whether the SNP spokesperson can give us a better definition of what constitutes 10 minutes. I call George Kerevan.

5.21 pm

**George Kerevan** (East Lothian) (SNP): I will try to do so, Madam Deputy Speaker.

It is always a great pleasure to follow the right hon. Member for Chichester (Mr Tyrie), who chairs the Treasury Committee. Ninety-nine times out of 100, I would bow to his wise words. Indeed, his repository of knowledge often leads me to think that he should be one of the regulators, rather than sitting on the Back Benches in Parliament. However, in this instance, it pains me that I cannot follow him or the hon. Member for Wyre Forest (Mark Garnier).

I will try to get the right hon. Member for Chichester to understand why those of us on the Opposition Benches cannot accept the Bill as it stands. Fundamentally, it is about the shift away from the reverse burden of proof. Given the backlog of distrust on the banking system and given that the reverse burden of proof was put into legislation and is just about to come into operation in March, to shift away from it now will only make the public less likely to accept what is going on and to make them fear that the banks are being let off the hook yet again. I would say to him and the Minister that it would have been much better to let the legislation run for a few years to see how it worked in practice.

The right hon. Member for Chichester gave us a very good reason for saying that, after so much legislation, it was perhaps time to pause while we made sure that it works in practice. However, his argument can be turned against him, because we are changing legislation at the last moment, after we passed it two years ago, but not implemented it. We should do that: we should see how the reverse burden of proof works. That is why I support the hon. Member for Leeds East (Richard Burgon) in opposing the Bill as it stands.

**Sammy Wilson:** Does the hon. Gentleman accept that one piece of evidence about why the reverse burden of proof would have been an effective brake on the excesses of the banks is the fact that bankers themselves are not keen on it? They knew that it would be an effective tool and were fearful of it.

**George Kerevan:** I am trying to avoid pointing the finger and drawing inferences. What I will do, in agreeing with the hon. Gentleman, is to quote the right hon. Member for Chichester. I hope he will forgive me for doing so. When the LIBOR scandal emerged in 2014, after the Banking Commission, he said:

“As time passes, the pressure for reform will weaken”—  
it is, is it not?—

“The old system failed disastrously... Maintaining or resuscitating parts of the failed system, whether at the behest of bank lobbying or for the convenience of regulators, must not be permitted to happen.”

I think we are getting both: we are getting bank lobbying, but we are also getting the regulators wanting a quiet time.

The hon. Member for Wyre Forest made a reasonable point. He said that by extending the senior managers and certification regime, the Bill will place in law a very

detailed duty of responsibility on senior bankers to take all reasonable steps to prevent wrongdoing. However, at the same time, it will place the onus on the regulators to prove that that responsibility was discharged. Suddenly, it gives the regulators a job—

**Helen Goodman** (Bishop Auckland) (Lab): And no resource.

**George Kerevan:** Absolutely.

As the right hon. Member for Chichester pointed out, time after time when there have been regulatory failures, the regulators have been implicated. I therefore do not want to return to a situation in which it is up to the regulators to prove that something has gone wrong in the new regulatory regime, when they are partly responsible for it. I want the onus to fall on the bankers themselves.

It is worth looking more forensically at the reasons against the presumption of the reverse burden of proof. Andrew Bailey has argued that there is a worry that when the next crisis comes along, senior bankers will rush off to the European Court and claim that their rights under the European convention on human rights are being taken away because of the reverse burden of proof. That is rubbish.

The Parliamentary Commission was perhaps a little unwise to use the phrase “the reverse burden of proof”, even though we all use it and I use it. We are not talking about criminal law and making people guilty until proven innocent. We are talking about infractions in banking if, say, a banking crisis takes place. The legislation that the Government are trying to change would make it an infraction to be responsible for an activity in which wrongdoing took place, rather than for committing the wrongdoing itself. To give a flippant example, if it is a criminal offence to be in charge of a bawdy house, the prosecution needs to prove only that somebody was in charge of that house of ill repute, not that they were selling their own body. It would be no defence that they thought the bawdy house was a nunnery.

The reverse burden of proof regime makes managers responsible for the activity in their banks. When a disaster takes place, it is up to them to prove that they failed to stop it happening, rather than, as has always been the case, it being up to the regulators to find the solution and explain what happened, which means that everyone hides behind collective responsibility.

**Mark Garnier:** The hon. Gentleman is making an extraordinarily intelligent speech, but he has just hit on the key point. It is possible for bankers to provide a tick-box operation, which their lawyers have advised them on, to prove that they have undertaken every possible measure to prevent such action. It is therefore very easy for them to get around the reverse burden of proof legislation. The point behind reversing that legislation, which was given by Andrew Bailey and by the Governor of the Bank of England and some of the Bank’s lawyers, is that there cannot be a tick-box operation to show that they have complied with the rules because they involve a much more esoteric way of running the bank. It is therefore much more difficult for bankers to escape the rules if something does go wrong.

**George Kerevan:** I respect the logic of the hon. Gentleman’s argument. Sadly, we will never get a chance to see the legislation that he voted for in the last

[George Kerevan]

Parliament put into practice and to watch it fail. I look forward to his contribution—he will have time to make it if I hurry up—and to finding out why he has changed his mind.

I am interested in Mr Bailey's tick-box argument, which is that if we reverse the burden of proof, senior bank officials will hold endless seminars with those on the trading floor, explaining to them why doing the sort of things that happened in the LIBOR scandal is wrong. When the inevitable crisis happens, they will come with list of who they spoke to—they told the traders that this should not happen, but it did.

It is not enough to have lots of meetings; we must change the culture of the banks. It is also important to remember—I hope the Minister remembers this—the title of the Parliamentary Commission's report on banking standards: "Changing banking for good". There are a lot of good things in the Bill, but it does not change banking for good. It is half a loaf, and I am afraid that another half loaf will lead us more quickly to yet another banking crisis for which nobody is responsible. Ultimately, we need responsibility.

In conclusion, we are being offered a duty of responsibility versus a presumption of responsibility. Once upon a time, there was a convention: when a ship sank, the captain went down with the ship, whether it was his fault or not. It was presumed that it was his fault no matter what happened, because he was in charge of the ship. What happens these days is that the ship goes down, the captain gets into the first lifeboat, and he turns up at the inquiry to say—to use a Scottish term—"It wisnae me; I did my best". Once upon a time Ministers also resigned when something went wrong. We should return to a situation where if there is a banking crisis the captain goes down with the ship, and we assume that he will do that, whether it was his fault or not, because he or she was in charge and leading the bank. If we do not change that culture, we will go on having banking crises ad nauseam.

5.31 pm

**Mark Field** (Cities of London and Westminster) (Con): I will be neither as discursive nor as time-consuming as my right hon. Friend the Member for Chichester (Mr Tyrie), but he made some important points. Even before 2008, banking was one of the most highly regulated industries. Although I agree that ideally we need to move towards a much more competitive world in the banking sphere, it is also worth reflecting that one reason why we have not had a great upsurge of challenger banks is because—at least in the retail banking sector—the banking world is insufficiently profitable to make it worth while for such competitors to come through. One reason for that is because there is ever more regulation and compliance in the retail world. It is therefore perhaps predictable that the furore surrounding this Bill has been concentrated on the role in the institutional architecture of the Financial Conduct Authority, and the changes that have already been referred to regarding the Government's original proposals on the senior managers' regime.

As the MP for the City of London, I have had my ear to the ground over 15 years as Governments—Labour, the coalition, and now Conservative—have grappled with devising a framework of regulation and compliance,

in particular one that was fit for purpose in the aftermath of the financial crisis of 2008. We should all accept that that is not easy work and, in making such changes, it is important not to undermine our global competitive advantage in financial services—again, that was alluded to by my right hon. Friend the Member for Chichester, who pointed out that the most effective regulatory framework will probably have an international nature, rather than one specific to the UK.

We should all be much poorer if regulation is designed simply to punish banks and bankers. By the same token, sensible voices from the City of London—there are more than might be appreciated by certain elements on the Opposition Benches—fully recognise that the British public need to see the risk of future bail-outs kept to a minimum. For all the talk of maintaining free markets and global capital flows, the sheer importance of the financial system to the economy as a whole means that there will continue to be some form of implicit guarantee from taxpayers in the event of a future financial crash. The price to be exacted by the public for that guarantee is rigorous regulation and watchful compliance, as well as the ongoing banking levy that has been introduced and is, I think, here to stay.

As the Minister will recall, I must confess that I have consistently argued against the reversal of the burden of proof, which had been proposed as a key element of the senior managers regime. I am pleased that we have not implemented what was going to come into place on 7 March. I should therefore rightly pay fulsome tribute to the Treasury for rowing back from this draconian and potentially unenforceable measure. Likewise, I am pleased that the Government have fiercely resisted attempts in the other place to resist that.

There was already plentiful evidence that senior executives of global banks were thinking twice about relocating, or indeed continuing to be based, here in the United Kingdom. The notion of a criminal liability being levied on management for actions committed by junior bank staff who were perhaps working even in another jurisdiction, and such liability being regarded by the courts essentially as strict, risked leading to an exodus of senior management from London. Indeed, it has been my understanding that the senior managers regime, as originally proposed, was the single biggest consideration in the ongoing deliberations by HSBC and Barclays that they might headquarter outside the UK—more important than concerns over the bank levy, bonus caps, remuneration caps and the whole ring-fencing agenda.

**George Kerevan:** Is the right hon. Gentleman essentially saying that, from his knowledge, the Treasury was blackmailed into changing the proposed legislation?

**Mark Field:** I am not suggesting that for one minute, but we need to make legislation that is effective and enforceable. I think there were human rights implications about having a reverse burden of proof. If we are going to try to encourage a banking and professional services industry that is worth its salt here in the UK, we need to ensure we do not put it under burdensome regulations that apply here in the UK but not across the globe.

I agree very much with the Chancellor's decision not to renew the contract of the first chief executive officer of the Financial Conduct Authority, Martin Wheatley. The concern went beyond the well-publicised leak over

pensions policy, which saw £3 billion wiped off insurance company shares. In truth, Mr Wheatley had lost the confidence and, more importantly, the respect of many leading figures in the City. I suspect some Opposition Members would regard that as a badge of honour, but frankly for an industry regulator to let it be known that he regarded those working in the financial services industry as inherently dishonest is not the way to win hearts and minds. To be quoted as saying he would

“shoot first and ask questions later”

in championing customers against the banking fraternity may have played to the gallery, but it was not sensible regulation.

I am unconvinced that that superficially robust approach ever truly benefited customers. I commend my hon. Friend the Member for Aberconwy (Guto Bebb) for securing a Backbench Business debate later today on the failure, thus far, of the FCA to secure fair redress for victims of financial mis-selling of interest rate hedging products. I have constituents—I am sure all Members do—who are still waiting for redress from the mis-selling of such products in 2007. They now find themselves out of time, under the six-year rule, to initiate legal proceedings because the Financial Services Authority advised them to rely instead on its own processes and the FCA subsequently failed to devise a satisfactory structure for compensation.

I was pleased to see last week that the respected head of the Prudential Regulation Authority, Andrew Bailey, was appointed as Mr Wheatley’s successor. I know from my own dealings with him that he is no soft touch. I trust that his experience and his reputation for fairness, not only at the PRA but at the Bank of England, will restore credibility to this vital part of the regulatory infrastructure. The breadth of his experience should hopefully ensure that he is able to take a comprehensive view of the financial system that avoids some of the mistakes of the discredited tripartite system of oversight. Going forward, I believe City regulators—and central bank governors, for that matter—would perhaps do well to give careful consideration to the famous advice one is given on joining the Whips Office: why say one word when none will do? I fully endorse the clauses of the Bill that recalibrate the duties of the FCA. I hope the Government are now able to convince an admittedly sceptical public and a very wary financial services community that in its new iteration the FCA will achieve more—much more—of what was intended when it was set up.

It was fair of the hon. Member for Leeds East (Richard Burgon) to point out that the other place had made changes to regulation, but I am not sure it went far enough. I still think there is the risk of a virtually untrammelled power being given to the Governor to appoint or remove deputy governors. Granted, such appointments and dismissals would necessitate a statutory instrument procedure in the House, but such a process would not pass muster as good corporate governance of a FTSE 250 company, so why, in view of the Bank’s extensive powers, should it be tolerated here? This is not simply an academic concern. We are potentially enabling a Governor to pack his board with worthies happy to do his bidding and thereby outweigh the influence of the Bank’s independent directors.

As Mark Carney begins the second half of his term, we have seen in the past week the swooning of the financial press over Mario Draghi’s decisive actions as

President of the European Central Bank. This cult of the central banker is nothing new—it goes back to the 1920s and the greater control central banks had in the aftermath of world war one—but I have long been sceptical about the practicality, or even the desirability, of fully fledged Bank of England independence. In the final analysis, strategic economic decision making must lie with elected politicians operating within financially responsible Ministries. The composition of the Bank should neither be nor, more importantly, appear to be the plaything of the Governor.

In wholeheartedly supporting the Bill, I trust that the Minister will give some thought to those genuine governance concerns as it makes its way through the House.

5.41 pm

**John Mann** (Bassetlaw) (Lab): I shall stick to your request that we keep to 10 minutes, Madam Deputy Speaker, not least because I hope to catch your eye in the second debate. I will therefore not speak about the FCA now, although it would be relevant.

I reiterate what can now be called the East Lothian question: if the ship goes down, should the captain not go down with it? I thank the constituent of mine who last night sent me the link to the footage of the session of the Treasury Committee in 2009 at which a Mr Andy Hornby and Mr Fred Goodwin gave evidence. Nothing could encapsulate the East Lothian question more profoundly than that hearing, their performance and their escape from real responsibility for their failures in office. The reverse burden of proof change and the dropping of the FCA’s culture review are two sides of the same coin.

The Chancellor’s actions are consistent with what he has done and said in the past. The House should remember that, speaking about regulation in 2007, one year before the crisis, he cited Ireland as an example of why there should be less regulation and greater deregulation of precisely the authorities we are talking about now. We saw in Ireland what would have happened here had we followed his advice, but we are a much bigger economy, so it would have been far worse for our people. History is not repeating itself; ideology is repeating itself.

I note some interesting clauses in the Bill. It is hard to disagree with the reduction in the number of MPC meetings from 12 to eight. There have been more than 80 since the last decision to change anything. One can begin to question, therefore, not whether there is group-think, but whether that body needs to put quite as much effort, month after month, year after year, into making no decision at all, and whether we need to put quite as much effort into scrutinising, month in, month out, its inability or unwillingness to make a decision—or perhaps even its correctness in making no decision. It shows how we are missing the point.

Some bigger things are not in the Bill. Transparency is missing at every level in the Bill. When it comes to it, there is no transparency. Minor improvements are proposed, but the workings of the Bank of England and the financial sector and its regulation remain in great secrecy. That is a fundamental problem.

In the past, I have proposed that there should be differential risk, particularly in retail banking. If I wish to speculate my money away with an Icelandic bank, the bookies or anybody else, I should be allowed and not be stopped from doing so, but I should not expect

[John Mann]

the taxpayer to pick up the tab if things go wrong. We have the principle with premium bonds, but we have not expanded that into the mutual sector, for example. There should undoubtedly be a lower interest rate. There should be absolute guarantees. We have failed to look at differentiating the risk for the consumer. That will come back to haunt us.

Lip service is paid to competition, with the Chancellor and the Treasury wanting again to dominate the FCA. Under clause 18, they want to be able to tell the FCA what it should be doing. What is missing from the bigger picture is competition. There are competition objectives, but it is the same old banks. In fact, it is far worse, as it is not just the same old banks—the building society sector has largely disappeared from the retail sector compared with 10, 20 or 30 years ago. I am certain that, if the old-style Halifax building society were resurrected, many of my constituents would wish to put their money there, as I did all my life, and as my mother, all my family and many people in the north did.

**Mark Field:** Is the hon. Gentleman able to answer my earlier point? If we have ever-more rigorous regulation and ever-more onerous compliance, with even the new challenger banks having to pay a large bank levy immediately, will that not provide a massive disincentive to the sort of competition that many want to see in the banking system? I am not saying it is an easy issue to resolve. We all want competition, but how will that happen in the banking sector if it is so heavily regulated—now and in the future?

**John Mann:** I have said many times in the past and repeat it briefly now that there should be a differential in the risk for retail banking.

We know what is going on here. The Chancellor has a problem—his accounts do not add up. I confidently predict that he will not get the surpluses he wants, as we will find out with the OBR report at the time of the Budget. He is therefore desperate to sell off the shares in Lloyds and RBS. That is what is going on. That is why all this is happening. That is why he wants a new settlement with the banks. He wants to maximise the price in order to create the surplus that he has created in his head and in his Budget for all of us. That is what is going on politically.

**Harriett Baldwin** *rose*—

**John Mann:** I shall end now; there is plenty of opportunity to join the debate.

We have heard about Google in the past week, but we have not heard enough about the bank take. We keep being told that the banks are the engine of the British economy. Well, they are certainly not the engine of tax receipts because most of them are not paying tax. We see that with the overseas banks. We know that seven out of the biggest 10 investment and commercial banks are paying zero tax. We see Lloyds paying zero UK corporation tax. We see Citigroup paying zero UK corporation tax and Credit Suisse paying zero. We see HSBC paying £160 million out of its £11.3 billion worldwide profits. That is all the tax they are paying. Perhaps the example that sums up the problem the most is Goldman Sachs, which generated £2 billion in UK

profits last year, but what tax has it paid on that? It is less than it pays to the individual partners—so less to the state and the Exchequer for the defence of the realm, the health service, broadband, the infrastructure, education and the welfare state. It paid less than it paid to one individual—a measly £27 million.

That is not good enough. That is what this Bill is missing. I look forward to contributing further.

5.50 pm

**Mr Gary Streeter** (South West Devon) (Con): I, too, will be brief, as I wish to catch the eye of the occupant of the Chair during the next debate.

I am pleased to be able to support a Bill that, in my view, takes our regulatory system in the right direction. However, the Bill does not deal only with the Bank of England. It also contains clauses relating to related personal finance matters, and I want to focus on those.

Last week, I met colleagues in the cross-party debt management working group to discuss the growing problem of consumer debt, which currently stands at 142% of overall household income. I believe that the Bill provides an opportunity to effect what would be a small legislative tweak to bring about an urgently needed change in the sector. The Minister gave me some hope that she was thinking along the same lines when, towards the end of her speech, she spoke of taking more action on behalf of consumers, but we shall have to see what happens in Committee.

Debt management is becoming an increasingly inefficient industry, and consumers are getting a bad deal more often. Some debt management schemes charge the debtor, while others are free to the debtor and charge the creditors. The quality of service offered by debt advisers varies greatly, as do the costs. As we know, most people, when they reach the point of desperation and realise that they have a problem and need help, do not sit down and research the sector in depth for 24 hours, but opt for the first helper who crosses their path. If it turns out to be a provider whom they must pay, that is often because they do not know that free help is available.

Free debt management plans, such as those offered by organisations such as PayPlan and Christians Against Poverty, may not be the solution for everyone, but their availability to those who can and want to repay their debts is important, and is becoming increasingly threatened. “Fairshare operators” such as those whom I have just mentioned have arrangements with creditors providing voluntary contributions that allow services to be provided for consumers without charge. Fairshare revenue, which is paid as a percentage of the debt repayments, has reduced as a consequence of a fall in consumers’ average disposable income, which has restricted the capacity to take on more economically viable cases. Those operators will ultimately have to reduce the number of new cases that they take on as funding become increasingly unsustainable.

Unless we correct the position, consumers who get themselves into difficulty will inevitably need to increase their use of providers who charge high fees for the same service, which may amount to up to half the debt repayment. If the plan provides for someone to pay £70 a month, a further £35 may have to be paid to the debt management plan company rather than reducing the debt. That significantly increases both the time and

the cost involved in solving the problem. One solution would be the introduction of a new system—as the Minister knows, a small amendment has been tabled to this effect, which could perhaps be considered in Committee—whereby all debt advice operators must offer a sustainable debt management plan that is free to the consumer and funded by creditors at a lower cost than is the case at present.

**Louise Haigh** (Sheffield, Heeley) (Lab): It is vital that we tackle the debt advice and lending industries. We have a fantastic “buddy” in Sheffield called Sheffield Money, which is trying to do just that. However, the Office for Budget Responsibility has estimated that the measures in last year’s Budget will increase unsecured individual lending by £40 billion by 2020. Does the hon. Gentleman share my concern about that?

**Mr Streeter:** Regardless of the amount by which personal lending increases, what is important is the availability of help for those who get themselves into difficulty, and we may see an increase in the number of people in difficulty if interest rates rise towards the end of the year. I know that that would cause pain to a great many of our constituents, so it is important to get the system right now.

With a supportive FCA framework already in place, a fairly minor amendment to the Bill could effectively set a fee structure that would activate the provision of free debt management plans by authorised firms. I hope that my Front-Bench colleagues agree that action is needed soon, and that the Bill represents a timely vehicle for the necessary change.

I believe this to be a truly cross-party issue, and that the Bill needs to be amended to give people in debt more security and access to free, high-quality plans that help them to manage their finances. If interest rates do go up any time soon, the debt management sector may be called on to give even more support than it provides now, and this is therefore a good time to strengthen the system.

5.55 pm

**Jonathan Edwards** (Carmarthen East and Dinefwr) (PC): Diolch, Madam Deputy Speaker.

I want to concentrate on four main themes: the issuing of Welsh-specific banknotes, the accountability of the central bank to Wales and her people, the name of the central bank, and the remit of the bank when it comes to setting interest rates.

The Bill aims to provide some flexibility in relation to who can issue sterling banknotes in Scotland and Northern Ireland. Currency issued by banks in Northern Ireland and Scotland is legal, and can be used throughout the United Kingdom. Among the many historic anomalies between Welsh nationhood and the nationhoods of our neighbours is the fact that Wales remains the only nation that is prohibited from producing its own distinctive banknotes. The Royal Mint does produce Welsh-specific coins, so my proposals raise no major issue of principle.

Like other parts of the UK, Wales was once awash with small banks covering relatively small geographical areas which were allowed to issue their own banknotes. The Bank Charter Act 1844 brought an end to Welsh banknotes, and, indeed, to provincial banknotes in England, but that did not apply to Ireland or Scotland.

Four banks in Northern Ireland and three in Scotland have the authority to issue their own banknotes provided that they are backed by Bank of England notes.

Plaid Cymru is proposing today that Lloyds Banking Group, which holds the rights to the Bank of Wales brand and which is in part publicly owned—a share is, of course, owned by Welsh taxpayers—should be given the right to issue Welsh banknotes in the same way as is permitted for the three clearing banks in Scotland and the four in Northern Ireland. I believe that such an outcome would give a welcome boost to the Welsh national character, and the recognition of Wales as an equal nation and an economic entity.

In Northern Ireland, Bank of Ireland, Danske Bank—formerly known as Northern Bank—First Trust Bank and Ulster Bank notes are used to celebrate the recognition of individuals such as J.B. Dunlop, Harry Ferguson, Sir S.C. Davidson and James Martin, while also celebrating architectural splendour such as that of Belfast City Hall. In Scotland, the Bank of Scotland, Clydesdale Bank and Royal Bank of Scotland are entitled to issue banknotes. They pay tribute to the fantastic bridges of their country, and recognise the contribution of people like Sir Walter Scott and Robbie Burns.

The question that naturally rises, therefore, is this: why can we not similarly issue banknotes in Wales to recognise our historic landmarks such as Castell Carreg Cennen, in my constituency, Pont Menai and Yr Wyddfa, and our historic greats such as Owain Glyndwr, who was nominated the seventh most important person of the last millennium by *The Times*, David Lloyd George, the originator of the welfare state, Aneurin Bevan, the architect of the NHS, and Gwynfor Evans, the first Plaid Member of Parliament and the father of modern Wales?

**Sammy Wilson:** Does the hon. Gentleman accept that the downside of having our own banknotes in Northern Ireland is that anyone who tries to pass them on in England is looked on as some kind of conman?

**Jonathan Edwards:** I am always grateful for interventions from my great friend, who speaks with a huge knowledge of financial matters. Those notes are legal tender and a legal currency, and I think that we need to move forward. The issue was raised with me on television today. The fact is that Scottish and Northern Ireland banknotes can be legally used anywhere in the United Kingdom.

Before I was distracted, I was making the case for some people who might be pictured on Welsh banknotes. A notable case could also be made for what is arguably the most famous Welsh painting of all: “Salem”, painted by Sydney Curnow Vosper in 1908. His painting of Sian Owen aged 71 at Capel Salem, a Baptist Chapel at Pentre Gwynfryn in the north of my country, is a national icon, much as Constable’s “The Hay Wain” is in England.

Notes that are currently used in Wales recognise people including Elizabeth Fry, Charles Darwin, Adam Smith, Matthew Boulton and James Watt. Previous notes have portrayed Charles Dickens, Sir Edward Elgar, Michael Faraday, Sir John Houblon, Sir Isaac Newton, Florence Nightingale, William Shakespeare, George Stephenson, the first Duke of Wellington, and Sir Christopher Wren: all great people, but none, to my knowledge, with any direct link to my country. Many pounds from many Welsh people have contributed to the UK over many years,

[Jonathan Edwards]

from the industrial revolution through to the bank bail-outs, and I deem it entirely appropriate that Wales's contribution and standing within the sterling zone should be recognised. That would put right what appears to be a clear injustice. I pay tribute to the work of my colleague Steffan Lewis on this issue, and I look forward to seeing him take his place in the National Assembly after the elections in May.

On the issue of accountability to my country and to the other devolved Governments, I want to put forward proposals in the spirit of the so-called partnership of equals, as it was labelled by the Prime Minister and the Unionist campaign during the recent Scottish independence referendum. The British state is rapidly changing as power and responsibility flow from Westminster to the devolved countries, although the pace is perhaps not as quick as someone like me would want. It is undeniable that the UK is now a vastly different place from the one it was 20 years ago. Central to recent developments has been the increasing fiscal devolution to Scotland, Northern Ireland and even Wales. The Scotland Act 2012 fully devolves income tax, and Northern Ireland has recently been awarded full powers over corporation tax. Wales, as always, is in the slow lane, but even we will soon have an income tax sharing arrangement, if the draft Wales Bill reaches the statute book.

Measures relating to major fiscal levers are flowing from the Treasury in London to the devolved countries. This increases the political accountability of the devolved Governments to their respective electorates and, critically, incentivises those Governments to boost economic performance in order to invest in public services. The co-ordination of monetary and fiscal policy is vital in any economic policy. I understand that the central bank is politically independent, but there is obvious co-ordination between the Treasury and the central bank. Similar protocols and links need to be developed with the Welsh, Scottish and Northern Irish Exchequers. The national Parliaments should nominate a member to serve on the Monetary Policy Committee to ensure that those involved in the interest rate setting process have an understanding of economic conditions and events in Wales, Scotland and Northern Ireland. All MPC members are currently either bank staff or nominated by the Treasury. My proposal should also apply to the Financial Policy Committee and the soon-to-be-implemented Prudential Regulation Committee, which will be created by the Bill.

Political scrutiny of monetary policy remains the preserve of Westminster despite increasing fiscal decision making at devolved levels. Although we are not privy to the meetings between Treasury Ministers and the Governor and his senior team, we can safely assume that those meetings are frequent. On top of that, in regard to parliamentary scrutiny, the Governor and his team meet the Treasury Select Committee here at Westminster at least five times a year. Considering the fiscal powers that have been devolved or are in the process of being devolved, I would hope that the central bank agrees that it is in its interests to strengthen relations with the devolved Governments and Parliaments. I am not aware of any formal structures for meetings between the Governor and Ministers of the devolved Governments. In the interest of mutual respect, those structures need to be formalised.

In addition, I strongly believe that the Governor should attend a meeting of the relevant economic committee of the devolved Parliaments at least once a year. Evidence sessions of that sort would be vital in helping political parties in the devolved Administrations to formulate their own fiscal policy and would recognise the reality that fiscal and economic policy is no longer the sole preserve of Westminster when it comes to Wales, Scotland and Northern Ireland.

A further issue is the name of the central bank, currently named the Bank of England. It is a contentious issue for me as a proud Welshman that the central bank that decides monetary policy in my country is named after another country. The Bank of England was created in 1694 before the present British state was constructed. Wales was annexed in 1536, Scotland in 1707 and Ireland in 1801. The central bank was therefore created to serve a political entity that consisted only of Wales and England. If the British state is a partnership of equals, all its institutions must reflect that reality, including perhaps the most important institution underpinning its financial system: the central bank. If it would be helpful to the Minister, I have a suggestion, which is to rename the Bank of England the "Sterling Central Bank". This would reflect the fiscal and political reality we live in, and it would show that those in this place genuinely believe in the respect agenda and a partnership of equals.

I am very interested in the emerging debate on changing the remit of the MPC in regard to setting interest rates. The MPC is specifically charged with keeping an inflation target of 2%. Other central banks such as the US Federal Reserve have a dual mandate which goes beyond price stability. In 1977, the US Congress amended the 1913 Federal Reserve Act and mandated the central bank to achieve long-term moderate interest rates and, critically, maximum employment, in addition to reaching inflation targets. As the Bill progresses, I hope to return to these themes in more detail. I would also be more than happy to support the amendments tabled by Labour and the SNP when it comes to the vote.

6.4 pm

**Mr Alan Mak** (Havant) (Con): I am pleased to speak in support of this important Bill, which delivers a new settlement for the financial services sector—a vital sector of the UK economy—by strengthening the Bank of England and the regulatory regime governing individuals working in the sector. In particular, the Bill deserves support because it puts the Bank of England at the centre of a new regulatory system that will give it new powers, more responsibilities and better procedures. It will also strengthen the Bank's governance, transparency and accountability and increase the accountability of staff working in our important financial services sector.

When the idea of a Bank of England first emerged after William and Mary came to the throne in 1688, the public finances were in disarray, the system of money and credit was weak and our financial markets were on the verge of collapse. Things were not much better 320 years later, however, under a Labour Government, who oversaw a banking system that had become too concentrated, took too many risks, and acted against taxpayers' interests. It was under the discredited tripartite system that people such as Fred Goodwin were allowed to receive huge bonuses while running their banks into the ground.

Today our financial services sector is much stronger, and it requires the up-to-date effective governance and regulation that the Bill proposes. According to TheCityUK trade body, the financial services sector employs 7% of the UK workforce—two-thirds of whom are outside London—and accounts for 12% of our GDP. It is absolutely right that this Bill should support a growing and moral financial services sector.

I support clause 1, which will make the deputy governor for markets and banking a member of the Bank of England's court. Following the expansion of the Bank's responsibilities through the Financial Services Act 2012, a fourth deputy governor, with responsibility for markets and banking, was appointed and given responsibility for reshaping the Bank's balance sheet. This important role, currently filled by Dame Minouche Shafik, does not have statutory membership of the court. Clause 1 will rectify that situation and ensure equal status for the fourth deputy governor. It will also give the Government the necessary flexibility to update the membership of the court, the Financial Policy Committee, the MPC and the new Prudential Regulation Committee. This will ensure flexibility to meet future need, and that the court is fit for purpose.

When the Bank opened for business in 1694 in temporary accommodation in the Mercers Hall in Cheapside, it had a staff of 17 clerks and two gatekeepers. Today its personnel is much wider, and none are more important than the members of the court. That is why I welcome the reforms in clause 1. It will update the powers of the court and increase its flexibility to ensure that new expertise is added when necessary. These are practical powers and they deserve the support of the entire House. I also welcome the reforms to the Oversight Committee, the Financial Policy Committee and the Monetary Policy Committee that my right hon. Friend the Member for Chichester (Mr Tyrie), who is no longer in his place, articulately outlined.

A key element of the Bill is the transformation of the Prudential Regulatory Authority into the Prudential Regulation Committee. As Members will know, the PRA is responsible for the supervision of around 1,700 banks, building societies, credit unions and major investment firms. The transition will result in the PRA, a subsidiary of the Bank of England, becoming the PRC, a committee of the Bank. This will ensure that it is fully integrated into the Bank's work while retaining its operational independence. This measure deserves the support of all hon. Members—[*Interruption.*]—including those on the Opposition Front Bench. This will continue the process of building a unified institution, which will allow the new authority to focus more closely on its policy work, rather than thinking about back-office issues such as IT procurement.

**Rob Marris** (Wolverhampton South West) (Lab): Is there anything in the Bill that the hon. Gentleman does not like?

**Mr Mak:** I am sure that the hon. Gentleman will agree that the proposals support the Governor's "one mission, one bank" strategy, which entails supervision being conducted in a more effective and efficient way, as befits an institution of our modern global economy. The new arrangements come with important safeguards. For example, the statutory objectives of the PRA will

remain undiminished; the name and the brand will remain unchanged; and its reputation for tough regulation will remain undimmed.

On financial services, the Minister mentioned earlier that one of the least attractive elements of Labour's financial crisis was that no one at the top of the main financial services institutions faced formal punishment from the regulators or the courts. There appeared to be no link between the actions of those at the top and the fate of the institutions that they led. One of the FCA's reports stated that

"individual accountability was often unclear or confused".

The Bill strengthens and clarifies the individual accountability of those working in our systemically important financial services sector. I also believe that these reforms will embed a new culture within the sector, rather than simply reshaping the legal and regulatory framework.

Before I entered this House, I had the privilege of working with TheCityUK and a number of others working in the financial services sector on writing a report entitled the "Next Generation Vision for Financial Services". It asked that our financial services sector be a part of society, not apart from society. I am pleased that the reforms set out in this Bill, in the clauses that I mentioned, will help our sector to get closer to the vision we articulated.

I particularly welcome the extension of the senior managers certification regime to all regulated firms, not just to deposit takers. The expansion of the regime to all financial services firms and all staff will enhance the culture of personal responsibility for senior managers, while, we hope, increasing the accountability of other staff who work in our financial services sector. It will also ensure that as the sector expands the regulation and the laws governing its operation increase to match the scope and size of the industry. Many firms beyond the banking sector, from investment firms and insurers to those involved in the so-called "shadow banking" sector, can pose a threat to financial stability, and it is therefore right to include them in this new regime.

In conclusion, the growth of the financial services sector, in both size and complexity, the globalisation of our economy and Labour's financial crisis mean that the governance, functions and powers of the Bank of England need to be updated. So, too, does the regime that governs the individuals who work within our financial services sector. This Bill achieves both goals, ensuring a Bank of England that is fit for purpose: an effective central bank in a growing 21st century economy sitting at the heart of the world's most successful financial services industry. The Bill deserves the support of the whole House.

6.11 pm

**Helen Goodman** (Bishop Auckland) (Lab): I am pleased to be able to contribute to this debate and to follow the hon. Member for Havant (Mr Mak), who gave a Panglossian view of the City and the Bill. When I first read this Bill, I thought it was disappointing, but the more carefully I looked, the worse I thought it became. Of course it contains some good steps, but one thing we see here is the Tory Government circling their wagons to protect their friends and funders in the City. The Bill gives us no hope of introducing the separation between retail and investment banking that we so obviously

[Helen Goodman]

needed after the crash and for which many, including Professor John Kay of Oxford University, Martin Wolf of the *Financial Times* and the former Tory Chancellor Lord Lawson, are still calling.

The main flaws in the Bill are on transparency at the Bank and the responsibility of senior managers across the sector. In the Treasury Committee, I questioned both the Chancellor and the Governor about the original draft of the Bill, which allowed the court, on an ad-hoc basis, to determine the scope of audits by the Comptroller and Auditor General. I am therefore pleased to see the redrafting of clause 11, which clarifies what the policy carve-outs will be, but I do not believe that is enough. First, we were promised a memorandum of understanding, agreed between the CAG and the Bank of England. Where is it? This House must see the memorandum before we pass this legislation. The Government are treating the House with the same disdain they do when they put substantial measures into statutory instruments and do not share those with the House either. Why have the Government brought the Bill back to this House before the memorandum of understanding has been drafted? The answer is obvious: it is because the senior managers regime comes into force in March and so the Government are desperate to get Royal Assent before that happens. I am not sure that CAG access will be enough. The Bank of England is independent in its existing judgments with respect to monetary, financial and prudential matters, and that is how it should be, but it is also democratically accountable. I believe citizens will be able to exercise their democratic rights only if we make the Bank subject to the Freedom of Information Act. Let me set out why.

When Treasury Ministers announced the RBS sale last summer, they waved about a letter from the Governor endorsing the sale. Writing this letter was not part of the Governor's role on monetary, financial and prudential policy; it was an intervention in Government policy, at the Chancellor's request, on the issue of a share sale. I asked the Governor whether he considered this letter to be policy, and he said it was. I asked him whether he would share the analysis that underlay the letter, but he refused, point blank, to do so. This is what he said:

"It is a policy judgment. I was asked as Governor by the Chancellor for a judgment with respect to the potential sale...as you know, and the terms of the question are outlined in the letter. I was asked as Governor; it was not a question of the FPC or the PRA Board. It was not a question in terms of safety and soundness but in terms of the overall impact. I consulted with the Deputy Governor for Prudential Regulation and the CEO of the PRA, Mr Bailey; and did analysis in the team."

He continued:

"The analysis rested on the supervisory judgments, the input of the stress test and then the broader perspective of an institution that had been stabilised".

He went on to say that

"the overlap between the commercially confidential information that we obtain as part of the discharge of our supervisory responsibilities of the PRA and the analytic is perfect".

It is, however, very far from perfect—it is a raggedy hotch-potch.

The letter the Governor wrote roamed far beyond these matters. It said:

"it is in the public interest for the government to begin now to return RBS to private ownership...a phased return of RBS to

private ownership would promote financial stability, a more competitive banking sector, and the interests of the wider economy."

No information has been shared with any of us as to how this sale promotes a more competitive banking sector—it does not—or what the benefits will be to the wider economy. I still live in hope that when the CAG undertakes his audit of the RBS sale he will see this analysis, but I believe we need a structural reform: the application of the Freedom of Information Act to the Bank of England. This Bill should be the vehicle for that change.

Let me now turn to the issue of personal responsibility and the catastrophic capitulation of Ministers to their friends and funders, the banks. At first blush, the extension of the new senior managers regime for banks and building societies to all authorised persons in all financial institutions looks like a good thing, but unfortunately the quid pro quo is the significant weakening in the way this will operate. Instead of senior managers having to show that they took reasonable steps to prevent regulatory breaches, as recommended by the Parliamentary Commission on Banking Standards, ably chaired by the right hon. Member for Chichester (Mr Tyrie), the burden will be on the regulator to show that the senior manager failed to do that. As Lord Eatwell pointed out in an excellent speech in the other place, the only reason put forward by Ministers for this change is to deal with what they have described as "an excessive regulatory burden" and "costs" on firms. As he said, the Bill will result in less documentation; less awareness on the part of bankers of their responsibilities; and less examination of the relationship between the risks they take and the responsibilities they have.

The Government continue to believe it is acceptable for banks to privatise their profits and socialise their losses. Let us never forget the cost to all of us—to the British taxpayer: the £133 billion we had to stump up to save the banks. The banks continue to benefit from an implicit taxpayer subsidy, including to their risky investment activities, undertaken, as Lord Lawson said on Second Reading, "just for themselves". But they continue also to whinge at the Government about the costs of documentation which would fall to them.

Ministers should also take note of the fact that a regime where the managers must show that they have taken reasonable steps is what applies in road traffic legislation, health and safety at work legislation, the Bribery Act 2010, legislation on terrorism, the Misuse of Drugs Act 1971, the Trade Marks Act 1994, the Criminal Justice Act 1988 and the Official Secrets Act. What, we want to know, is so special about bankers?

Another argument put forward by a series of lawyers in the other place is that this approach fundamentally is unfair and outwith the traditions of English law. As Lord Pannick said, the regime, as proposed by the Parliamentary Commission on Banking Standards, requires "strong justification". What is the justification here? He said that he did "not understand it".

Apart from the £133 billion bill and crashing the entire economies of the OECD, there is quite a lot to be said for what has gone wrong. Perhaps if those in the other place had constituents, they would understand that the appalling austerity now being wreaked on our constituents, especially disabled people, is something to which some of us must respond, "Never again". If the £133 billion cost to British taxpayers is not enough

justification, what about the fact that none of the senior bankers has taken responsibility or been punished for their criminally selfish and irresponsible behaviour?

In other words, what we see is yet another decision by this Chancellor of the Exchequer and this Government to put party interest before the national interest. After hours of hearings and work in the previous Parliament by the Parliamentary Commission on Banking Standards, the Chancellor was lobbied by his friends and funders in the City and he has let them off the hook again.

6.20 pm

**Marcus Fysh** (Yeovil) (Con): It is a bit rich for the Opposition to be talking about this as if it were some sort of a party political issue. [*Interruption.*] Let me explain why I said that. Everybody shares the frustration at what happened in the lead-up to the banking crisis, but we cannot get away from the fact that the Labour party played a large part in it. Even though the regulation and the powers were there, the practices were not pursued assiduously enough, which put financial stability at risk.

Financial stability is crucial. This is not really about bankers' bonuses; it is about the fact that ordinary people suffer the most when finance fails. I must say that I have some sympathy with what the hon. Member for Bishop Auckland (Helen Goodman) said about the separation between retail banking and investment banking. When I left university, I joined the training course at the SG Warburg group. Lord Roll, a very wise old man, gave us a lecture about all of the things that had gone wrong throughout the 1930s and so on. He said that whenever the separation between retail banking and investment banking is weakened, there will be a problem, and that has really stuck with me. We must look at ways in which we can introduce more competition and put that separation back, so that there is not such a burden on regulators to use their powers. None the less, for the time being, this Bill is a useful step.

I wish to deal with this Bill in two sections. The first is to do with regulation, and the second governance. The proposed regime for senior managers is good. I do not agree with Opposition Members who say that it is a reduction in the power of the regulations. The thing about financial services is that they are ongoing. If things go wrong, a manager has a duty not just to their clients and to the system generally, but all the way along. The beauty of the measures before us is that that duty of responsibility will have to be proved, all the time, by each manager to their regulators. Importantly, that duty applies to any breach and to any manager. What was proposed previously was effectively a two-tier system: firms with a potential prudential impact would have to comply with the legislation while those in investment funds would not. That is incredibly important, especially in the modern world in which we now operate and especially since the financial crash. As banks have had to build up their capital and have been less willing to lend, a large burden of the lending and credit business has fallen on to investment funds. Under the old legislation, those aspects would not have been covered.

I am a bit concerned that the Prudential Regulation Authority—or the Prudential Regulation Committee as it becomes—does not regulate some of these investment firms that do have a potential systemic impact on the markets. I would prefer that it took a much more active look at such firms, especially the credit and derivative

funds, which quite often operate with a large degree of leverage. Because of the volatility in oil prices, we have seen some of the lower grade credits in America, particularly of oil firms and gas firms, really suffering. Yields have blown out. Regulators in America, who do not want to highlight the problem, are saying to the banks, “Don't mark these to market”. The Minister should look at that issue, because I fear there are some firms in London that are involved in similar business, and that poses a risk for us as we go forward.

Bringing the PRA in-house is a good thing. When the retail and investment banks are together, as they are now, we really need the PRA, or the PRC as it will become, to have the sharpest teeth possible and the best people working in it. The less time that it has to focus on the corporate governance of a separate company or institution, the better.

Also coming in-house will be the people who work for the authority. Let us face it, there can be a revolving door in this industry as most of the jobs in regulation do not pay as much as those in the financial markets that they have to regulate. What we want are the people with the best brains and the most application, because they have to see a way of having a lucrative career in the Bank of England, which is a great success. It will be much better to keep regulation within the Bank, rather than outside it.

Other developments on the governance front are useful, especially the oversight and tightening up of the Monetary Policy Committee. I have quite a lot of sympathy with what was said by my right hon. Friend the Member for Cities of London and Westminster (Mark Field). We do need to take a very active role in looking at what the Bank of England does and does not do. That is especially true at the moment when we are seeing bank balance sheets around the world dramatically expanded in a very experimental way. Recently, we have seen the European Central Bank and the Bank of Japan both going full tilt at the windmills of trying to create inflation. The jury is very much out on that policy. We must not forget that our own MPC made a terrible mistake back in 2005 by cutting interest rates at exactly the wrong time, which sent exactly the wrong signal to the housing markets and to the banks. It was done at a time when the creation of money was racing away. We need to be all over this in this place, both on the regulatory front and on looking at what happens in monetary policy decisions. None the less, this Bill is a first step and I commend it to the House.

6.29 pm

**Roger Mullin** (Kirkcaldy and Cowdenbeath) (SNP): One disadvantage of being called late in the debate is that I always find myself completely rewriting what I thought was an excellent speech. I feel that I must reflect on some of the earlier contributions. I noted that, in her opening remarks, the Minister said that the Financial Conduct Authority would deal with things such as sharp practices. She talked about the importance of dealing with “groupthink”. The right hon. Member for Chichester (Mr Tyrie) talked about the importance of re-establishing trust in the proper conduct of business. The hon. Member for Leeds East (Richard Burgon) talked about his concerns about the public view of the behaviour of banks. These, and other, contributions make the case for the fundamental importance of what

[Roger Mullin]

we are all trying to address: an issue of culture. That issue of culture cannot be wholly satisfied through changes in structure or regulation alone.

I was intrigued to hear my hon. Friend the Member for East Lothian (George Kerevan) come up with the East Lothian answer, as I shall call it from now on, which I think bears some repetition: getting people who lead great institutions to be like captains of a ship. What was it that characterised them? They took responsibility; they acted with high ethical standards; they were equipped not only technically, but culturally to lead and accept the highest of standards. If we could reinstitute that in many of our institutions today, there would be much less demand for some of the detailed regulation and structures we find ourselves having to deal with. I would like to deal with some of the issues of culture, because many of the technical matters have been well rehearsed in the debate so far.

Like many Members on the Opposition Benches, I have been concerned about the willingness of the Government to remove the reverse burden of proof for senior managers before it has even been tested. Without it, we could—I am not saying would—perpetuate a culture of failing to accept responsibility under the cloak of a form of collective responsibility that favours the consensus of the guilty over the scrutiny of behaviour. Culture is fundamentally important to understanding the crash of 2008.

What I do mean by culture? To me, it is about the way in which groups of people solve problems and reconcile dilemmas. It involves unconscious, taken-for-granted beliefs—their perceptions, thoughts and feelings that forge the values and behaviours within their organisations. It has been argued by many researchers that about 70% of all major organisational crises are a function of culture. That is why I have great sympathy with the Minister who is trying to deal with predominantly a cultural failure through mere regulation and changes to organisation alone.

I am sure many would argue with me that failures of culture were part and parcel of the failures at Enron, Northern Rock, Lehman Brothers, RBS and HBOS. In these cases, among other cultural problems they faced precisely the cultural problem the Minister mentioned in her opening remarks: the problem of groupthink at the highest levels.

One aspect of groupthink is present when groups are unwilling to listen to critical voices, preferring the easy comfort of a blind consensus born of common bonds. A classic example was, of course, found in HBOS, where it is widely recognised that the risk manager, Paul Moore, was sacked for raising concerns about the company's strategy. He told the Treasury Committee in 2008 how he had predicted that the bank's practices could "lead to disaster". He informed the bank's board of his concerns, but was sacked by Sir James Crosby, the bank's former chief executive, deputy chairman of the Financial Services Authority and adviser to the then Prime Minister Gordon Brown. It tells us lots that someone who acted in such way should have reached such heady heights.

In his evidence, Mr Moore told MPs anyone whose eyes were not blinded by "money, power and pride" would have realised problems were mounting for HBOS and the other high street banks. Since his dismissal

Mr Moore has been shunned by the financial community, to its shame. As Professor Andrew Kakabadse has recently put it, the cultural problem occurs when

"management intimately know what is happening and even know what to do to stem an oncoming catastrophe but are too emotionally paralysed to act. And this often because the boss does not want to hear bad news."

Perhaps it has best been most eloquently, if somewhat brutally, summed up by the hon. Member for Huddersfield (Mr Sheerman) who has been quoted as saying in a review of Paul Moore's recent book that he exposed

"the rottenness, deceit, and corruption of the malign gang that took over a successful British bank and drove it to ruin in a few short years. This gang has never been properly held to account or been brought to justice whilst Paul Moore...has never been compensated for his sacrifice."

That is the rub of it: a lack of being held to account, a lack of effective external scrutiny, and to this day a lack of a fundamental inquiry into the culture and goings-on at these major institutions. That is a failure, and a failure upon which we address regulation and structural changes on shifting sands.

There have been other cultural failings, too—indeed too many to recite here—but they include sacrificing rigorous analysis for group harmony; making decisions as a cabal without any external critique; dealing with complex decisions in an overly intuitive manner with a prejudice in favour of an easy consensus; and a willingness to be led by strong directive individuals.

One of the fundamental concerns, which everybody in some way alluded to but we still remain to grapple with, is how and when we are going to fully understand the nature of the cultural crisis that afflicted our institutions. That is something we await to address.

6.36 pm

**Robert Jenrick** (Newark) (Con): It is a pleasure to speak in this Second Reading debate.

I was reminded this weekend in my constituency that my constituent, Thomas Smith of Newark, became the first provincial banker when he founded the very first bank outside London, in Nottingham in 1658, called Smith's Bank. It later expanded to a branch in Newark and one in Retford in the constituency of my neighbour the hon. Member for Bassetlaw (John Mann). Several of Thomas Smith's illustrious ancestors became Governors of the Bank of England, and so those of us who know these geeky facts about Nottinghamshire, including the hon. Gentleman, thought it was fitting that Mark Carney chose to make his first speech as Governor of the Bank of England in Nottingham, and to declare our city and county as the bellwether for the British economy.

In that speech in 2013, which I listened to, Mr Carney committed us all, and particularly the Bank of England, to using all of the tools available to the Bank to secure a sustainable economy for all parts of the country, particularly the regions of the UK. This Bill, in reasonable and modest ways, helps us to refine and improve the toolbox that is in the hands of the Governor of the Bank of England.

From knowing a few people working at the Bank of England or who have worked there in recent years, while I would say it is a good institution of which we should all be proud as members of the United Kingdom, it would be fair to say it has been somewhat inward-looking. If one were being critical, one would say its culture has

been stuffy and overly theoretical, and it moves quite slowly, to say the least—although that is not always a bad thing, of course.

I think Mark Carney, as a younger, dynamic Governor, has made a real impact in tackling these cultural concerns when that was appropriate. If I could make any suggestion from my experience and those of acquaintances who have worked at the Bank, it is that it should continue to do as he has tried to do, which is recruit more people with practical experience of life in the financial services sector and the corporate world—those who have worked in banks, law firms or elsewhere, who can provide an essential counterbalance to those who are perhaps overly theoretical and not so practical. With a proper court or governing body—a board as my right hon. Friend the Member for Chichester (Mr Tyrie) rightly said it should be described—this larger and more powerful organisation, enhanced by the structural changes of this Bill, can operate in a much more modern and dynamic way than its predecessor.

I was pleased to hear that Andrew Bailey had been appointed to the FCA, and others have already welcomed that. From my very limited interactions with him, and when he came to Parliament last week to address the all-party parliamentary group on corporate governance, of which I am an officer, I found him to be clever, practical, down to earth, affable, but willing to speak frankly when necessary. He clearly possesses a deep and broad knowledge of the financial services sector, all of which suggests that this has the making of a good appointment. He appears to have done a good job of taking over and improving prudential regulation at the Prudential Regulation Authority.

Having worked as a commercial lawyer, dealing routinely with the old FCA, I know that that organisation and some of its personnel were in a very poor state before these moves, and morale was extremely low. It is still a struggle to recruit and retain the best talent, as my hon. Friend the Member for Yeovil (Marcus Fysh) wisely said, when the rewards are usually, if not always, less than those on the frontline elsewhere in the financial services sector. It is essential that we give all the tools necessary to Andrew Bailey and others to enable them to recruit more talented individuals. It seems, as my hon. Friend said, a wise step in that direction to bring the PRA within the Bank of England because that is inevitably a more attractive institution to work for, be part of and have on one's CV than any other, perhaps lesser, regulator.

Although the Bill is not revolutionary in content, it continues the work and takes a series of very sensible steps forward. Some have argued today and elsewhere in the press that we should go much further in changing the Bank of England or even re-imagining the role of a central bank in the 21st century. I would caution that the Bank has been subject to a great deal of change in recent years. Although I do not have the exact figures to hand, I imagine, for example, that a staff of around 2,000 has already increased to 3,500 or thereabouts. The challenge of integration—of building a large integrated organisation and of ensuring quality, because quality and standards are ultimately all that matter—is very great, and we should be careful not to give our regulators too much to contend with.

The formalisation of the PRA's position as part of the Bank therefore seems sensible. It always seemed rather strange that it was merely a subsidiary of the Bank.

I did note, and I am sure the Minister and the Treasury have already seen this and decided it makes sense, that whereas previous legislation had deliberately kept the supervisory role then exercised by the FSA separate from the resolution role, the new landscape brings them together. In other words, it used to be believed by the sector and by the Government that it was more appropriate that the organisation supervising a bank should be different from that tasked with resolving whatever problems or mess it got itself into. Presumably the view is that this is no longer necessary, and of course the Bank is capable of handling both sides of the coin.

The proposal in the Bill to provide the Treasury with more information seems logical. After all, whereas the Bank of England provides temporary liquidity and support to a bank in crisis, it is the Treasury and taxpayers who ultimately step in and pick up the tab. These measures are all part of the Government's laudable efforts to ensure that banks are properly supervised and, to the extent possible, are too big to fail.

The value for money component, which many other Members have mentioned, is welcome. As the Bank becomes more powerful and significantly larger with the advent of the PRA, so it is appropriate that it is open to greater scrutiny. Questions of freedom of information and others will no doubt arise if the Bank's powers continue to increase.

The Bank of England's accounts have always seemed to me to be extremely difficult to understand. It always seems to make a profit. I have always been suspicious of that—as a former partner at a law firm once said to me, of course the Bank of England can print its own money!

On the wider questions of openness and governance, I would like to see a greater part of the governance of the Bank drawn from the regions of the UK, not for superficial reasons, but—rather like my opening example of the long-gone world of Thomas and Abel Smith and the Governors of the Bank of England who began their careers in Newark—so that there are experienced voices at the heart of our central bank with direct knowledge of the regional economies, particularly Scotland and Wales.

Finally, on the senior managers regime, a great deal has been said here and, clearly, agreement will not be reached across the House. The position in the Bill seems fair and workable as it continues to put the right pressure on senior managers to be named and to take direct personal responsibility. I am not interested in grandstanding. I am looking for what will have the greatest effect on our financial services sector. The vast majority of my constituents—almost all, I would venture—have never heard of this regime. What they have heard of and what they are expecting of their Member of Parliament is to ensure that there is a financial services sector that is stable, secure and resilient. I believe the Bill is the best way to deliver it.

I welcome the change which the Bill introduces to the pensions regime. Although this aspect has barely been touched on in the debate, the pensions guidance service, Pension Wise, can in future be more widely applied to those looking to take advantage of the great opportunity that was achieved in the previous Parliament to use their annuities in whichever way they see fit. We must not allow one of the great developments in pension reform and other Treasury policies from the previous

[Robert Jenrick]

Parliament to be sullied by mis-selling. One can easily imagine mistakes being made by constituents who, by their own admission, are not always as financially literate as they would wish. This could be, as wiser souls have said, the next great mis-selling scandal.

Although Citizens Advice, which was initially given the difficult task of providing support for members of the public on their pensions, is a superb organisation and I praise those in my constituency who are involved in it, any additional support that we can give through Pension Wise to ensure that our constituents make the right decisions for them at a crucial juncture in their financial lives must be welcomed.

In conclusion, the Bill contains a range of modest and reasonable proposals to further the Government's aim to provide a stable and resilient financial services sector to secure a successful economy for the United Kingdom. I cannot for the life of me imagine why other Members would vote against it tonight.

6.46 pm

**Mike Wood** (Dudley South) (Con): Thank you, Madam Deputy Speaker. I shall try to compensate for some of the earlier speeches that went a little beyond your guidance.

It is seven years since the most devastating financial crash of our lifetime. Since the crash, regulations have rightly been updated by the Chancellor and Treasury Ministers. They have put responsibility and accountability at the heart of the UK's financial system. Because of the Government's long-term economic plan, banking in the UK is now far more robust, but it is clearly not invincible. I shall support the Bill this evening so that we can build on that progress, continuing all the valuable work that the Treasury has done so far and improving on the status quo, strengthening the way the Bank of England is governed, increasing accountability in the financial services sector, and extending the role of the Pension Wise advice service, which I know is used and valued by many of my constituents.

The Bank of England has been a cornerstone of global finance since 1694. Its structures and governance must adapt to the needs of the 21st century so that it can continue as such. Some of the Bank's historic practices have not been in line with current international standards, but the Bill helps to redress the balance. Strengthening the role of the Bank of England's court of directors will enable the Bank to function with an effective and modern unitary board, a more effective structure to allow the Bank to deliver on its vital regulatory and policy roles.

To most of our constituents, the key role of the Bank of England, other than issuing bank notes in England, is to set interest rates. The Monetary Policy Committee currently meets 12 times a year but, as we have heard, a single month is rarely long enough to properly review, consider and change a macro-economic assessment, so moving the MPC to eight meetings a year would have many desirable outcomes. Most obviously, policy making at that level requires time for reflection, which a longer period between meetings would allow. Such a sensible change will merely bring the Bank of England into line with other central banks, such as the Federal Reserve

and the European Central Bank. Allowing the results of votes and the reasoning behind them to be published alongside decisions over interest rates will open up that opaque process, granting access to the MPC's thinking.

The crash of 2007-08 highlighted the irresponsible behaviour of some individuals working in the financial services industry. Thankfully, the days to which my hon. Friend the Member for Havant (Mr Mak) referred, when the Labour party allowed people such as Fred Goodwin to take huge bonuses while allowing their banks to freefall, are behind us.

The senior managers and certification regime legislated for by the coalition will come into force in March. However, although the existing legislation will apply to banks, building societies, credit unions and PRA-regulated investment firms, it will not extend to other authorised financial services firms. Expanding the regime's scope will help to create a fairer, more consistent, more effective and more rigorous regime for all authorised financial services firms.

The Government have already made revolutionary changes to improve and support the pensions system. Allowing our constituents to access their pension pots—their annuities—without being penalised for doing so has given people more flexibility and more choice over how they spend their own money. As a result of those changes, the Pension Wise scheme was introduced following the 2014 Budget. Expanding the service's scope will mean that more people receive impartial, high-quality financial advice and guidance, which will allow them to discuss their new options.

I encourage all hon. Members to join me this evening in voting in support of a Bill that will bring the Bank of England and financial services into the 21st century—a Bill to allow transparency and accountability to reign in the financial sector.

6.51 pm

**Rob Marris** (Wolverhampton South West) (Lab): It is a pleasure to follow a fellow black country MP—my almost near neighbour, the hon. Member for Dudley South (Mike Wood).

I will be brief, as I have been exhorted to be. The Opposition welcome the improvements made to the Bill in the other place. We also welcome the Government's preparedness to listen. There are some good things in the Bill. We give a partial welcome to the change allowing the National Audit Office to do investigations into value for money, although it is a pity that it will not be allowed to look at whether the Bank of England's goals were achieved—not at whether there should have been goals, because that is not the NAO's role, but at whether the Bank's goals were achieved. That should be part of the NAO's remit.

We welcome the extension of the scope of the senior managers and certification regime. We broadly welcome the changes on the enforceability of credit agreements and the regulation of what are called “transformer vehicles”, which are devices for risk mitigation—a kind of reinsurance. We very much welcome the extension of the Pension Wise guidance service, and the Bank of England's increased duty to provide information to the Treasury is also welcome. We also welcome banks being authorised to issue notes in Scotland and Northern Ireland if their sister banks operate there.

**Keith Vaz** (Leicester East) (Lab): Would my hon. Friend also welcome something for which some of us have been campaigning for the last 24 years? Twenty-four years ago, the Bank of Credit and Commerce International—the sixth-largest private bank in the world—closed and the Bingham report was commissioned to look at the supervision of the Bank of England and at its powers. However, one part of the report has not been published over the last 24 years—the confidential second part. Does my hon. Friend think it should now be published?

**Rob Marris:** I agree with my right hon. Friend. Many of his constituents in Leicester, and mine in Wolverhampton, were adversely affected by BCCI's collapse, and unless we publish that material, we will not learn from it.

There have been considerable problems. As the right hon. Member for Chichester (Mr Tyrie), the Chair of the Treasury Committee, put it at the Report stage of the Financial Services (Banking Reform) Bill in 2013 in this very Chamber:

“The crisis of standards and trust in banking—and it is a crisis—is multi-faceted, and so are the necessary remedies...In a nutshell, boards were negligent and the system of regulation was found seriously wanting the first time it was tested.”—[*Official Report*, 8 July 2013; Vol. 566, c. 76.]

That was absolutely right. Sadly, that is still the situation now. There have been too few prosecutions. It bemuses me, as a lawyer, why the authorities cannot use section 16 of the Theft Act 1968, on obtaining pecuniary advantage by deception, rather than going off on jaunts unsuccessfully looking at conspiracy charges, which are much more difficult to prove.

There has been a series of post-2008 crash infractions by banking institutions. Since 2013, the new Financial Conduct Authority, which replaced the old Financial Services Authority, has dished out fines to firms large and small totalling almost £3 billion. That includes big fines to Barclays, Lloyds, RBS and HSBC. Banks such as Standard Chartered have been paying big fines in the States. That is for wrongdoing that took place after the crash in 2008, so some of these people simply do not learn. Today, according to the BBC, Barclays and Credit Suisse have been fined a total of \$154 million by US regulators for their American dark pool trading operations. Those may have begun before 2008, but the wrongdoing continued until well after, so these people sometimes do not learn.

There are problems with the Bill. The test should be whether regulation will lead to better or worse compliance. Quite a lot of today's debate has been about the reverse burden of proof, and that is important, but we want a strict regime to encourage compliance. However, that is not going to happen if we get rid of the reverse burden of proof. The question is, will this change make prosecutions easier or harder? It will make them harder. Will it make compliance more or less likely? My hunch is that abolishing the reverse burden of proof will make it less likely, but we do not know, because the Government are rushing to get this change made before the SM&CR comes in on 7 March—it is a good acronym, but I would pronounce it “smacker”, because that is what we should have.

We have had some indecision by the Chancellor of the Exchequer over the years. Back in July 2013, in the Government response to the report by the Parliamentary Commission on Banking Standards—this is still on the Government website—he said:

“Cultural reform in the banking sector marks the next step in the government's plan to move the whole sector from rescue to

recovery and ensure that UK banks demonstrate the highest standards, and are able to support business and drive economic growth.”

However, if the Bill is passed unchanged, it will take us backwards.

If we look at what the FCA is doing, it appears to have had pressure put on it. In its business plan for 2015-16—for this very year—its chair, John Griffith-Jones, said:

“In our last Risk Outlook we identified the seven most important forward-looking areas of focus in our view...Poor culture and controls continue to concern us, notwithstanding the efforts being made by firms to improve both.”

He wanted to look at the culture in the banking sector and the financial services sector, but that now appears to have gone out the window.

On the reverse burden of proof, I say with all due respect that, as far as I know—I stand to be corrected—the chief executive-designate of the Financial Conduct Authority, Dr Bailey, is not a lawyer. However, he is pronouncing on legal matters. In a letter from Lord Bridges of Headley, a Parliamentary Secretary in the Cabinet Office, he is quoted as saying:

“The introduction of the ‘duty of responsibility’ in place of the ‘presumption’ makes little difference to the substance of the new regime. Once introduced, it will be for the regulators (rather than the senior manager) to prove that reasonable steps to prevent regulatory breaches were not taken. This change is one of process, not substance”.

I have to say to Dr Bailey that, as a lawyer, I profoundly disagree. I know what the burden of proof is in civil cases, and I know what the burden of proof is in criminal cases. I know what the concept of strict liability is, and I know what the reverse burden of proof is. The reverse burden of proof is not as bad as strict liability, and my hon. Friend the Member for Bishop Auckland (Helen Goodman) mentioned that. We have strict liability for things such as the Health and Safety at Work etc. Act 1974—one of the Acts under which I made my living before I entered this place.

We want the Government to tighten the regime, not loosen it, as this Bill will if passed unaltered. Some of the proponents of the Bill seem to think, or certainly did think, that regulation of banking was too tight before the crash in 2008. In March 2005, the Centre for Policy Studies published a report called “The Leviathan is still at large” in which it called for, among other things,

“an industry with responsible senior management, ensuring that consumer protection is provided through market forces and competitive brands jealous of their reputations, and where risk-taking is not viewed as dangerous but as commendable”.

It also recommended

“an industry where competition abroad and competitiveness at home are not hampered by the costs and burden of being regulated, or by the costs (and conflicts) of educating consumers, or of policing and prosecuting money-laundering and financial crime.”

Before I came to the House this evening, I looked up the definition of a phrase with which hon. Members will be well familiar, “the reverse ferret”, which is

“a sudden reversal in an organisation's editorial line on a certain issue. Generally, this will involve no acknowledgement of the previous position.”

It came from Kelvin MacKenzie when he was at *The Sun*. Well, tonight we have a double reverse ferret; I do not know what that is called. The report by the Centre for Policy Studies, published in March 2005, before the world

[Rob Marris]

crash, had 10 authors; it was a co-operative effort. Two of those authors are now Treasury Ministers; they were not MPs at the time. One of them is the Economic Secretary to the Treasury, who has been addressing the House tonight, and the other is the Financial Secretary to the Treasury. Before 2005, they were saying, “Labour’s got regulation too tight”, while many of us on the Labour Benches were saying, “Labour’s got regulation too loose”. To my great sadness, I was right and my own Government were wrong, but this Government are making it worse. They tightened things up with the reverse burden of proof, and so on, in 2013, and two years later, before it came into force, untested, they said it was to be done away with under this Bill. That is a double reverse ferret, and it is not acceptable.

7.2 pm

**Harriett Baldwin:** With the leave of the House, Mr Deputy Speaker, I would like to speak for a second time.

I commend the fact that we have had a wide range of speeches, with 12 by Back Benchers from, I am pleased to say, almost across the country. We heard from my right hon. Friends the Members for Chichester (Mr Tyrie) and for Cities of London and Westminster (Mark Field), the hon. Members for East Lothian (George Kerevan) and for Bassetlaw (John Mann), my hon. Friend the Member for South West Devon (Mr Streeter), the hon. Member for Carmarthen East and Dinefwr (Jonathan Edwards), my hon. Friend the Member for Havant (Mr Mak), the hon. Member for Bishop Auckland (Helen Goodman), my hon. Friend the Member for Yeovil (Marcus Fysh), the hon. Member for Kirkcaldy and Cowdenbeath (Roger Mullin), and my hon. Friends the Members for Newark (Robert Jenrick) and for Dudley South (Mike Wood). I will deal with some of the questions they asked later.

This has been a very revealing debate. We have just heard the hon. Member for Wolverhampton South West (Rob Marris) say that he is not satisfied with the creation of the system of regulation that was rightly criticised in 2005 and resulted in the financial crash on Labour’s watch. In fact, Labour Members, by declining to give this Bill a Second Reading tonight, are showing once again that they would be a risk to the livelihoods of everyone, most especially the poorest and the oldest, if they were ever to return to power, because their shadow Chancellor opposes giving a Second Reading to this entirely sensible Bill due to his opposition to the independence of the Bank of England—Gordon Brown’s best decision. His reasoned amendment says that “the Bill fails to increase oversight and accountability of the work of the Bank of England”.

I thought it might be interesting to see exactly what the shadow Chancellor means by that. In 2012, he said:

“In the first week of a Labour Government democratic control of the major economic decisions would be restored by ending the Bank of England’s control over interest rates and bringing the nationalised and subsidised banks under direct control”.

That is what his reasoned amendment implies. In setting up his review of monetary policy, he said:

“Perhaps we should be even bolder, creating a national investment bank and using newly printed money to fund it.”

He does not need me to criticise that as a terrible idea that would cause inflation—he should look no further

than his predecessor as shadow Chancellor, the hon. Member for Nottingham East (Chris Leslie), who said:

“Printing money and ending Bank of England independence would push up inflation, lending rates, squeeze out money for schools and hospitals and mean spending more on debt servicing. Higher inflation and a higher cost of living would hit those on the lowest incomes, the poorest people who couldn’t afford those goods and services.”

That is the reality of the Opposition’s economic policies with regard to the Bank of England. Inflation is a tax on the poorest, and they would hit the poorest hard.

**Helen Goodman** *rose*—

**Harriett Baldwin:** Does the hon. Lady agree with that policy?

**Helen Goodman:** Surely the hon. Lady knows that it is the current Chancellor who has printed, as she puts it, £175 billion of money, and in doing so has increased the wealth of the top 5% in this country by £185,000 each.

**Harriett Baldwin:** I do worry about the hon. Lady sometimes, because she is again criticising the decisions of the independent Bank of England.

That is before we get to the Opposition’s other policies, such as bringing back secondary picketing, banning dividends, and nationalising businesses without compensation. Even Danny Blanchflower, the head of the independent review that the shadow Chancellor has set up to look at the remit of the Bank of England—

**Rob Marris:** It is David Blanchflower!

**Harriett Baldwin:** Danny is what he seems to like to go by. He said in a recent article for the *New Statesman*:

“We are in search of good ideas...the new Labour Party still doesn’t have many economic policies to speak of...The new Labour leaders are not economists and are going to have to learn fast.”

This debate shows that they have not learned anything.

While the SNP’s reasons for opposing the Bill’s Second Reading show some common ground with Labour’s, the SNP is at the other end of the spectrum in thinking that the Bill fails to provide sufficient independence from direct political interference for the Bank of England. They cannot both be right; indeed, they are both wrong. The Bill strikes the right balance on operational independence at the Bank of England and the FCA, and scrutiny by the people in the form of the Treasury Committee and the elected Government.

I will now address some of the points raised in the debate. I noticed that the hon. Member for Leeds East (Richard Burgon) did not point out that we now have the toughest rules on bankers’ pay of any major financial centre and that we have brought in new criminal offences in terms of financial crime, and that he did not welcome the fact that we are widening the duty of responsibility to the whole of the financial services sector. He asked one reasonable question, which was about the memorandum of understanding between the BOE and the NAO. He knows that I have written to the Governor and to the Comptroller and Auditor General, Sir Amyas Morse, and they will endeavour to try to publish the memorandum during the course of the Bill’s passage through the House.

My right hon. Friend the Member for Chichester, who made a superb, sweeping masterclass of a speech on the history of financial regulation, came up with some interesting suggestions about making PRA rulings public. Obviously that would involve some issues of commercial sensitivity in some of the things that it deals with. He said that he wanted to rename the court “the board of the Bank of England”. He pointed out, quite rightly, that the concept of “too big to fail” is still in the banking system, not least in that the Government continue to own large chunks of it. He mentioned the timetable, and emphasised competition, which is very important.

The hon. Member for East Lothian, in an erudite speech, pointed out that responsibility is what we need, and we believe that we are delivering it through the duty of responsibility. He rightly highlighted the importance of changing the culture. I like his analogy with the captain of the ship, and we believe that setting out the responsibilities of senior managers achieves that balance.

My right hon. Friend the Member for Cities of London and Westminster spoke up for his constituency. He mentioned a problem with interest rate swap claims running out of time, which I would like to take up with him on a separate occasion, if I may. I want to clarify that the power to appoint deputy governors is not the Governor’s alone; it is actually an appointment of the Queen, with the consent of the Chancellor.<sup>1</sup>

The hon. Member for Bassetlaw, who is not in his place, wants more transparency and competition. I gently point out to him—perhaps he will read this in *Hansard*—that the building society sector has welcomed the fact that the reverse burden of proof is no longer in the Bill.

My hon. Friend the Member for South West Devon made an excellent point about debt management, and I share his enthusiasm for free debt advice and organisations such as PayPlan, Christians Against Poverty, StepChange and, of course, Citizens Advice. I am keen to hear more detail from him about what more we can do to make sure that, as the FCA takes on responsibility for debt management, the fee structure works well for consumers.

The hon. Member for Carmarthen East and Dinefwr mentioned Welsh bank notes, which is an interesting idea, and proposed a sterling central bank. He will, of course, be aware that the North and South Wales Bank was bought by Midland Bank in 1908 and lost the ability to issue Welsh bank notes.

My hon. Friend the Member for Havant made a wide-ranging and supportive speech, but the hon. Member for Bishop Auckland and I are never going to see eye to eye on this Bill. On the sale of the Royal Bank of Scotland, how can she think that it is not in the wider interests of the economy for the Government not to own it? She is the one complaining about socialising losses, so she should be congratulating the Government on having started on the sale of RBS last August.

My hon. Friend the Member for Yeovil made a very good speech about competition and systemic risks. He is right that the investment firms and their systemic risk must be addressed by the regime. So far, eight investment firms have been identified as important in that regard.

The hon. Member for Kirkcaldy and Cowdenbeath made a very good speech about the importance of culture. We agree with him on that.

My hon. Friend the Member for Newark made a Nottinghamshire-based speech about the bellwether for the British economy. He made some excellent points. I reassure him that supervision and resolution will continue to be operationally separate under different deputy governors at the Bank of England. I also endorse his point about the regions. He will be pleased to know that Mr Andrew Bailey is, in fact, from Leicester, which is another important bellwether for the British economy. I was also glad to hear my hon. Friend make supportive comments about Pension Wise.

My hon. Friend the Member for Dudley South said how popular Pension Wise is in his area, and the hon. Member for Wolverhampton South West has clearly done his legal research.

In conclusion, the Bill brings National Audit Office scrutiny into the Bank of England for the first time. It protects its independence on decisions and extends a duty of responsibility, via the senior managers and certification regime, to change the culture of financial services firms. It brings extra help for consumers in the secondary annuity market and in capping exit charges, and ensures that the most vulnerable in society are protected from illegal loan sharks.

All those excellent measures will be lost if the Opposition have their way and tonight’s Second Reading is opposed. We cannot take irresponsible risks with financial regulation, which is what the Labour party wants to do. This is a good and sensible Bill, and I urge right hon. and hon. Members to back its Second Reading.

*Question put, That the amendment be made.*

*The House divided: Ayes 252, Noes 289.*

**Division No. 179]**

**[7.14 pm**

**AYES**

Abbott, Ms Diane	Burgon, Richard
Abrahams, Debbie	Butler, Dawn
Ahmed-Sheikh, Ms Tasmina	Byrne, rh Liam
Alexander, Heidi	Cadbury, Ruth
Ali, Rushanara	Cameron, Dr Lisa
Allen, Mr Graham	Campbell, rh Mr Alan
Anderson, Mr David	Campbell, Mr Ronnie
Arkless, Richard	Carmichael, rh Mr Alistair
Ashworth, Jonathan	Champion, Sarah
Austin, Ian	Cherry, Joanna
Bailey, Mr Adrian	Coaker, Vernon
Bardell, Hannah	Coffey, Ann
Barron, rh Kevin	Cooper, Julie
Beckett, rh Margaret	Cooper, Rosie
Benn, rh Hilary	Cooper, rh Yvette
Berger, Luciana	Corbyn, rh Jeremy
Betts, Mr Clive	Cox, Jo
Black, Mhairi	Coyle, Neil
Blackford, Ian	Crausby, Mr David
Blackman, Kirsty	Crawley, Angela
Blackman-Woods, Dr Roberta	Creagh, Mary
Blenkinsop, Tom	Creasy, Stella
Blomfield, Paul	Cruddas, Jon
Boswell, Philip	Cryer, John
Bradshaw, rh Mr Ben	Cummins, Judith
Brake, rh Tom	Cunningham, Alex
Brennan, Kevin	Cunningham, Mr Jim
Brock, Deidre	Dakin, Nic
Brown, Alan	Danczuk, Simon
Brown, Lyn	David, Wayne
Bryant, Chris	Day, Martyn
Buck, Ms Karen	De Piero, Gloria

Docherty, Martin John  
 Dodds, rh Mr Nigel  
 Donaldson, Stuart Blair  
 Doughty, Stephen  
 Dowd, Jim  
 Dowd, Peter  
 Dromey, Jack  
 Dugher, Michael  
 Durkan, Mark  
 Eagle, Ms Angela  
 Eagle, Maria  
 Edwards, Jonathan  
 Efford, Clive  
 Elliott, Julie  
 Ellman, Mrs Louise  
 Esterson, Bill  
 Farrelly, Paul  
 Fellows, Marion  
 Fitzpatrick, Jim  
 Fletcher, Colleen  
 Flint, rh Caroline  
 Flynn, Paul  
 Fovargue, Yvonne  
 Gethins, Stephen  
 Gibson, Patricia  
 Glass, Pat  
 Glendon, Mary  
 Goodman, Helen  
 Grady, Patrick  
 Grant, Peter  
 Green, Kate  
 Greenwood, Lilian  
 Greenwood, Margaret  
 Griffith, Nia  
 Gwynne, Andrew  
 Haigh, Louise  
 Hamilton, Fabian  
 Hanson, rh Mr David  
 Harris, Carolyn  
 Hayes, Helen  
 Healey, rh John  
 Hendrick, Mr Mark  
 Hendry, Drew  
 Hepburn, Mr Stephen  
 Hermon, Lady  
 Hodgson, Mrs Sharon  
 Hollern, Kate  
 Hopkins, Kelvin  
 Hosie, Stewart  
 Howarth, rh Mr George  
 Huq, Dr Rupa  
 Hussain, Imran  
 Irranca-Davies, Huw  
 Jarvis, Dan  
 Johnson, Diana  
 Jones, Gerald  
 Jones, Helen  
 Jones, Susan Elan  
 Kaufman, rh Sir Gerald  
 Keeley, Barbara  
 Kendall, Liz  
 Kerevan, George  
 Kinnock, Stephen  
 Kyle, Peter  
 Lamb, rh Norman  
 Lammy, rh Mr David  
 Lavery, Ian  
 Lewell-Buck, Mrs Emma  
 Lewis, Clive  
 Lewis, Mr Ivan  
 Long Bailey, Rebecca  
 Lucas, Caroline

Lucas, Ian C.  
 Lynch, Holly  
 MacNeil, Mr Angus Brendan  
 Mactaggart, rh Fiona  
 Madders, Justin  
 Mahmood, Mr Khalid  
 Mahmood, Shabana  
 Malhotra, Seema  
 Mann, John  
 Marris, Rob  
 Marsden, Mr Gordon  
 Maskell, Rachael  
 Matheson, Christian  
 Mc Nally, John  
 McCabe, Steve  
 McCaig, Callum  
 McCarthy, Kerry  
 McDonagh, Siobhain  
 McDonald, Andy  
 McDonald, Stewart Malcolm  
 McDonald, Stuart C.  
 McDonnell, John  
 McFadden, rh Mr Pat  
 McGarry, Natalie  
 McGinn, Conor  
 McGovern, Alison  
 McInnes, Liz  
 McKinnell, Catherine  
 McMahan, Jim  
 Meale, Sir Alan  
 Mearns, Ian  
 Miliband, rh Edward  
 Monaghan, Dr Paul  
 Moon, Mrs Madeleine  
 Morden, Jessica  
 Morris, Grahame M.  
 Mullin, Roger  
 Murray, Ian  
 Newlands, Gavin  
 Nicolson, John  
 O'Hara, Brendan  
 Onn, Melanie  
 Onwurah, Chi  
 Osamor, Kate  
 Oswald, Kirsten  
 Owen, Albert  
 Paterson, Steven  
 Pearce, Teresa  
 Pennycook, Matthew  
 Perkins, Toby  
 Phillips, Jess  
 Pound, Stephen  
 Powell, Lucy  
 Pugh, John  
 Rayner, Angela  
 Reed, Mr Jamie  
 Reed, Mr Steve  
 Rees, Christina  
 Reeves, Rachel  
 Reynolds, Jonathan  
 Rimmer, Marie  
 Ritchie, Ms Margaret  
 Robinson, Gavin  
 Robinson, Mr Geoffrey  
 Rotheram, Steve  
 Ryan, rh Joan  
 Saville Roberts, Liz  
 Shah, Naz  
 Sharma, Mr Virendra  
 Sherriff, Paula  
 Shuker, Mr Gavin  
 Siddiq, Tulip

Skinner, Mr Dennis  
 Slaughter, Andy  
 Smeeth, Ruth  
 Smith, rh Mr Andrew  
 Smith, Angela  
 Smith, Cat  
 Smith, Nick  
 Smith, Owen  
 Smyth, Karin  
 Spellar, rh Mr John  
 Starmer, Keir  
 Stephens, Chris  
 Stevens, Jo  
 Streeting, Wes  
 Stringer, Graham  
 Stuart, rh Ms Gisela  
 Tami, Mark  
 Thewliss, Alison  
 Thomas, Mr Gareth  
 Thomson, Michelle  
 Thornberry, Emily  
 Timms, rh Stephen  
 Trickett, Jon  
 Turley, Anna

Adams, Nigel  
 Afriyie, Adam  
 Aldous, Peter  
 Allan, Lucy  
 Allen, Heidi  
 Andrew, Stuart  
 Ansell, Caroline  
 Argar, Edward  
 Atkins, Victoria  
 Bacon, Mr Richard  
 Baker, Mr Steve  
 Baldwin, Harriett  
 Barclay, Stephen  
 Barwell, Gavin  
 Bebb, Guto  
 Bellingham, Sir Henry  
 Benyon, Richard  
 Beresford, Sir Paul  
 Berry, Jake  
 Berry, James  
 Bingham, Andrew  
 Blackman, Bob  
 Blunt, Crispin  
 Boles, Nick  
 Bone, Mr Peter  
 Borwick, Victoria  
 Bottomley, Sir Peter  
 Bradley, Karen  
 Brazier, Mr Julian  
 Bridgen, Andrew  
 Brokenshire, rh James  
 Bruce, Fiona  
 Buckland, Robert  
 Burns, Conor  
 Burns, rh Sir Simon  
 Burrowes, Mr David  
 Burt, rh Alistair  
 Cairns, Alun  
 Carmichael, Neil  
 Cartlidge, James  
 Cash, Sir William  
 Caulfield, Maria  
 Chalk, Alex  
 Chishti, Rehman  
 Churchill, Jo

Turner, Karl  
 Twigg, Derek  
 Twigg, Stephen  
 Umunna, Mr Chuka  
 Vaz, rh Keith  
 Vaz, Valerie  
 Weir, Mike  
 Whiteford, Dr Eilidh  
 Whitehead, Dr Alan  
 Whitford, Dr Philippa  
 Williams, Hywel  
 Williams, Mr Mark  
 Wilson, Corri  
 Wilson, Sammy  
 Winnick, Mr David  
 Winterton, rh Dame Rosie  
 Wishart, Pete  
 Woodcock, John  
 Wright, Mr Iain  
 Zeichner, Daniel

**Tellers for the Ayes:**  
**Jeff Smith and**  
**Vicky Foxcroft**

#### NOES

Clark, rh Greg  
 Cleverly, James  
 Clifton-Brown, Geoffrey  
 Coffey, Dr Thérèse  
 Colville, Oliver  
 Costa, Alberto  
 Cox, Mr Geoffrey  
 Crabb, rh Stephen  
 Davies, Byron  
 Davies, Chris  
 Davies, David T. C.  
 Davies, Glyn  
 Davies, Dr James  
 Davies, Mims  
 Davies, Philip  
 Davis, rh Mr David  
 Dinenage, Caroline  
 Djanogly, Mr Jonathan  
 Donelan, Michelle  
 Double, Steve  
 Dowden, Oliver  
 Doyle-Price, Jackie  
 Drummond, Mrs Flick  
 Duddridge, James  
 Duncan, rh Sir Alan  
 Duncan Smith, rh Mr Iain  
 Dunne, Mr Philip  
 Ellis, Michael  
 Ellison, Jane  
 Elphicke, Charlie  
 Eustice, George  
 Evans, Graham  
 Evans, Mr Nigel  
 Evennett, rh Mr David  
 Fabricant, Michael  
 Fallon, rh Michael  
 Fernandes, Suella  
 Field, rh Mark  
 Fox, rh Dr Liam  
 Frazer, Lucy  
 Freer, Mike  
 Fuller, Richard  
 Fysh, Marcus  
 Gale, Sir Roger  
 Garnier, rh Sir Edward

Garnier, Mark  
 Gauke, Mr David  
 Ghani, Nusrat  
 Gibb, Mr Nick  
 Gillan, rh Mrs Cheryl  
 Graham, Richard  
 Grant, Mrs Helen  
 Gray, Mr James  
 Grayling, rh Chris  
 Green, Chris  
 Green, rh Damian  
 Grieve, rh Mr Dominic  
 Griffiths, Andrew  
 Gummer, Ben  
 Gyimah, Mr Sam  
 Halfon, rh Robert  
 Hall, Luke  
 Hammond, Stephen  
 Hancock, rh Matthew  
 Hands, rh Greg  
 Harper, rh Mr Mark  
 Harrington, Richard  
 Hart, Simon  
 Haselhurst, rh Sir Alan  
 Heald, Sir Oliver  
 Heapey, James  
 Heaton-Harris, Chris  
 Heaton-Jones, Peter  
 Henderson, Gordon  
 Herbert, rh Nick  
 Hinds, Damian  
 Hoare, Simon  
 Hollinrake, Kevin  
 Hollobone, Mr Philip  
 Holloway, Mr Adam  
 Hopkins, Kris  
 Howarth, Sir Gerald  
 Howell, John  
 Howlett, Ben  
 Huddleston, Nigel  
 Hunt, rh Mr Jeremy  
 Hurd, Mr Nick  
 Jackson, Mr Stewart  
 Javid, rh Sajid  
 Jayawardena, Mr Ranil  
 Jenkin, Mr Bernard  
 Jenkyns, Andrea  
 Jenrick, Robert  
 Johnson, Boris  
 Johnson, Gareth  
 Johnson, Joseph  
 Jones, Andrew  
 Jones, rh Mr David  
 Jones, Mr Marcus  
 Kawczynski, Daniel  
 Kennedy, Seema  
 Kirby, Simon  
 Knight, rh Sir Greg  
 Knight, Julian  
 Kwarteng, Kwasi  
 Lancaster, Mark  
 Latham, Pauline  
 Leadsom, Andrea  
 Lefroy, Jeremy  
 Leigh, Sir Edward  
 Leslie, Charlotte  
 Letwin, rh Mr Oliver  
 Lewis, Brandon  
 Lewis, rh Dr Julian  
 Liddell-Grainger, Mr Ian  
 Lidington, rh Mr David  
 Lilley, rh Mr Peter

Lopresti, Jack  
 Lord, Jonathan  
 Loughton, Tim  
 Lumley, Karen  
 Mackinlay, Craig  
 Mackintosh, David  
 Main, Mrs Anne  
 Mak, Mr Alan  
 Malthouse, Kit  
 Mann, Scott  
 Mathias, Dr Tania  
 May, rh Mrs Theresa  
 Maynard, Paul  
 McCartney, Jason  
 McLoughlin, rh Mr Patrick  
 McPartland, Stephen  
 Menzies, Mark  
 Mercer, Johnny  
 Merriman, Huw  
 Metcalfe, Stephen  
 Miller, rh Mrs Maria  
 Milling, Amanda  
 Mills, Nigel  
 Milton, rh Anne  
 Mitchell, rh Mr Andrew  
 Mordaunt, Penny  
 Morgan, rh Nicky  
 Morris, Anne Marie  
 Morris, David  
 Morris, James  
 Morton, Wendy  
 Mowat, David  
 Mundell, rh David  
 Murray, Mrs Sheryll  
 Murrison, Dr Andrew  
 Neill, Robert  
 Newton, Sarah  
 Nokes, Caroline  
 Norman, Jesse  
 Nuttall, Mr David  
 Offord, Dr Matthew  
 Opperman, Guy  
 Osborne, rh Mr George  
 Parish, Neil  
 Patel, rh Priti  
 Pawsey, Mark  
 Penning, rh Mike  
 Penrose, John  
 Percy, Andrew  
 Perry, Claire  
 Philp, Chris  
 Pickles, rh Sir Eric  
 Pincher, Christopher  
 Prentis, Victoria  
 Pritchard, Mark  
 Pursglove, Tom  
 Quin, Jeremy  
 Quince, Will  
 Raab, Mr Dominic  
 Redwood, rh John  
 Rees-Mogg, Mr Jacob  
 Robertson, Mr Laurence  
 Robinson, Mary  
 Rosindell, Andrew  
 Rudd, rh Amber  
 Rutley, David  
 Sandbach, Antoinette  
 Scully, Paul  
 Selous, Andrew  
 Shapps, rh Grant  
 Sharma, Alok  
 Shelbrooke, Alec

Simpson, rh Mr Keith  
 Skidmore, Chris  
 Smith, Chloe  
 Smith, Henry  
 Smith, Julian  
 Smith, Royston  
 Soames, rh Sir Nicholas  
 Solloway, Amanda  
 Soubry, rh Anna  
 Stephenson, Andrew  
 Stewart, Bob  
 Stewart, Iain  
 Stewart, Rory  
 Streeter, Mr Gary  
 Stride, Mel  
 Stuart, Graham  
 Sturdy, Julian  
 Sunak, Rishi  
 Swayne, rh Mr Desmond  
 Swire, rh Mr Hugo  
 Syms, Mr Robert  
 Thomas, Derek  
 Timpson, Edward  
 Tolhurst, Kelly  
 Tomlinson, Justin  
 Tomlinson, Michael  
 Tracey, Craig  
 Trevelyan, Mrs Anne-Marie  
 Truss, rh Elizabeth

Tugendhat, Tom  
 Turner, Mr Andrew  
 Tyrie, rh Mr Andrew  
 Vaizey, Mr Edward  
 Vara, Mr Shailesh  
 Vickers, Martin  
 Walker, Mr Charles  
 Walker, Mr Robin  
 Wallace, Mr Ben  
 Warburton, David  
 Warman, Matt  
 Watkinson, Dame Angela  
 Wharton, James  
 Whately, Helen  
 Wheeler, Heather  
 White, Chris  
 Whittaker, Craig  
 Whittingdale, rh Mr John  
 Wiggin, Bill  
 Williamson, rh Gavin  
 Wilson, Mr Rob  
 Wollaston, Dr Sarah  
 Wood, Mike  
 Wragg, William  
 Wright, rh Jeremy  
 Zahawi, Nadhim

**Tellers for the Noes:**  
 Margot James and  
 George Hollingbery

*Question accordingly negated.*

*Question put, That the Bill be now read a Second time.*

*The House divided: Ayes 292, Noes 257.*

**Division No. 180]**

**[7.27 pm**

**AYES**

Adams, Nigel  
 Afriyie, Adam  
 Aldous, Peter  
 Allan, Lucy  
 Allen, Heidi  
 Andrew, Stuart  
 Ansell, Caroline  
 Argar, Edward  
 Atkins, Victoria  
 Bacon, Mr Richard  
 Baker, Mr Steve  
 Baldwin, Harriett  
 Barclay, Stephen  
 Barwell, Gavin  
 Bebb, Guto  
 Bellingham, Sir Henry  
 Benyon, Richard  
 Beresford, Sir Paul  
 Berry, Jake  
 Berry, James  
 Bingham, Andrew  
 Blackman, Bob  
 Blunt, Crispin  
 Boles, Nick  
 Bone, Mr Peter  
 Borwick, Victoria  
 Bottomley, Sir Peter  
 Bradley, Karen  
 Brazier, Mr Julian  
 Bridgen, Andrew  
 Brokenshire, rh James  
 Bruce, Fiona  
 Buckland, Robert  
 Burns, Conor  
 Burns, rh Sir Simon  
 Burrowes, Mr David  
 Burt, rh Alistair  
 Cairns, Alun  
 Carmichael, Neil  
 Cartledge, James  
 Cash, Sir William  
 Caulfield, Maria  
 Chalk, Alex  
 Chishti, Rehman  
 Churchill, Jo  
 Clark, rh Greg  
 Cleverly, James  
 Clifton-Brown, Geoffrey  
 Coffey, Dr Thérèse  
 Colville, Oliver  
 Costa, Alberto  
 Cox, Mr Geoffrey  
 Crabb, rh Stephen  
 Davies, Byron  
 Davies, Chris  
 Davies, David T. C.  
 Davies, Glyn  
 Davies, Dr James  
 Davies, Mims  
 Davies, Philip  
 Davis, rh Mr David  
 Dinenage, Caroline  
 Djanogly, Mr Jonathan  
 Donelan, Michelle

Double, Steve  
 Dowden, Oliver  
 Doyle-Price, Jackie  
 Drummond, Mrs Flick  
 Duddridge, James  
 Duncan, rh Sir Alan  
 Duncan Smith, rh Mr Iain  
 Dunne, Mr Philip  
 Ellis, Michael  
 Ellison, Jane  
 Elphicke, Charlie  
 Eustice, George  
 Evans, Graham  
 Evans, Mr Nigel  
 Evennett, rh Mr David  
 Fabricant, Michael  
 Fallon, rh Michael  
 Fernandes, Suella  
 Field, rh Mark  
 Fox, rh Dr Liam  
 Frazer, Lucy  
 Freer, Mike  
 Fuller, Richard  
 Fysh, Marcus  
 Gale, Sir Roger  
 Garnier, rh Sir Edward  
 Garnier, Mark  
 Gauke, Mr David  
 Ghani, Nusrat  
 Gibb, Mr Nick  
 Gillan, rh Mrs Cheryl  
 Glen, John  
 Graham, Richard  
 Grant, Mrs Helen  
 Gray, Mr James  
 Grayling, rh Chris  
 Green, Chris  
 Green, rh Damian  
 Grieve, rh Mr Dominic  
 Griffiths, Andrew  
 Gummer, Ben  
 Gyimah, Mr Sam  
 Halfon, rh Robert  
 Hall, Luke  
 Hammond, Stephen  
 Hancock, rh Matthew  
 Hands, rh Greg  
 Harper, rh Mr Mark  
 Harrington, Richard  
 Hart, Simon  
 Haselhurst, rh Sir Alan  
 Heald, Sir Oliver  
 Heappey, James  
 Heaton-Harris, Chris  
 Heaton-Jones, Peter  
 Henderson, Gordon  
 Herbert, rh Nick  
 Hinds, Damian  
 Hoare, Simon  
 Hollinrake, Kevin  
 Hollobone, Mr Philip  
 Holloway, Mr Adam  
 Hopkins, Kris  
 Howarth, Sir Gerald  
 Howell, John  
 Howlett, Ben  
 Huddleston, Nigel  
 Hunt, rh Mr Jeremy  
 Hurd, Mr Nick  
 Jackson, Mr Stewart  
 Javid, rh Sajid  
 Jayawardena, Mr Ranil

Jenkin, Mr Bernard  
 Jenkyns, Andrea  
 Jenrick, Robert  
 Johnson, Boris  
 Johnson, Gareth  
 Jones, Andrew  
 Jones, rh Mr David  
 Jones, Mr Marcus  
 Kawczynski, Daniel  
 Kennedy, Seema  
 Kirby, Simon  
 Knight, rh Sir Greg  
 Knight, Julian  
 Kwarteng, Kwasi  
 Lancaster, Mark  
 Latham, Pauline  
 Leadsom, Andrea  
 Lefroy, Jeremy  
 Leigh, Sir Edward  
 Leslie, Charlotte  
 Letwin, rh Mr Oliver  
 Lewis, Brandon  
 Lewis, rh Dr Julian  
 Liddell-Grainger, Mr Ian  
 Lidington, rh Mr David  
 Lilley, rh Mr Peter  
 Lopresti, Jack  
 Lord, Jonathan  
 Loughton, Tim  
 Lumley, Karen  
 Mackinlay, Craig  
 Mackintosh, David  
 Main, Mrs Anne  
 Mak, Mr Alan  
 Malthouse, Kit  
 Mann, Scott  
 Mathias, Dr Tania  
 May, rh Mrs Theresa  
 Maynard, Paul  
 McCartney, Jason  
 McCartney, Karl  
 McLoughlin, rh Mr Patrick  
 McPartland, Stephen  
 Menzies, Mark  
 Mercer, Johnny  
 Merriman, Huw  
 Metcalfe, Stephen  
 Miller, rh Mrs Maria  
 Milling, Amanda  
 Mills, Nigel  
 Milton, rh Anne  
 Mitchell, rh Mr Andrew  
 Mordaunt, Penny  
 Morgan, rh Nicky  
 Morris, Anne Marie  
 Morris, David  
 Morris, James  
 Morton, Wendy  
 Mowat, David  
 Mundell, rh David  
 Murray, Mrs Sheryll  
 Murrison, Dr Andrew  
 Neill, Robert  
 Newton, Sarah  
 Nokes, Caroline  
 Norman, Jesse  
 Nuttall, Mr David  
 Offord, Dr Matthew  
 Opperman, Guy  
 Osborne, rh Mr George  
 Parish, Neil  
 Patel, rh Priti

Pawsey, Mark  
 Penning, rh Mike  
 Penrose, John  
 Percy, Andrew  
 Perry, Claire  
 Philp, Chris  
 Pickles, rh Sir Eric  
 Pincher, Christopher  
 Prentis, Victoria  
 Prisk, Mr Mark  
 Pritchard, Mark  
 Pursglove, Tom  
 Quin, Jeremy  
 Quince, Will  
 Raab, Mr Dominic  
 Redwood, rh John  
 Rees-Mogg, Mr Jacob  
 Robertson, Mr Laurence  
 Robinson, Mary  
 Rosindell, Andrew  
 Rudd, rh Amber  
 Rutley, David  
 Sandbach, Antoinette  
 Scully, Paul  
 Selous, Andrew  
 Shapps, rh Grant  
 Sharma, Alok  
 Shelbrooke, Alec  
 Simpson, rh Mr Keith  
 Skidmore, Chris  
 Smith, Chloe  
 Smith, Henry  
 Smith, Julian  
 Smith, Royston  
 Soames, rh Sir Nicholas  
 Solloway, Amanda  
 Soubry, rh Anna  
 Spelman, rh Mrs Caroline  
 Stephenson, Andrew  
 Stewart, Bob  
 Stewart, Iain  
 Stewart, Rory  
 Streeter, Mr Gary  
 Stride, Mel

Stuart, Graham  
 Sturdy, Julian  
 Sunak, Rishi  
 Swayne, rh Mr Desmond  
 Swire, rh Mr Hugo  
 Syms, Mr Robert  
 Thomas, Derek  
 Timpson, Edward  
 Tolhurst, Kelly  
 Tomlinson, Justin  
 Tomlinson, Michael  
 Tracey, Craig  
 Trevelyan, Mrs Anne-Marie  
 Truss, rh Elizabeth  
 Tugendhat, Tom  
 Turner, Mr Andrew  
 Tyrie, rh Mr Andrew  
 Vaizey, Mr Edward  
 Vara, Mr Shailesh  
 Vickers, Martin  
 Walker, Mr Charles  
 Walker, Mr Robin  
 Wallace, Mr Ben  
 Warburton, David  
 Warman, Matt  
 Watkinson, Dame Angela  
 Wharton, James  
 Whately, Helen  
 Wheeler, Heather  
 White, Chris  
 Whittaker, Craig  
 Whittingdale, rh Mr John  
 Wiggan, Bill  
 Williamson, rh Gavin  
 Wilson, Mr Rob  
 Wollaston, Dr Sarah  
 Wood, Mike  
 Wragg, William  
 Wright, rh Jeremy  
 Zahawi, Nadhim

**Tellers for the Ayes:**  
**Margot James and**  
**George Hollingbery**

## NOES

Abbott, Ms Diane  
 Abrahams, Debbie  
 Ahmed-Sheikh, Ms Tasmina  
 Alexander, Heidi  
 Ali, Rushanara  
 Allen, Mr Graham  
 Anderson, Mr David  
 Arkless, Richard  
 Ashworth, Jonathan  
 Austin, Ian  
 Bailey, Mr Adrian  
 Bardell, Hannah  
 Barron, rh Kevin  
 Beckett, rh Margaret  
 Benn, rh Hilary  
 Berger, Luciana  
 Betts, Mr Clive  
 Black, Mhairi  
 Blackford, Ian  
 Blackman, Kirsty  
 Blackman-Woods, Dr Roberta  
 Blenkinsop, Tom  
 Blomfield, Paul  
 Boswell, Philip  
 Bradshaw, rh Mr Ben

Brake, rh Tom  
 Brennan, Kevin  
 Brock, Deidre  
 Brown, Alan  
 Brown, Lyn  
 Bryant, Chris  
 Buck, Ms Karen  
 Burgon, Richard  
 Burnham, rh Andy  
 Butler, Dawn  
 Byrne, rh Liam  
 Cadbury, Ruth  
 Cameron, Dr Lisa  
 Campbell, rh Mr Alan  
 Campbell, Mr Ronnie  
 Carmichael, rh Mr Alistair  
 Champion, Sarah  
 Cherry, Joanna  
 Coaker, Vernon  
 Coffey, Ann  
 Cooper, Julie  
 Cooper, Rosie  
 Cooper, rh Yvette  
 Corbyn, rh Jeremy  
 Cox, Jo

Coyle, Neil  
Crausby, Mr David  
Crawley, Angela  
Creagh, Mary  
Creasy, Stella  
Cruddas, Jon  
Cryer, John  
Cummins, Judith  
Cunningham, Alex  
Cunningham, Mr Jim  
Dakin, Nic  
Danczuk, Simon  
David, Wayne  
Day, Martyn  
De Piero, Gloria  
Docherty, Martin John  
Dodds, rh Mr Nigel  
Donaldson, Stuart Blair  
Doughty, Stephen  
Dowd, Jim  
Dowd, Peter  
Dromey, Jack  
Dugher, Michael  
Durkan, Mark  
Eagle, Ms Angela  
Eagle, Maria  
Edwards, Jonathan  
Efford, Clive  
Elliott, Julie  
Ellman, Mrs Louise  
Esterson, Bill  
Farrelly, Paul  
Fellows, Marion  
Fitzpatrick, Jim  
Fletcher, Colleen  
Flint, rh Caroline  
Flynn, Paul  
Fovargue, Yvonne  
Gardiner, Barry  
Gethins, Stephen  
Gibson, Patricia  
Glass, Pat  
Glindon, Mary  
Goodman, Helen  
Grady, Patrick  
Grant, Peter  
Green, Kate  
Greenwood, Lilian  
Greenwood, Margaret  
Griffith, Nia  
Gwynne, Andrew  
Haigh, Louise  
Hamilton, Fabian  
Hanson, rh Mr David  
Harris, Carolyn  
Hayes, Helen  
Hayman, Sue  
Healey, rh John  
Hendrick, Mr Mark  
Hendry, Drew  
Hepburn, Mr Stephen  
Hermon, Lady  
Hodgson, Mrs Sharon  
Hollern, Kate  
Hopkins, Kelvin  
Hosie, Stewart  
Howarth, rh Mr George  
Huq, Dr Rupa  
Hussain, Imran  
Irranca-Davies, Huw  
Jarvis, Dan  
Johnson, Diana  
Jones, Gerald  
Jones, Helen  
Jones, Susan Elan  
Kaufman, rh Sir Gerald  
Kealey, Barbara  
Kendall, Liz  
Kerevan, George  
Kinnock, Stephen  
Kyle, Peter  
Lamb, rh Norman  
Lammy, rh Mr David  
Lavery, Ian  
Lewell-Buck, Mrs Emma  
Lewis, Clive  
Lewis, Mr Ivan  
Long Bailey, Rebecca  
Lucas, Caroline  
Lucas, Ian C.  
Lynch, Holly  
MacNeil, Mr Angus Brendan  
Mactaggart, rh Fiona  
Madders, Justin  
Mahmood, Mr Khalid  
Mahmood, Shabana  
Malhotra, Seema  
Mann, John  
Marris, Rob  
Marsden, Mr Gordon  
Maskell, Rachael  
Matheson, Christian  
Mc Nally, John  
McCabe, Steve  
McCaig, Callum  
McCarthy, Kerry  
McDonagh, Siobhain  
McDonald, Andy  
McDonald, Stewart Malcolm  
McDonald, Stuart C.  
McDonnell, John  
McFadden, rh Mr Pat  
McGarry, Natalie  
McGinn, Conor  
McGovern, Alison  
McInnes, Liz  
McKinnell, Catherine  
McMahon, Jim  
Meale, Sir Alan  
Mearns, Ian  
Miliband, rh Edward  
Monaghan, Dr Paul  
Moon, Mrs Madeleine  
Morden, Jessica  
Morris, Grahame M.  
Mulholland, Greg  
Mullin, Roger  
Murray, Ian  
Newlands, Gavin  
Nicolson, John  
O'Hara, Brendan  
Onn, Melanie  
Onwurah, Chi  
Osamor, Kate  
Oswald, Kirsten  
Owen, Albert  
Paterson, Steven  
Pearce, Teresa  
Pennycook, Matthew  
Perkins, Toby  
Phillips, Jess  
Pound, Stephen  
Powell, Lucy  
Pugh, John

Rayner, Angela  
Reed, Mr Jamie  
Reed, Mr Steve  
Rees, Christina  
Reeves, Rachel  
Reynolds, Jonathan  
Rimmer, Marie  
Ritchie, Ms Margaret  
Robinson, Gavin  
Robinson, Mr Geoffrey  
Rotheram, Steve  
Ryan, rh Joan  
Saville Roberts, Liz  
Shah, Naz  
Sharma, Mr Virendra  
Sheppard, Tommy  
Sherriff, Paula  
Shuker, Mr Gavin  
Siddiq, Tulip  
Skinner, Mr Dennis  
Slaughter, Andy  
Smeeth, Ruth  
Smith, rh Mr Andrew  
Smith, Angela  
Smith, Cat  
Smith, Nick  
Smith, Owen  
Smyth, Karin  
Spellar, rh Mr John  
Starmer, Keir  
Stephens, Chris  
Stevens, Jo  
Streeting, Wes  
Stringer, Graham  
Stuart, rh Ms Gisela  
Tami, Mark  
Thewliss, Alison  
Thomas, Mr Gareth  
Thomson, Michelle  
Thornberry, Emily  
Timms, rh Stephen  
Trickett, Jon  
Turley, Anna  
Turner, Karl  
Twigg, Derek  
Twigg, Stephen  
Umunna, Mr Chuka  
Vaz, rh Keith  
Vaz, Valerie  
Weir, Mike  
Whiteford, Dr Eilidh  
Whitehead, Dr Alan  
Whitford, Dr Philippa  
Williams, Hywel  
Williams, Mr Mark  
Wilson, Corri  
Wilson, Sammy  
Winnick, Mr David  
Winterton, rh Dame Rosie  
Wishart, Pete  
Woodcock, John  
Wright, Mr Iain  
Zeichner, Daniel  
**Tellers for the Noes:**  
**Jeff Smith and**  
**Vicky Foxcroft**

*Question accordingly agreed to.*

*Bill read a Second time.*

### **BANK OF ENGLAND AND FINANCIAL SERVICES BILL [LORDS] (PROGRAMME)**

*Motion made, and Question put forthwith (Standing  
Order No. 83A(7)),*

That the following provisions shall apply to the Bank of  
England and Financial Services Bill [Lords]:

#### *Committal*

(1) The Bill shall be committed to a Public Bill Committee.

#### *Proceedings in Public Bill Committee*

(2) Proceedings in the Public Bill Committee shall (so far as  
not previously concluded) be brought to a conclusion on Tuesday  
23 February 2016.

(3) The Public Bill Committee shall have leave to sit twice on  
the first day on which it meets.

#### *Proceedings on Consideration and up to and including Third Reading*

(4) Proceedings on Consideration and any proceedings in  
Legislative Grand Committee shall (so far as not previously  
concluded) be brought to a conclusion one hour before the  
moment of interruption on the day on which proceedings on  
Consideration are commenced.

(5) Proceedings on Third Reading shall (so far as not previously  
concluded) be brought to a conclusion at the moment of interruption  
on that day.

(6) Standing Order No. 83B (Programming committees) shall  
not apply to proceedings on Consideration and up to and including  
Third Reading.

#### *Other proceedings*

(7) Any other proceedings on the Bill (including any proceedings  
on consideration of any message from the Lords) may be  
programmed.—(*Simon Kirby.*)

*Question agreed to.*

**BANK OF ENGLAND AND FINANCIAL  
SERVICES BILL [LORDS] (WAYS AND MEANS)**

*Motion made and Question put forthwith (Standing Order No. 52(1)(a)),*

That, for the purposes of any Act resulting from the Bank of England and Financial Services Bill [Lords], it is expedient to authorise:

(1) provision about the fiscal consequences of transferring property, rights and liabilities from the Prudential Regulation Authority to the Bank of England;

(2) the imposition of charges for the purpose of meeting expenses incurred in connection with action against illegal money lending;

(3) the payment of sums into the Consolidated Fund.—(*Simon Kirby.*)

*Question agreed to.*

**BANK OF ENGLAND AND FINANCIAL  
SERVICES BILL [LORDS] (MONEY)**

*Queen's recommendation signified.*

*Motion made and Question put forthwith (Standing Order No. 52(1)(a)),*

That, for the purposes of any Act resulting from the Bank of England and Financial Services Bill [Lords], it is expedient to authorise the payment out of money provided by Parliament of:

(1) any expenditure incurred under or by virtue of the Act by the Treasury; and

(2) any increase attributable to the Act in the sums payable under any other Act out of money so provided.—(*Simon Kirby.*)

*Question agreed to.*

## Backbench Business

### Financial Conduct Authority

**Mr Deputy Speaker (Mr Lindsay Hoyle):** I call Guto Bebb to move the motion. You have 10 to 15 minutes.

7.39 pm

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

That this House believes that the Financial Conduct Authority in its current form is not fit for purpose; and has no confidence in its existing structure and procedures.

It is four years since I first raised the issue of interest swap mis-selling in this Chamber. Since then, I have led three Back-Bench business debates on the issue; an Adjournment debate on the Connaught Income Fund, which is another example of financial mis-selling; and a debate on the global restructuring group. I have also contributed to an effort to secure a debate on the future of the Royal Bank of Scotland. It is clear that I have attempted to utilise this House to bring to the attention of Members and the wider public the issue of financial mismanagement and the lack of financial regulation in the marketplace.

Some people have argued that this debate and this motion are premature. Given the evidence and information that I will present, I argue that they are long overdue. We must remember that the Financial Conduct Authority has a clear and specific mission statement:

“We aim to make sure that financial markets work well so that consumers get a fair deal.”

It states:

“This means ensuring that the financial industry is run with integrity, firms provide consumers with appropriate products and services, and consumers can trust that firms have their best interests at heart”.

I believe that the five examples that I will give in my opening speech make it clear that the Financial Conduct Authority is failing against that mission statement.

I will highlight five areas. First, I will touch on the voluntary redress scheme for the mis-selling of interest rate swap products. When I am feeling positive, I think it is a glass-half-full redress scheme, but most of the time I believe that it is a glass-half-empty one. The fact that the glass is half empty after four years is something that I take quite personally.

**Heather Wheeler (South Derbyshire) (Con):** Does my hon. Friend agree that the glass being half full has been okay for some constituents, but that for those who are looking for consequential losses as well, the glass has been absolutely empty?

**Guto Bebb:** My hon. Friend makes an important point about one of the failures of the redress scheme. Too often, the FCA has hidden behind the argument that 80% of the people involved in the redress scheme have accepted their outcome. What it is not willing to admit is that people have accepted the outcome under duress because they needed to keep ahead and get their lives back on track.

The other four areas that I will talk about are the Connaught Income Fund, the FCA's involvement in the report on the failures of HBOS, the promised report on

the global restructuring group and the decision not to move ahead with the review of banking culture, which was communicated on new year's eve.

**Daniel Kawczynski** (Shrewsbury and Atcham) (Con): My hon. Friend is aware of the case of my constituents, Mr and Mrs Bennett from Dorrington, which I have shared with him. They have been treated appallingly by RBS and there has been a complete lack of interest from the FCA. I am grateful to him for taking this matter on and urge him to continue the campaign most vigorously.

**Guto Bebb:** I am grateful to my hon. Friend for those comments. I will touch on RBS's involvement in the redress scheme.

There are concerns about the way in which the interest rate redress scheme was put together. It was a voluntary agreement. One of my first questions, which I still have, was about the arbitrary way in which 10,000 businesses were excluded from the scheme for no apparent reason. Because of an arbitrary decision by the FCA, those businesses were excluded from any means of support under the redress scheme. That decision still is not fully understood. I have raised that issue before and would be more than happy to hear the Minister's comments on it.

Of more concern is the fact that, throughout the process, there has been a lack of willingness from the FCA to explain what they are doing. For two years, the redress scheme was in existence, but the FCA did not share the rules of the scheme. Businesses that had been declined redress within the scheme were appealing the decisions without knowing what the rules were.

**Sir Simon Burns** (Chelmsford) (Con): Does my hon. Friend accept that people such as my constituent, Larry Berkovitz, have been so frustrated by how long, drawn-out and time consuming the process is that they feel as if they are hitting their head against a brick wall to try to get justice?

**Guto Bebb:** I sympathise fully. When I established the all-party parliamentary group on interest rate swap mis-selling, I expected it to be closed within a year. Four years later, I am still raising debates on the issue, so I share the concern that people are knocking their heads against a wall and getting nowhere.

The Treasury Committee intervened and the FCA finally published its rules in February 2015. Therefore, it can be argued that for two years, every appeal was being made in the dark. The release of the rules led to a further complication. It suddenly became apparent that the way in which the customers of RBS were being treated in the redress scheme was significantly different from the way in which the customers of other banks were being treated.

The APPG did a significant analysis of cases that had been through the redress scheme. It showed clearly that the chances of getting a swap for a swap outcome was much stronger for RBS customers than for customers of other banks. A swap for a swap outcome basically means that the redress to which someone is entitled is significantly less than it would otherwise be. The reason was that RBS appeared to be relying on a generic condition of lending that was not deemed significant by some banks within the review, but that, for some reason, was deemed sufficient for a swap for a swap outcome by RBS.

I met RBS with other members of the APPG to highlight the discrepancies. We were told that the rules that were released to the Treasury Committee were not rules, but principles. Although those principles had been established for the scheme, apparently 11 different methodologies were agreed with 11 different banks. It is arguable that the Treasury Committee was misled because when it asked for the rules, it is unclear whether it got rules or principles.

I ask again: if a business does not feel that it received an adequate offer from a bank, how can it challenge the decision if it does not know what the methodology was? I met the FCA, because RBS was perfectly happy about this issue. It said, "We have a methodology that we have agreed with the FCA and we are delivering on it." When I met the FCA, it confirmed that it had different methodologies within the scheme, but, again, it did not share those with me. If an RBS customer is unhappy with their outcome, it is difficult for them to argue their case, because they are not being provided with the information that they need to do so.

**Mr Nigel Evans** (Ribble Valley) (Con): Does my hon. Friend agree that the FCA ought to look at transparency, speed and fairness? It seems to me that the FCA has taken no regard of the fact that many of our constituents—probably running into the hundreds of thousands across the country—have lost tens of thousands of pounds. In many cases, these are elderly people who were relying on that money to keep them into their old age.

**Guto Bebb:** I endorse those comments completely.

Swap for swap outcomes are much more likely for RBS customers and the percentage of non-compliant sales that do not result in a tear-up of the agreement within RBS has gone from about 40% to about 60%, which is not in line with other examples. I would argue that the voluntary scheme that the FCA put together is not delivering and is not being monitored in accordance with the FCA's mission statement. I will leave that issue there because I have spoken at length about interest rate swap mis-selling in this Chamber and made my concerns known time and again.

When the voluntary redress scheme was announced, we thought that the inclusion of consequential losses was a pleasant surprise. I am afraid that we were being overly optimistic. Our analysis of the redress scheme showed that in 50% of the 3,104 cases that we looked at, no consequential losses were received, and in 85% of the cases that did receive consequential losses, they amounted to less than £10,000. I have personally seen dozens of well-argued cases in the redress scheme that have been rejected by the banks without an explanation. Even worse, the business is allowed one appeal against that decision without knowing the basis on which it has been rejected—it has one opportunity to challenge, and invariably that challenge fails. On consequential losses we are again failing businesses.

Time and again cases go to court. They are often settled outside court, where the settlement will be better than what was offered under the redress scheme, and that should be a cause of concern for the regulator. Of perhaps even more concern to Members of the House is the fact that time and again gagging orders are placed on those settlements by a taxpayer-funded bank on the back of taxpayers. I find that utterly unacceptable.

[Guto Bebb]

Let me move on to the Connaught Income Fund, which creates a real problem concerning regulation in this country. The regulator was informed not of mismanagement but of fraudulent behaviour, yet it took four months before it put a notice on its website to highlight its concerns and say that the fund in question was not as safe as a bank account, and a further year before that fund was wound up. In the meantime, between the whistleblower informing the regulator about the problem with Connaught and the winding up of the scheme, more than half the total investments into the Connaught income stream occurred. It could therefore be argued that the regulator was responsible for at least half the fund.

**Dame Angela Watkinson** (Hornchurch and Upminster) (Con): Dr Eric Saunderson is one of many constituents who made significant losses under the Connaught investment scheme. He is not just frustrated by the inordinate length of time that the FCA is taking to investigate that and decide what compensation might be payable, but he is still unclear as to whether that compensation—once decided—will be paid directly to investors or put into the suspended Connaught fund.

**Guto Bebb:** My hon. Friend makes an important point, and there is a lack of clarity on that issue. Only last week the FCA decided to publish on its website the fact that there has been a settlement between the liquidators and Capita. Interestingly, the decision to publish that statement on its website breached the confidentiality agreement. Therefore, the regulator was commenting on a settlement, but the parties to that settlement were not able to offer any advice because there is a confidentiality agreement. The FCA has a track record of being accused of breaching confidentiality, but to publish the fact that it is taking a degree of responsibility for the outcome is utterly unacceptable in view of the fact that the liquidators are stating categorically that they are not associating themselves in any way, shape or form with the statement, that they do not agree with aspects of that statement, and that the only reason they had to force a settlement was that the mediation that the FCA decided to try to arrange was not successful. Indeed, the decision to finish the mediation was made without consultation. For the regulator to make a statement on its website that is then categorically denied by the parties to the agreement is a matter of concern.

**Dr Tania Mathias** (Twickenham) (Con): Does my hon. Friend agree that with the Connaught inquiry the FCA has been too slow and not transparent enough for investors?

**Guto Bebb:** Of course I agree, and I will quickly run through my points about Connaught, because there are questions to ask the regulator. Will the settlement result in full compensation and a settlement for investors? Probably not. How is the settlement relevant to the FCA's ongoing investigation into the operators? We do not know. Is it correct to state that the FCA was involved, or is that simply because the litigators were in a situation where the failure to mediate the decision to hold an investigation took place without any consultation? Is this settlement better than what was almost agreed under the FCA's mediation process? If it is, why 18 months down the line have investors waited even longer for a settlement?

**Andrew Bingham** (High Peak) (Con): My hon. Friend has done a lot of work on this issue, including in the all-party group on interest rate mis-selling during the last Parliament. The problem is that we are still here and the FCA seems to be blundering around in the dark—we are talking about people's money and investments.

I have constituents—I will not mention their names because I do not have their permission—who are out of pocket by a large amount of money. They are struggling while the FCA plays around and does nothing about this issue. It should start doing what it was supposed to do in the first place.

**Guto Bebb:** The mood of the House is fairly clear. Indeed, every time we debate these issues the House has been clear, but I am afraid the regulator has not responded.

I am conscious of the time, Mr Deputy Speaker. I promised to touch on three other areas, but I will do so quickly. There is a real question mark about why the decision to cancel the review into banking culture was taken at short notice, with an announcement made on new year's eve—that was surprising in itself. Perhaps even more surprising is that the decision was made by FCA executives without consultation with the FCA board—the FCA itself has questioned governance within the organisation. If a decision of that importance is made without advance consultation with the board, the question of governance is important.

The review into banking culture was part and parcel of the business plan for the FCA, yet suddenly it disappeared. Even more importantly, in a public meeting on 22 July, the FCA stated categorically that that review was an essential part of the new management of the banking sector. When that was pointed out to the FCA when it announced its decision to curtail the inquiry, it denied to *The Financial Times* that the issue of a review had ever been raised at a public meeting. However, the minutes of that public meeting are clear, and the regulator was stating an untruth to our No. 1 financial paper. That does not give me any confidence in the regulator.

There are two other reasons why we need this banking review. First, a review of the report commissioned by the FCA into HBOS highlighted careless and selective use of evidence, factual inaccuracies and a lack of context, express and implied criticism of individuals that was not substantiated by the facts, undue reliance on the evidence of certain individuals, and delay—the report took three years to be produced.

Will we ever see the report into the Global Restructuring Group? Many hon. Members have come across GRG. A section 166 investigation was ordered by the FCA in 2014, but we are yet to see any evidence of it. The acting chief executive, Tracey McDermott, stated on 21 January that that investigation is in the pipeline, but I wonder whether we should have any confidence in that. After all, less than six months ago the review into banking culture was in the pipeline. I am concerned about the Global Restructuring Group and whether we will ever see the section 166 report.

In conclusion—I am rushing because of time—all those issues raise significant questions. Does the regulator have a sweetheart deal with RBS? That is a serious yet reasonable question to ask. Considering the way that the interest rate swap redress scheme has operated, there is a question mark over why RBS is being treated differently?

Has the FCA allowed the banks off the hook too easily? Is the regulator acting in a timely fashion? All those questions need to be responded to, and I argue that there is real doubt about them all.

The regulator must work with integrity and be independent to deliver in the interests of a healthy financial marketplace. It must ensure a system that treats customers fairly, but to do that it needs the confidence and respect of stakeholders. That respect and confidence has been lost in the outside world. Whether it has been lost in this Chamber remains to be seen, but when a regulator's integrity is being questioned to this extent, there are questions to be answered by that regulator and by the Treasury responsible for it. I thank hon. Members for their time, and I hope that other speakers will raise other important issues about the way that the FCA is operating.

**Several hon. Members** *rose*—

**Mr Deputy Speaker (Mr Lindsay Hoyle):** Order. I now introduce an eight-minute time limit.

7.58 pm

**John Mann (Bassetlaw) (Lab):** My constituent, Steven Jones, is a successful entrepreneur and businessman in my area, who was advised about and then sold an interest rate hedging product by RBS in 2009. RBS's own investigation showed that the cost of the swap was never mentioned at all, but instead a series of emails showed that a section of RBS was desperately keen for such products to be sold.

The evidence of mis-selling is provided by RBS and is done so without ambiguity. However, the FCA system allows RBS and other banks to run their own systems of redress. Mr Jones has lost a significant amount of money through no fault of his own. He was mis-sold and misled on the product and the RBS documents, explicitly annotated, show that that was the case. He is left only with the choice of going to court against a Government-owned major bank, something that in itself would be financially extremely difficult to do. That highlights and strengthens the case made by the hon. Member for Aberconwy (Guto Bebb). There are many such people: individual entrepreneurs who have not been dealt with properly because of the rules brought in by the FCA.

Let me highlight a second case in an entirely new area, which was brought to me by Helen Scott of Eris FX. When people buy a property or car abroad, payment will be needed in the national currency where the purchase is legally taking place. This means people will need to access the Forex markets. Generally, they cannot do that themselves and need to use a broker. This market is estimated to be worth £60 billion a year. Some of the biggest specialist brokers are methodically misleading consumers with currency converters in their adverts and on their websites, which supply a rate that will not actually be offered.

Ms Scott complained to the FCA, which refused to act. She also took the case to the Advertising Standards Authority, which, on 17 September, judged in her favour that the action was non-compliant with the Consumer Protection from Unfair Trading Regulations 2008. Those are precisely the regulations given to this sector by the Department for Business, Innovation and Skills in September 2012. This means that the companies have

been non-compliant with the Committee of Advertising Practice code and, by definition, that is a condition of their authorisation by the FCA under the payment services directive 2009. Game, set and match, we might think. However, provided with all the evidence by the ASA that the companies are in breach of its rules and advised that it must act, the FCA says, "It is nothing whatever to do with us." It has knowingly failed Ms Scott and many others who are being unfairly kept out of business, and consumers who are going for a rate that has been advertised in a misleading fashion and that they will never get. There is a lack of consumer choice and those entrepreneurial businesses that could be competitive cannot expand, but the regulator—this is in the last three months—has refused to even look at the cases.

This is more than a passing problem. The FCA ought to be strengthened, but it would appear that it is being weakened. With its culture reviewed, dissipated and destroyed, it is being neutered. Two Treasury officials and two Treasury appointees decided on the appointment of the new chief executive. Everything is about "prudential risk" according to the Bank of England and the Treasury, so much so that the head of the Prudential Regulation Authority has now been appointed the head of the FCA. The consumer champions in the FCA have been systematically removed over the past four months, leaving none in place. One can only conclude that the rights of the individual, the rights of the entrepreneur and the rights of the consumer are being subsumed to the big brother of the Bank of England and the Treasury. This leads to a question: are the Government Members here listening to the debate really going to be on the side of big brother doing down the entrepreneur, doing down the individual and doing down the consumer, or will they be on the consumers' side? Big brother is taking over.

The two examples I gave highlight the depth of the problem. These are entrepreneurs seeking to make money legitimately by widening competition and wanting to give the consumer choice: in one case, wishing to borrow money to expand the business in my constituency; in the other case, wishing to allow people who want to buy property or to make other purchases abroad, the ability to obtain a competitive rate of exchange. In a competitive economy, that ought to be what we and those on the Government Benches cherish, nourish and enthusiastically endorse, yet we have a Chancellor of the Exchequer, with his Treasury big brothers around him, and the old lady of Threadneedle Street treating the FCA like an uncle who is hidden away except when he is wheeled out at Christmas and family events. Consumer rights are being ripped away. This House should be standing up for the individual. This House should be standing up for competition. This House should be standing up against big brother. This House should be standing on the side of the entrepreneur. That is what this debate is about. I salute the hon. Member for Aberconwy for bringing it. I hope the House will endorse what he and I, and others, are saying.

8.6 pm

**Mark Garnier (Wyre Forest) (Con):** It is always a great pleasure to follow the hon. Member for Bassetlaw (John Mann). Some of my most entertaining afternoons on the Treasury Committee have been following him when he has been quizzing the Chancellor. Who can

[Mark Garnier]

possibly forget that wonderful moment when he asked the Chancellor whether he had ever visited a Greggs bakery, starting off what then became known as the “omnishambles Budget”? He works very hard.

It is a great pleasure to speak in yet another debate secured by my hon. Friend the Member for Aberconwy (Guto Bebb). He has been a truly extraordinary campaigner in this particular area. Without a shadow of a doubt, he certainly deserved the honour he received in Wales for being the Welsh MP of the year in 2013. He has devoted a huge amount of forensic energy to looking into this subject. I have certainly enjoyed very much the privilege of working with him on the huge area of interest rate hedging products and Connaught, and trying to hold the regulator to account. Without his forensic help, we would have had very dull Treasury Committee meetings. It was he who managed to get hold of the smoking gun about how the regulator has turned its focus possibly to being more supportive of banks than the consumer.

When we consider the content of the speeches in this debate, it is fair to say that the evidence presented to us illustrates that the regulator is not necessarily always entirely fair to the consumer. The evidence supports the perception that the regulator has a pro-bank stance. We heard about the GRG report. If one wants to know what a long-delayed report looks like, look at the HBOS report. We see the guillotine of the PPI claims coming through in the not-too-distant future. We have seen the reverse of the reverse burden of proof for senior managers—we spent a lot of time debating that in the previous debate—and we have seen a change in the terms of the thematic review. I argued that this was a wasted opportunity to change the banking culture.

I completely agree that this is all good evidence for how the regulator is not necessarily standing up for the consumer, but when we look at the motion of no confidence in the regulator, it is fair that we need to take a slightly more rounded view. Have we perhaps, on occasion, been guilty of what sports commentators do when a poor goalkeeper successfully saves many, many shots, but, when he lets through one crucial goal, is criticised by everybody for not being up to the job?

**Anna Turley (Redcar) (Lab/Co-op):** I share the hon. Gentleman’s concern about honing in only on the bad news, but that is cold comfort to the many constituents of ours facing these difficult problems. My constituent Mr Lilley and his family own a small glass and DIY business in the village Marske. They were mis-sold an interest rate hedging product by HSBC and are still owed thousands of pounds because of the difference in the premium. Is that not a perfect example of how the FCA is failing to investigate? This issue is of huge personal significance to our constituents—

**Mr Deputy Speaker (Mr Lindsay Hoyle):** Order.

**Mark Garnier:** The hon. Lady speaks well, and should take as long as she can to make her point.

**Mr Deputy Speaker:** Order. I will make that decision. I do not want us mentioning football either, as I watch Bolton Wanderers. I also ask the hon. Gentleman to talk to the Chair, not the Chamber.

**Mark Garnier:** I apologise, Mr Deputy Speaker. I have been here for five years, so I should know to take this much more seriously.

The hon. Member for Redcar (Anna Turley) is absolutely right. Huge numbers of people have been badly let down by the redress scheme.

**Guto Bebb:** I am an Everton football supporter, and we have been patient with Tim Howard. It is not that he made one mistake and allowed one goal to be scored; he has conceded half a dozen such goals this season. It is the same with the regulator. It is not the one mistake that we complain about; it is a pattern of behaviour.

**Mark Garnier:** I am regretting using the footballing analogy. I am not actually a huge football fan myself.

We have to look across the piece. The FCA has undoubtedly got it completely wrong in many cases—on interest rate hedging products and other things—and it is right that Parliament holds it to account, including through bodies such as the Treasury Select Committee, as a member of which I have a different point of view. I do not share the frustrations of those needing these debates or trying to get appointments upheld by the regulator; I can go along and get stuck in, along with other Committee members. That is the right way to do it.

It is also important to consider the successes. The FCA has managed to bring substantial fines for foreign exchange and LIBOR rigging. It even managed to bring a case through the Serious Fraud Office that sadly resulted in no convictions last week, when six foreign exchangers, who allegedly tried to fiddle the fixings, were acquitted. None the less, to get it to court was quite a success. The FCA has taken over responsibility for consumer credit and debt management from the Office of Fair Trading. It has protected consumers by banning retail sales of contingent convertibles—a technical thing to do with the resolution of failing banks.

Last February, the regulator published a paper aimed at providing help for firms that wanted to look after vulnerable consumers. On encouraging competition in the banking industry, the regulator, along with the PRA, created a challenger bank unit in January to help challenger bank entrants by providing the best regulation and thereby encouraging competition in the banking market. It has also provided an innovation hub, specifically aimed at the “fin tech” area, to help new entrants into the financial services sector to navigate the authorisation process. The regulator is, therefore, trying to do a number of things, and we need to be careful not to throw the baby out with the bathwater.

People worry about several issues. There is a big question about whether the Government are interfering with the regulator. Have they been interfering directly and explicitly? Are they taking it easy on the banks? I suspect that the cancellation of the thematic review might be a red herring. Most banks, given the 8% increase on their corporation tax rate, would argue that the Government are not being lenient on them. The Government are levying a bank levy that will help to repay taxpayers for all the money used to bail out the banks.

The reverse burden of proof has been reversed, but the implementation of ring fencing by 2019 will come at a fantastic cost to the banks of several billion pounds,

in order to make sure that when the next financial crisis hits—there will definitely be another one—the collapsing banks do not take down other banks with them.

**Graham Stuart** (Beverley and Holderness) (Con): My hon. Friend is making a strong case for the role of the FCA in terms of systemic, high-level regulation, but does he think it is fit for purpose in protecting consumers, entrepreneurs and individuals who, from that high level, might not look so important?

**Mark Garnier:** That is obviously the whole point of the debate. The answer, overall, is yes, but I think the regulator gets it wrong on occasions, which is why we have the Treasury Committee and debates such as this—to hold its feet to the fire on specific issues, such as those raised by my hon. Friend the Member for Aberconwy.

It is important to remember that this is a conduct regulator for a global business. It is worth bearing in mind that 2.2 million people work in the industry. It represents about 12% of our GDP and generates about £65 billion a year in tax receipts. This industry is a global industry, and we should be careful about criticising it so vehemently by agreeing on a motion of no confidence. What message would it send to the rest of the world about our ability to regulate the huge amounts of international capital—running into trillions of pounds—that comes and finds a safe haven here in the UK with a regulator it can trust? If we say that the regulator is not fit for purpose, it will send a profound message to a significant part of our economy.

We need to cast an eye to the new chief executive. Andrew Bailey, who is coming from the PRA, has been in front of the Treasury Committee and the Banking Commission many times. I for one have found no reason not to think him an extraordinarily pragmatic, intelligent and wise regulator. Time will tell, and we will have to see how he gets on at the FCA, but it is important that he starts his career at the FCA with our good will, not with the feeling that the FCA is a problem to deal with.

Finally, I want to confront the big question about the possible interference of the Treasury. No matter how many times I ask people—either explicitly or by trying to get them drunk—I can find no evidence of any interference from the Treasury in the work of the regulator. There is possibly an implied interference, however, and one solution could be to give the Treasury Committee a power of veto over the hiring of the next chief executive.

8.17 pm

**Marion Fellows** (Motherwell and Wishaw) (SNP): My reason for speaking in this debate leads on from my Adjournment debate last Monday on the mis-selling of pensions, in advance of which I came up against the FCA for the first time. As a not very qualified and not very long-standing MP, and as someone who has never really had to deal with any of the regulatory bodies, I went to the Library for some background. I asked what turned out to be a very silly question. I asked for a list, going back to the 1990s, of regulators and what they were responsible for, only to be informed by the relevant expert in the Library that it was a huge piece of work and that he could not get it to me in time for this debate. I now perfectly understand that.

My point in telling everyone that and showing my complete ignorance is that normal, everyday people are in exactly the same boat. They do not always understand

where to go to get redress. We are debating the motion today, on the FCA, but that does not mean much to people in the street. They do understand, however, that they do not seem to be getting a very good deal. When I listen to more erudite and learned Members—I do not mean that in the legal sense—I understand even better how my normal, everyday constituents feel. This whole mess of regulation and responsibilities and the attempts to fix it by bringing forward other regulators dealing with yet something else has to stop.

**Daniel Kawczynski:** For some of my constituents—I have mentioned Mr and Mrs Bennett from Dorrington—the litigation costs are absolutely exorbitant, which prevents many constituents from pursuing that line. I echo the hon. Lady's sentiments that people have nowhere to go and no one to turn to in order to explain the appalling things that have happened to them.

**Marion Fellows:** I thank the hon. Gentleman for that intervention, which absolutely confirms what I think and what I said here last week. People cannot afford to go to litigation. Even when they do go, they do not get the satisfaction that they should get because of the mish-mash of regulators and mish-mash of regulations.

I shall sit down at this stage because I believe I have made my point quite clearly. Something needs to be done to take everything back to the stage where people trust regulators, trust banks and trust financial products.

8.20 pm

**Craig Tracey** (North Warwickshire) (Con): I am grateful to you, Mr Deputy Speaker, for the opportunity to speak in the debate. I congratulate my hon. Friend the Member for Aberconwy (Guto Bebb) on securing the debate.

I declare an interest: before coming here, following in the footsteps of my parents who ran their own insurance and financial advice business for 45 years, I ran my own regulated insurance brokerage for nearly 20 years. It is fair to say that I have seen first hand the evolution and revolution of the industry over quite a sustained period of time. I fear I might be one of the only Members tonight to stand in support of a particular sector of the industry.

I could talk about many issues, but I want to use my experience and understanding of this area to focus on the impact of regulation on the insurance industry, specifically the insurance broking sector. There is an understanding of the need for, and acceptance of, fair regulation by the insurance industry as a whole, but at the forefront of any such measures should always be the principle to protect the consumer not just from financial risk, but from professional negligence. To achieve that, a regulator should work in partnership with the profession to understand the service it provides and then to create an effective model that targets the key concerns. That regulatory solution should be delivered in a cost-effective and proportionate way that does not unjustly burden businesses of differing sizes and incomes.

Unfortunately, it has not been my experience, or that of many representatives of the insurance industry I regularly speak with, that that is currently the case with the FCA. General insurance brokers contribute 1% of GDP to the UK economy, arranging 54% of all general insurance and 78% of all commercial insurance business. In 2013, the British Insurance Brokers' Association commissioned research, carried out by London Economics,

[Craig Tracey]

which found that the UK broking market is the most expensive on the planet in terms of the direct cost of regulation. The UK's cost is double that of its next global competitor, Singapore, and more than four times the cost of other major European markets with which it is supposed to be on a level playing field. Our regulators' approach to gold-plating has seen the UK become the butt of European jokes, with the recently retired European Commission head of insurance referring to UK gold-plating by the FCA as "Sauce Anglaise".

The FCA recently increased the minimum fee for the A19 general insurance intermediary fee block by 8.4%, with the largest UK brokers privately indicating that they pay "comfortably" over £1 million a year in fees to the regulator. Worryingly, in its response to BIBA following the rise, the FCA indicated that, if the increase had been in line with the annual funding requirement, the rise could have been even greater—46% over four years.

The FCA recently divulged the breakdown of the A19 fee block, which showed that £16.4 million, or 56.9%, of that block is used for "supervision". However, 75% of BIBA members are small firms with fewer than 10 members of staff and would not be subject to regular visits or in-depth inspections. Therefore, the proportion of the fee block that is used for supervision appears distorted and suggests that UK insurance brokers are paying for supervision of other, non-insurance broker entities. Furthermore, £1.8 million, or 6.3%, is used to pay for "markets", principally the UK Listing Authority. That is not an area of regulation that general insurance brokers would face, which further suggests they are cross-subsidising others' regulation.

In addition to the direct cost of regulation, there are also substantial indirect costs, which include the need to employ either in-house staff or consultants to ensure that the numerous regulations, thematic reviews, market studies, consultation papers and ad hoc requests for information are managed.

**Graham Stuart:** I wonder whether there has been a reduction in small companies. Heavy regulation often favours larger organisations, so it cuts out the entrepreneurial and small business in a market town in my constituency above a shop, while it favours the large companies, which then gouge the public for higher fees. Does my hon. Friend agree?

**Craig Tracey:** My hon. Friend is absolutely right, and that was indeed my experience. I was coming on to say how many firms have disappeared since regulation was introduced. To put it into context, in my final years as a broker, 80% of my time was spent working on compliance rather than being productive in my business. That was a small brokerage providing a valuable high street presence to people who needed access to somebody they knew and trusted. A clear case can be made that firms that abide by the rules should not be the ones that pay for the misbehaviours and increased regulation caused by other firms.

Another area that requires review is the Financial Services Compensation Scheme, which provides the compensation fund of last resort for customers of authorised financial services firms and rightly protects consumers of companies that have ceased trading.

Currently, insurance brokers are included in the same funding pot as credit intermediaries that mis-sold payment protection insurance cover, several of which have failed, resulting in claims on the FSCS. That has led to an increase in the levy that insurance brokers face. Indeed, insurance brokers contribute 72% of that particular funding pot, but have made only 2% of the claims made upon it—a gross distortion that the industry feels is both unfair and difficult to budget for owing to its volatile and unpredictable nature. I appreciate that the FCA is currently reviewing the funding structure of the FSCS, but ask the Minister to look into how that can be fair, equitable and manageable to the broking sector.

It would be prudent to note at this point that insurance brokers do not pose the same risks as banks or insurers, owing to the fact they do not hold client money and generally have risk-transfer agreements in place. With better understanding and a working relationship with the profession, especially with small firms, I believe the FCA would conclude that the insurance broking sector is low risk and would be compelled to regulate it as such, leaving its own resources free to pursue those financial services that pose the greatest threats to consumers and the UK economy.

To conclude, the insurance industry as a whole is a vital part of our economy, which is rightly proud of its long-standing tradition of being the best in the world, but the current regulatory system is potentially putting that in jeopardy. I do not believe it to be a coincidence that the number of brokers registered with the FCA fell by 32% between 2006 and 2014. The knock-on effect of that is the great danger of limiting the choice of our consumers—the very consumers whom the Financial Services Authority set out to protect—at a time when access to good, independent financial advice is needed more than ever.

As I have said, the insurance industry is not afraid of fair and proportionate regulation, and I appreciate that the FCA has moved a long way from its predecessor, but there is so much more that it can do to achieve its purpose while still promoting a thriving insurance industry. It can do that by concentrating its resources effectively on protecting the consumer and enhancing the reputation of the industry both at home and overseas, while also securing the long-term crucial and positive impact of the broking sector on the United Kingdom economy.

8.29 pm

**Mr Mark Williams (Ceredigion) (LD):** I pay tribute to the hon. Member for Aberconwy (Guto Bebb) for his persistence in pursuing this cause. I counted three debates that he had initiated with the support of the Backbench Business Committee, but he reminded us that there have now been four. I spoke in the first three, and I now speak again on behalf of my constituents who have been affected specifically by the mis-selling of interest rate swap products. Many of them have been denied justice, notably those who were sold tailored business loans or hidden swaps, largely by Clydesdale and Yorkshire bank, and who have been denied any semblance of justice.

I am compelled again to mention the case of my constituent Mr Mansel Beechey of the Hen Lew Du public house, which was well known to the hon. Member for Aberconwy in his student days. That excellent establishment is in the heart of my constituency. Mr Beechey first

complained about the sale of his tailored business loan—shamefully, an unregulated product—back in 2012. It took Clydesdale and Yorkshire six months to respond to that formal complaint, and even now the matter remains unresolved. Cynics would suggest that there is an expectation, or rather a hope, that it will be kicked into the long grass and disappear. The reality is that much of the bank's lending is done through TBLs, which fell outside the remit of the FCA review, with the result that sufficient redress has been avoided.

I remember when the hon. Member for Aberconwy first told those of us who were involved in his “bully banks” all-party group—the all-party parliamentary group on interest rate mis-selling—that a voluntary review was forthcoming. There was an acknowledgement that the glass was half-full, there was an expectation that it might well fill up, and there was a hope that the proverbial spotlight would be shone. With hindsight, however, and given the bitter experience of many of our constituents, we see that the process lacked transparency and rigour, was neither robust nor effective, and was significantly skewed in favour of lending institutions.

We looked to the FCA to sort that out. When the FSA morphed into the FCA, we were assured that the new organisation would enforce rules, punish breaches, and focus on the behaviour of financial professionals. That is why there was such huge disappointment in the decision, sneaked out around new year's eve, not to undertake a review of banking culture.

What concerns me most is that the redress scheme brokered by the FCA excluded a huge number of people, even before the process of drilling down and examining the inadequacies of the scheme. As the hon. Member for Aberconwy said in his opening remarks, it excluded many people through its definition of “sophistication”. It also allowed some commercial lending to remain unregulated. As it was so narrow and restricted, it did not deal with the reality of what went on. As it stands, it will not change or reform banking behaviour or compensate people properly.

If the FCA's review process was transparent and fair, why were customers not given a chance to view the evidence that the banks presented to the review panel, and, if necessary, given a chance to comment on it? Why does the FCA fail to see that there will always be suspicion and mistrust while the process is shrouded in secrecy, and customers are denied an opportunity to view the evidence of the banks' own review team? Why is the controversial issue of the offer of alternative products as part of the redress scheme not being addressed? Reviewers seem intent on suggesting that if my constituents had not taken out a particular type of hedging product, they would almost certainly have taken out something very similar. That is currently the position of my constituents Mr and Mrs Collier of Aberaeron, who were offered derisory compensation and another almost identical product. Is it really the case that providing customers with an alternative product as part of the redress is a widely established and accepted principle?

Until the faults of the current scheme are rectified or remedied, and until the FCA addresses these issues—including, critically, TBLs—I am minded to support the motion. We need a truly independent, comprehensive, forensic examination, and a comparison of a sample of sales of historic interest rate hedging products involving all banks, all product types, and a range of customer

profiles. We need a re-examination that relies not just on banks' records, but on customer testimony and a full review of documentary evidence.

In the meantime, I look at the landscape of my constituency, which has clearly been targeted by tailored business loan salesmen. At one point, my constituency office was working on 30 cases across Ceredigion involving asset-rich businesses, hoteliers and farmers. We even took out an advertisement in the local newspaper to glean whether there were more cases, and they were forthcoming. Many of those businesses have now gone; some are hanging on but have been unable to grow to their full potential. Those constituents have no trust in the banks and no trust in the FCA. We regard with disdain the abandonment over the new year of the review into banking culture, although perhaps it was not altogether surprising to my constituents, given their experiences. What an indictment of the FCA!

This pattern was repeated in every constituency in this country. Every one of the hon. Member for Aberconwy's debates on this subject has revealed a huge range of experiences. I think that we in this House all know that businesses have been targeted by the banks, but has that been acknowledged sufficiently by the regulator? It did nothing when the mis-selling was going on, despite an emerging pattern of complaints. There should be an obligation to investigate further when such a pattern emerges. Nevertheless, it continued to do nothing for seven years, and a decade on many businesses have still had no redress.

The regulatory response to mis-selling, from the FCA and the Financial Ombudsman Service, has focused on the wrong question. Instead of asking why the banks were trying to sell interest rate products at all—the culture question—the focus has been on what businesses would have done had they not picked the product they were offered. Let us take the example of Mansel and Sandra Beechey. Their product was not included in the FCA review despite the fact that fixed-rate loans were to all intents and purposes the same as a stand-alone product. The FCA continues to maintain, as have Ministers, that those products remain outside regulatory protection. There has been no compensation. Richard and Lee Collier's case was part of a review. They suggested that they would most definitely have taken an alternative product. That alternative product was two months shorter than the one they signed up to and with a base rate that was 0.12% lower. That is unacceptable. Huw and Jackie Roberts were denied the 8% interest on over £30,000 for their business. That too is unacceptable.

8.37 pm

**Mr Gary Streeter** (South West Devon) (Con): I congratulate my hon. Friend the Member for Aberconwy (Guto Bebb) on securing this debate and on his tenacity in pursuing this issue. I fully support the motion. I am not at all happy with the FCA's performance in resolving the swap issue. I have had experience of several constituency cases that have revealed a very slow process with insufficient redress, and the independent review process appears to be anything but independent. So I have no confidence at all in this FCA scheme.

This interest rate swap mis-selling scandal is one of the greatest scandals in recent decades, but because it is complicated and because it primarily affects businesses and not consumers, it has received insufficient attention

[Mr Gary Streeter]

from the Government and from the media. At the same time as this has been in play, the Government have been more concerned about the survival of the banking system in its entirety and about getting the nationalised banks ready for re-privatisation as quickly as possible. I can understand that, but it is perhaps for those reasons that they have not been robust enough with the FCA, whose oversight of this mis-selling has been weak, toothless and anaemic from the very beginning. This has been mis-selling on an industrial scale and we have hardly got to grips with it at all.

Several of our constituents have lost their livelihoods and businesses as a direct result of bank wrongdoing. I believe that many of the senior banking executives who were behind this scandal should now be doing time in prison, but sadly that is not the case. One of the major shortcomings of the FCA scheme is the exclusion of so-called sophisticated borrowers, based on the size of lending and the size of the company. That was always nonsense. The swaps became so complicated that even the people inflicting them on their customers did not understand them. A former colleague at my old law firm, Clifford Chance, confided in me a few years ago that these arrangements were so complicated that even the lawyers drafting them did not always understand them. Setting up a system that assumed that companies over a certain size, which were perhaps good at making and selling widgets or at providing commercial premises, could get their minds around some of these swaps is nonsense, especially as many swaps were sold with no paperwork at the time and were simply done over the phone or in meetings, and often under tremendous pressure.

As I mentioned to the House when we first discussed these issues, a company called London and Westcountry Estates Limited in my constituency was the victim of a swap mis-selling by the Royal Bank of Scotland, one of the worst perpetrators of this scandal. Matters went from bad to worse, as the company's debt was sold off by RBS to a third party company, Isobel, which then promptly placed the company into administration. I intend to raise that sorry saga with the House on a separate occasion; it goes beyond the scope of this debate, but, inch by inch, detail by detail, that story needs to be told, and it was all done with taxpayers' money.

The family behind that constituency company were brilliant at buying old commercial premises and converting them into small units to let on flexible terms to small businesses—the very thing we want to encourage in our economy—but they had no understanding of complex financial instruments. When they first asked me to help some years ago, it took me, with my brilliant first-class degree in law—I knew I should say that, as nobody else would—and 15 years' experience as a corporate lawyer, days to get my head around the swap they had been sold, which was completely inappropriate for their business. How on earth were they supposed to understand it? But because they were, ludicrously, deemed “sophisticated borrowers”, they were excluded from the FCA scheme and are having to resort to litigation to get justice. I believe they will win and win heavily, but it should not be necessary and it sickens me that RBS is defending this litigation with taxpayers' money—that just does not seem right at all. I also believe that the RBS executives responsible for selling these swaps and for

placing the company into administration, even though it never missed a monthly or quarterly debt repayment, should be prosecuted under criminal law and face whatever charge the criminal law throws at them. I intend to pursue that when the outcome of the court case is known next year and the full facts are exposed.

It is well known that I am a loyal supporter of this Government, as are you, Mr Deputy Speaker, I know. Who could not be?

**Daniel Kawczynski:** Does my hon. Friend agree that the swaps—the derivatives—were deliberately made to be so complicated that our constituents would have no opportunity to understand them?

**Mr Streeter:** I suspect that that is the case—

**Mr Deputy Speaker (Mr Lindsay Hoyle):** Order. May I just remind everybody that the Chair certainly will not be favouring any Government, for or against?

**Mr Streeter:** We all knew that, Mr Deputy Speaker.

It is perfectly possible that the swaps were designed to be so complicated that they could not be understood. Primarily, they were designed in a way as to make the selling bank vast sums of commission, and it was all done in the name of commercial greed. Nobody minds a profit, but this went well beyond that. Although I am a loyal supporter of this Government, we have an FCA compensation scheme that is pitiful and, as a result, we are in danger of letting our constituents down. However, it is not too late for the Government to get a grip on the FCA and sort this matter out.

8.43 pm

**Ruth Cadbury (Brentford and Isleworth) (Lab):** First, I particularly wish to thank the hon. Member for Aberconwy (Guto Bebb) for securing this important debate on the future of the FCA, especially in the light of recent perceived failings, and for his work on the all-party group on the Connaught Income Fund, series 1, which has done so much good work, without, sadly, getting this resolved so far.

It is because of the failings of the FCA that I am speaking today. The failure to act on warning signs in the Connaught Income Fund, series 1, led to a scandal that cost investors about £130. That is an unacceptable loss on a supposedly low-risk investment. In 2011, a whistleblower from Connaught went to the then Financial Services Authority, and one would think that with such risky investments and large sums of money being involved, it would act swiftly to prevent further sums of money from being invested under misleading terms. But it took five months for it to act, and even then it did very little. The body's warning to consumers that the Connaught Income Fund material was misleading was simply not good enough. Indeed, the fund continued to receive investors until it was suspended in March 2012, by which time around £70 million of additional investment had occurred. What we saw here was a regulator failing in its duty to consumers and not using the appropriate powers it had.

The scandal did not stop there. Following the collapse of the scheme, the APPG, under the stewardship of the hon. Member for Aberconwy, worked with the FCA for

eight months or so, seemingly positively, before the FCA pulled out of talks without warning to do its own investigation “in the best interests of investors”. There was no explanation as to why, and there has been no transparency since.

Since then, the FCA has been unwilling to engage with parliamentarians and, instead, has insisted on carrying out its own investigation, leaving many of us, including our constituents who have been affected, wondering exactly what is going on.

Secondly, I am also speaking today to represent the interests of a constituent who has been unable to seek redress after they were mis-sold interest-rate hedging products, despite being what the FCA would term an “unsophisticated partner”. They were a director of a company and borrowed £1.3 million from Nationwide in a fixed-rate loan. Embedded in the loan was an interest rate hedging product—an IRHP—which was supposed to protect the borrower against adverse interest rate changes. The use of such a product was common between 2006 and 2008; all major banks used it.

In reality, the IRHP exposed my constituent to a huge amount of risk, incurring fees to the bank, none of which was explained to them even though they were deemed “unsophisticated customers”. There was a break clause in the FRL agreement, but the breakage cost was ruinous and, in some cases, the fees amounted to up to half of the value of the loan. Break fees were not agreed on beforehand. It was only when the customer wanted to change the terms of the loan that those fees emerged.

After the crash in 2008, interest rates went to zero and have been low ever since, but, thanks to the break fees, constituents were stuck paying fixed rates with no chance of restructuring. The banks have since admitted that IRHPs were mis-sold, and a redress scheme was negotiated between the individual banks and the FCA, the subsequent regulator. Approximately £3 billion was set aside, though far less than that has so far been paid out. However, this scheme was for stand-alone IRHPs and not embedded IRHPs. In the latter, the IRHP is part of the loan contract itself, and repayment is made in one amount that accounts for the interest on the loan as well as the interest-rate protection. This places it outside of the remit of the FCA as it is classed as a “commercial” loan. Many of these loans were sold to small and medium-sized enterprises, such as that of my constituent, which had no more understanding of the complexity of hedging products than an average consumer. The Financial Ombudsman has refused to investigate the case, as our constituents do not meet its definition of “consumer”, which means that they have considerably fewer means of redress than people who were sold stand-alone products.

The inability of the FCA to act in this case, and in many others, has resulted in real problems. My constituent is stuck on a fixed-rate loan in a zero-interest economy with no ability to restructure their loan. I understand that the majority of what I have covered tonight involves banking jargon, but the bottom line is clear: the FCA is currently not operating in the full interests of consumers and its conduct in the Connaught Income Fund fiasco and the mis-sold IRHPs are just two examples of many.

Like many Members across the House, I expect the FCA, as a regulatory body, to do its job, which is to regulate and to protect consumers. I support the motion, as the FCA in its current form is not fit for purpose,

and I have no confidence in its existing structure and procedures. If the Government want the people of this country to have faith in the banking system, may I respectfully suggest that they act to address the sentiments of the wording of the motion tonight?

**Several hon. Members** *rose*—

**Mr Deputy Speaker (Mr Lindsay Hoyle):** Order. We will have to drop to seven minutes to get everyone in on time.

8.49 pm

**William Wragg (Hazel Grove) (Con):** It is a pleasure to speak in this debate and, like many colleagues across the House, I wish to place on record my thanks to my hon. Friend the Member for Aberconwy (Guto Bebb) for his tenacity in the work he does and for securing this debate.

Speaking in this debate allows me to raise for the second time an important case in my constituency involving the FCA, which I fear may be typical of cases in other constituencies. I last mentioned this issue during the debate on the sale of the Government’s Royal Bank of Scotland shares on 5 November last year. At that time, my hon. Friend the Economic Secretary to the Treasury—the City Minister—responded to some of the points I raised and subsequently followed up in writing, and I want to place on record my thanks to her for that. For the benefit of Members who were not present in November, I shall briefly outline the case and the role of the FCA in dealing with its consequences.

The case relates to a business in my constituency, Pickup and Bradbury Ltd, which was owned by a constituent of mine, Mr Eric Topping. It was a medium-sized, family-owned construction firm operating out of Romiley. It engaged in many commercial construction contracts, with clients in both the private and public sectors. It was well-regarded across Greater Manchester. However, in 1998 Mr Topping and Pickup and Bradbury Ltd allegedly fell victim to a set of actions and behaviours from RBS, the bank with whom Mr Topping had held his business accounts for many years, and specifically its turnaround division, the so-called Global Restructuring Group, which dealt with businesses in distress.

It is alleged that Pickup and Bradbury found itself in circumstances in which the bank unnecessarily engineered a default to move the business out of local management and into the turnaround division, in order to generate revenue through fees, increased margins and devalued assets. Pickup and Bradbury was forcibly moved by RBS into the Global Restructuring Group after the bank claimed the business owed it a significant debt in excess of £700,000. My constituent acknowledges that some debt was owed but that the business was perfectly capable of managing and servicing it. However, the crux of the case was that, although the business’s balance sheet at the time showed net assets of over £1 million, after being run through the process of the restructuring group, RBS placed a valuation on the business at negative £1.1 million, a discrepancy of over £2 million. Mr Topping and RBS are still in dispute over these figures to this day. The upshot was, however, that this led to the forced liquidation of Pickup and Bradbury, costing the jobs of all its employees and forcing Mr Topping to sell his home.

**Caroline Nokes** (Romsey and Southampton North) (Con): I, too, would like to pay tribute to my hon. Friend the Member for Aberconwy (Guto Bebb) for his hard work on this issue. Does my hon. Friend the Member for Hazel Grove (William Wragg) agree that the real tragedy of many of the scenarios that have been played out in constituencies up and down the country is that it is not simply businesses or individuals who suffer. The suffering is also felt by a whole range of employees, whose jobs have been liquidated in this way by the banks?

**William Wragg:** My hon. Friend is absolutely right to raise that point. Too often, perhaps, we focus on the concerns of businessmen, but we should also focus on the people they employ, and who keep the economy of this country going.

This is about people's businesses, jobs, homes and lives, so we must remember that while organisations such as the FCA deal with the regulation and supervision of complex financial institutions and products—subjects which most people may consider dry, and perhaps even dull—these matters have a real human cost, which my hon. Friend just alluded to, beyond just numbers on a balance sheet.

Colleagues will be aware of the report by the businessman Lawrence Tomlinson, which looked in depth at RBS's Global Restructuring Group. Tomlinson received large bodies of evidence on RBS practices, including from its business customers. The report found

“very concerning patterns of behaviour leading to the destruction of good and viable UK businesses”,

all for the sake of profit for RBS.

Just as RBS has failed to resolve the case of Pickup and Bradbury, I am sure the same can be said of many hundreds of cases across the country. The Tomlinson report suggests, in fact, that this was a widespread and systemic practice applied to many RBS customers.

Once placed in this division of the bank, these businesses were trapped with no ability to move or opportunity to trade out of the position. Good, honest, and otherwise successful, businesspeople were forced to stand by and watch as they were sunk by the decisions of the bank. The bank would then extract maximum revenue from the business, beyond what could be considered reasonable, and to such an extent that it was the key contributing factor to the business's financial deterioration.

The reported practices of the restructuring group, if accurate, were, on a generous interpretation, dubious and questionable, but it may be truer to say unethical and totally scandalous. It is therefore no wonder—indeed, it is proper—that, following the publication of the Tomlinson report in 2013, the Government invited the FCA to investigate the alleged actions and practices of RBS and other banks. The FCA and the Prudential Regulation Authority were established by Parliament with legal powers to investigate such a situation. I am aware also that two accountancy and consultancy firms were appointed to carry out a skilled person review of the allegations against the Royal Bank of Scotland.

However, more than two years on, we are still waiting for the FCA to present its findings. In the meantime my constituent, Mr Topping, and hundreds like him across the country are unable to move on with their lives or get closure on the matter. They are unable to seek compensation or even receive an apology.

**Richard Arkless** (Dumfries and Galloway) (SNP): The hon. Gentleman is making a compelling case and I echo his sentiments. My constituent, Victor Singh, owns a property company in exactly the same position. His fear is that the report is being delayed by RBS as a tactic to delay the litigation and reach a more favourable position for the bank. Does the hon. Gentleman agree that the House should use this debate to call on the FCA to publish that report as soon as possible so that the litigants can have a fair hearing?

**William Wragg:** I thank the hon. Gentleman for that timely intervention. I agree with him to the extent that I hope the voice of the House this evening will be heard loud and clear, and that the FCA will proceed with a degree of alacrity that it has so far not shown.

Madam Deputy—Mr Deputy Speaker. Forgive me—I have been thrown off course. I will not use a football analogy, I promise.

The FCA review is ongoing. We were promised it at the end of the year. Now we are told that it will be published as soon as possible. For the businesses and people who have suffered as a result of malpractice in the banks—the malpractice that the FCA is charged with investigating and putting a stop to—I think we owe them better than that. Although I am sure the FCA and its partner investigators are conducting a deep and thorough review, and there are no doubt many dozens of filing cabinets full of evidence through which to sift, two years should be long enough to present at least some preliminary findings. This two-year wait is compounded by the fact that these cases of forced liquidation and destruction of viable businesses were historic and often over a decade old. That is an awfully long time to wait for justice or closure, particularly for individuals who have had their livelihoods destroyed.

The FCA, and also the Government, should be aware of the negative impact this is having directly on the individuals involved, and also on the image and reputation of the FCA. So can the Government give an assurance today about when the FCA will conclude this review? What steps are they taking to ensure that it is delivered promptly?

In my closing remarks, I want to turn to the role the FCA has to play more widely in clean-up and reform of our banking sector. Notwithstanding the issue I have just discussed, I am not one of those who readily engage in the increasingly popular pastime of banker bashing. I believe instead that we should be proud and supportive of our financial sector, not just in the City of London, but in regional financial hubs, such as Bristol, Edinburgh, and of course Manchester, where many of my constituents work.

Our financial services sector, which leads the world in its success, innovation, and efficiency, should also lead the world in regulation, fairness and propriety. We need a sector with more competition to remove incentives to make short-term decisions purely in favour of bank profit, rather than in the interests of longer-term customer relationships. The Tomlinson report makes it clear that institutional attitude was one of the core reasons that RBS's restructuring group acted as it did, and that needs to change. The Financial Conduct Authority is responsible for ensuring that the top management of banks instil the right culture and standards of conduct in their

institutions and that this remains a priority. The FCA surely faces a difficult task in this regard, and it is a task that I do not envy, but I urge it to show its mettle.

**Several hon. Members** *rose*—

**Mr Deputy Speaker (Mr Lindsay Hoyle):** Order. I am going to have to drop the time limit again because of the intervention. It will now be six minutes.

8.59 pm

**Kirsten Oswald** (East Renfrewshire) (SNP): I, too, congratulate the hon. Member for Aberconwy (Guto Bebb) on securing the debate and on the work he has done on this subject over a lengthy period.

Hon. Members have come to this place with a range of concerns. My engagement with this issue was prompted by the lack of protection and compensation available to investors in the Connaught Income Fund, including some in my constituency. The Connaught case demonstrates how dysfunctional the regulation of investment services in the UK still is. The FCA line appears to be, “We’ve closed the loophole exposed by Connaught. These things can’t happen again,” but that misses the point: the rewards available from financial services will simply make people look for another loophole.

Members will be familiar with what might be termed the Ronseal test. What happens if we apply that test to the situation faced by ordinary investors—those who are neither high net worth individuals nor sophisticated investors under the Financial Services and Markets Act 2000—caught out by the next loophole?

The Treasury paper on access to financial services describes the Government’s aim as

“to ensure the financial system enables people to access and manage their financial products with confidence and ease.”

The Government’s approach is to encourage people to prepare for their retirement and to manage their own finances, just as my constituent George Devon did. When looking for a secure investment for his funds, Mr Devon did as the Government suggest and approached an independent financial adviser for advice on investments that reflected his need to obtain an income with a low capacity for risk. He was advised to invest in the Connaught Income Fund, which was described as

“The Guaranteed Low Risk Income Fund”.

Helpfully, the information memorandum defined the risk level clearly. It also said that the document itself was not aimed at people such as Mr Devon, but at experienced or professional investors or at intermediaries such as Mr Devon’s adviser, who should have been able to provide sound advice on the investment’s suitability. However, in common with approximately 1,500 other investors, Mr Devon saw his funds disappear.

**James Berry** (Kingston and Surbiton) (Con): One of my constituents, who is a financial adviser, and a number of his clients have lost significant amounts from investing in the Connaught Income Fund. Is the hon. Lady aware that an investigation has not even been commenced into one of the main parties, even though key information was provided to the FCA as long ago as 2011?

**Kirsten Oswald:** The hon. Gentleman makes a valid point. The delays inherent in this case are making it difficult for people in all kinds of situations to have justice and clarity.

**Joanna Cherry** (Edinburgh South West) (SNP): The hon. Member for Kingston and Surbiton (James Berry) raised the case of an independent financial adviser. Does my hon. Friend share my concern that independent financial advisers, many of whom were also investors in the fund, risk continuing to be blamed for losses relating to it because of the FCA’s continuing failure to investigate within a reasonable timescale?

**Kirsten Oswald:** I agree with my hon. and learned Friend. The system regulated by the FCA, which the Chancellor wants people to rely on, continues to fail to provide all these investors with compensation, or even an explanation, for their loss.

Mr Devon and many others have been, and are being, misled. Even if an ordinary investor approaches the UK’s financial services sector through an independent financial adviser and asks for a secure, low-risk investment, their money can disappear, and their financial plans and their life can be turned upside down, while agencies that cost millions of pounds to run fail to deliver.

Mr Devon’s investment was in an unregulated collective investment scheme. That might sound highly technical, but it may not be so complicated. In workplaces all across the country, one or two people voluntarily run savings groups, or *ménages*, where colleagues regularly save money and take turns to receive a lump sum. Depending on the size of the workplace, the sums involved can be significant. That is such a simple operation that the phrase “couldn’t run a *ménage*” is a common description for someone who is a serial failure at even basic tasks.

Surely, in relation to the Connaught fund, a group such as Capita must be able to do a better job of running a collective financial operation than workmates who have run workplace *ménages* for years. On the contrary, Connaught became a warning that when players in the UK financial services sector go rogue, the systems for regulation, enforcement and restitution fail to protect our investors. When problems with Connaught emerged, Capita turned tail and ran. It has been allowed to continue evading its responsibility to investors through years of regulatory inertia and confusion.

The financial services sector in the UK has run foul of the law and lost millions—indeed, billions—of pounds too many times. The phrase “couldn’t run a *ménage*” seems an apt description of too many of the organisations and individuals who provide the sector with its leadership. Just like the regulators that oversaw the crash of 2008, the FCA, Financial Ombudsman Service and the Financial Services Compensation Scheme seem to be part of the problem, rather than part of the solution. Even fighting a case all the way through the system may well leave an investor significantly out of pocket. This is definitely a system that does not do what it says on the tin.

I was not shocked to find that the Treasury grabs the regulatory fines, but should they really be grabbed from an industry where the cost of regulation, enforcement and compensation are borne by those in the industry and its customers? We need to look seriously at how we provide more effective regulation, enforcement and compensation, and we should also review the levies and fines. One of the gaps could be filled by giving the FOS a role in enforcing payment of compensation, removing the need for an additional set of fees and ensuring more consistency in investors’ ability to secure the compensation

[Kirsten Oswald]

awarded. I have particular concerns about the operation of professional indemnity insurance in the IFA sector. When insurers exempt schemes known to be causing concerns, that undermines the reality of IFA protection and causes significant problems for them. The FCA needs to look at making significant changes to the insurance rules. It could perhaps examine the operation of the Scottish solicitors' "master policy" and the highly successful Association of British Travel Agents and ATOL—air travel organisers' licence—industry-wide indemnity schemes.

I want to conclude by commenting on the relationship between the Government and the FCA. It is interesting that in the week before this debate the FCA announced the appointment of a new chief executive, Andrew Bailey. It is widely reported that Mr Bailey was hand-picked for the post from the Bank of England by the Chancellor of the Exchequer. I find this surprising in the light of an exchange I had with the Economic Secretary during a recent debate on the Connaught fund. When I queried the fact that neither the Chancellor nor any other Treasury Minister held a single bilateral meeting with the FCA over a two-year period, she did not contradict me, and I have heard nothing to suggest that it is incorrect. I understand that the absence of such meetings may be intended to give an appearance that the FCA acts as an independent agency, but if the chief executive is hand-picked by the Chancellor, having not even applied for the post, what does that say about the FCA's independence? Of course there is regular correspondence and interaction between the Government and the FCA, so during a time of such pressure on the financial services sector, why was there not a single bilateral ministerial engagement with the FCA over such a long period? The absence of such meetings perhaps has more to do with protecting Ministers than protecting the independence of a body whose principal officers are headhunted at the Chancellor's bidding.

As someone steeped in the issues of banking governance and the recovery of the banking sector from the low points of recent years, Mr Bailey could demonstrate his independence very easily by signalling his desire to have the FCA reinstate the inquiry into banking culture. Failure to do so may be interpreted as the inquiry having been ditched to clear the way for him taking up his post. If that is the case, his tenure will not get off to a positive start, and questions over the independence and integrity of the FCA will continue to grow.

9.7 pm

**Mr Jacob Rees-Mogg** (North East Somerset) (Con): It is a pleasure to follow the hon. Member for East Renfrewshire (Kirsten Oswald) and to learn the phrase, "Couldn't run a ménage", which I hope will replace, "Couldn't run a whelk stall". I have always thought that was probably rather difficult anyway, so "ménage" is a better term.

I congratulate my hon. Friend the Member for Aberconwy (Guto Bebb) on bringing forward this debate and on his amazing achievement in getting some redress of grievance not only for his own constituents but for many of our constituents, mine included. The Hong Kong and Shanghai Banking Corporation behaved quite disgracefully towards one of my constituents. It sold an

interest rate swap that was larger than the loan outstanding—it was a condition of the loan taken out—and then, when interest rates fell, it revalued the loan to say that his loaned value was beneath the required level. It therefore put him in special measures and started to impose penal interest rates, and then when I got in touch, it said that under data protection it could not talk to me. The whole story was really quite disgraceful and not what one would expect of a major banking corporation. We are all very grateful for what has been done to get some redress for this.

I must refer to my declaration of interests. I am regulated by the FCA and have been for many years. I was regulated by its predecessor body, the FSA, and before that, going back to the mid-1990s, by IMRO—the Investment Management Regulatory Organisation. I do not think I have Stockholm syndrome, but I have to tell the House that I cannot support my hon. Friend's motion. That is not because I do not think there have been errors of regulation—there have. We know only too well that the tripartite system of regulation prior to the crash in 2008 was a failure—nobody knew precisely who was in charge of what aspect of regulation and how it was to be managed, and in the end nobody was doing it at all. The FCA, however, was only introduced in 2013 and a lot of the problems to which hon. Members have referred predate its creation. This House legislated in the previous Session to try to deal with the problem, so this motion has been tabled much too early, because the FCA has not had the chance to prove that it is different from the FSA. The FSA undoubtedly failed, which is why this House abolished it.

**Guto Bebb:** I appreciate the points my hon. Friend is making—they are entirely reasonable—but I think that the difference between the FSA and FCA is being over-emphasised. The people who were FSA officers when the all-party group on interest rate swap mis-selling was established were the same people as the FCA officers who attended our first meeting after the FCA was established. I think that the degree of change is being overstated.

**Mr Rees-Mogg:** I do not agree with my hon. Friend on this occasion. Inevitably, some employees remained the same. It would have been extraordinary if all the regulators at the FSA had been fired and sent off to the great regulatory house in the sky. The powers and the responsibilities of the FCA were changed and, indeed, it has carried out an investigation.

The FCA has to be judicious and bear in mind that some people took out swaps knowing full well what they were doing. Not every swap that was sold was mis-sold. Interest rate swaps are a very important safeguard for people who are uncertain of the direction of interest rates. Indeed, with interest rates at their current lows, many people may feel that it is prudent to protect themselves by taking out an interest rate swap. It would be wrong to so overtighten regulation or to be so sensitive to what happened in the past to make beneficial financial instruments unavailable because of historical mis-selling. Each case needs to be looked at on its merits.

When I first took out a mortgage, I did so at a fixed rate because I knew I could afford to pay that rate but was uncertain about whether I could pay a higher rate. That is a prudent and sensible thing for people to do

when engaging with the financial sector. The FCA had a big job of work to do in a quasi-judicial role. It could not just arbitrarily decide that all cases were mis-sellings and therefore they all had to be compensated for.

This House, too, needs to be judicious. The motion is really serious. It says that we have no confidence in an arm's length independent regulator that this House established just three years ago. If we really mean that, we ought to be legislating to create a new one. We should not simply pass a motion; we should say that the body has failed, that it will be abolished as of 1 April and that a new one will be created.

This motion represents an intermediate step whereby the House faces one of two risks. One is that it is passed this evening and, like many other Backbench Business motions, absolutely nothing follows from it. This House would then look foolish. It would look as if whatever we say makes no difference and we would have no future power to bring our authority to bear on independent regulators when things may be more serious.

The other risk is that the chairman of the FCA feels that he has to resign and take responsibility, because there is no chief executive of the moment, which makes this a very strange time to be holding this debate. If the chairman falls on his sword, what would we achieve? One person would go, but the organisation would remain intact because we have not legislated to replace it.

This House should be proud of its constitutional standing and recognise the extraordinary power it has. We can summon people to the Bar of the House if we are sufficiently annoyed with the way they conduct themselves. We can make them answer to Select Committees, and indeed we do. However, if we use that power without due consideration, without being certain and without having every fact at our fingertips that this body, not its predecessors, is the one in which we have no confidence, we undermine the standing of the House of Commons and its ability to do that in future when our case may be better founded.

**James Cartlidge** (South Suffolk) (Con): My hon. Friend is making a typically powerful speech and I agree with much of his argument, but does he not accept that we are here primarily to represent our constituents and that the reason so many Members are upset with the FCA is that it is not giving redress? The time it is taking is so frustrating and the motion puts pressure on it to provide redress.

**Mr Rees-Mogg**: I am grateful to my hon. Friend for that intervention, because I think there is a difficulty with time. Reference has been made to the HBOS report, which took a long time to come forward. Again, it started under the FSA, and the failures were of the FSA, not of the FCA. For a body that has been going for only three years, such a timespan is perhaps not that unreasonable, given that for two of those years it was making a specific investigation.

We have made huge progress, thanks to my hon. Friend the Member for Aberconwy, in achieving redress of grievance. That is enormously important, and it is right to do that. However, a vote of no confidence is the nuclear weapon of Parliament. It is something that brings Governments down. If we pass the motion, it ought to lead to fundamental change at the FCA and resignations, but I fear that we are trying to fire this gun

before we have loaded it with gunpowder, and that therefore it will misfire. In that respect, I hope that my hon. Friend will withdraw the motion, because I think it has had its effect through the debate.

**Mr Deputy Speaker (Mr Lindsay Hoyle)**: Order. I am sorry to say that we are now going down to five minutes, because of interventions. I call George Kerevan.

**George Kerevan** (East Lothian) (SNP) *indicated dissent.*

**Mr Deputy Speaker (Mr Lindsay Hoyle)**: In that case, we can still have six minutes. I call Michelle Thomson.

9.15 pm

**Michelle Thomson** (Edinburgh West) (Ind): Thank you, Mr Hoyle. I add my thanks to the hon. Member for Aberconwy (Guto Bebb) for the work that he has done through the all-party parliamentary group and more widely. People whom I knew in a previous life before I came to this place are very appreciative of that work. I will address my remarks primarily to the fact that the FCA process of redress simply does not work for businesses that are forced into insolvency as a result of being mis-sold interest rate hedging products. The concept of hedging is well understood to mitigate risk, but those products were structured to be a "heads I win, tails you lose" for the banks.

As many in the Chamber will be aware, mis-selling has caused many unnecessary insolvencies across the country, with simply devastating consequences for individuals and their families. Many companies are in administration, some have had all their assets sold and some have been liquidated, often with the banks still pursuing the directors for personal guarantees and their family homes. In England and Wales, the process under unregulated Law of Property Act receivership is similar, and many people have been made personally bankrupt as a direct result of the mis-selling. The situation should not have occurred in the first place.

Unfortunately, the review process instigated by the FCA is of little use to the individuals—our constituents—who lost their businesses, their homes and their life's work to the scandal. The first issue is that the process fundamentally does not address, or provide a solution for, insolvent businesses that have suffered from bank misconduct. The former Business Secretary stated in May 2013, after the FCA scheme had been launched, that there were

"unresolved issues surrounding the mis-selling scandal, including how businesses have been forced to close because of the products the banks sold in the first place.

This includes deciphering who will be able to help the businesses in administration, when their assets have been taken away from them, and who will be in charge of finding a solution for them."

It is clear from that statement that that was an acknowledged fatal flaw in the FCA review system from its inception. Where a business is forced into insolvency, the business owner loses control over the process. Even if the insolvency practitioner decides to pursue a claim against the bank, the redress goes to the bank. One quite simply could not make it up.

The second issue is how the redress process was administered. There has been a distinct lack of transparency about the details of the deals between banks and the FCA, and how the deals varied from bank to bank.

[Michelle Thomson]

How can fairness be guaranteed or trusted when different rules apply to different banks, none of which is transparent, and where gagging orders are commonplace? How can fair treatment be ensured for the 3,000 SMEs that won compensation from the banking review but received no benefit because they were already out of business?

As it stands, the FCA review allows the banks successfully to sidestep all responsibility for their actions, manipulating the system and using the process of insolvency to disregard the principle of the review. Rather than business people receiving redress for their loss, the banks can quite happily admit that they have mis-sold a product and pay the redress to insolvency practitioners. Insolvency practitioners do not have the tools to deal with the scenario. Their primary duty is to the creditors, which results in the lion's share of the redress going back to the bank. Directors, shareholders and unsecured creditors, including HMRC and local councils, bear the brunt of the pain. It is a paper exercise in which the only benefactors are the insolvency practitioners, who make a tidy sum in fees, and the bank, which is essentially allowed to pay itself back for its own misconduct.

Some, such as the banks and the FCA, may argue that the businesses would have been insolvent anyway. I am sure that that is true for some of them, but, as we know, cash flow is the lifeblood of any business. Sustained, extensive pressure to make high interest payments over several years is, without doubt, a major—indeed, often the sole—contributory factor in a business's success or failure. To dismiss it as otherwise is not only misleading, but insulting to the thousands of business owners who have lost their life's work to this scandal. Despite constant calls for engagement and dialogue, business owners who have lost everything are systematically ignored. It is important to acknowledge at this point that, fundamentally, this is not just about regulation or governance, but actually about people. The banks have admitted mis-selling and the business people have been exonerated, but those people still find themselves in a position of powerlessness and total frustration.

There are still difficulties. HMRC now treats owners differently, as they know that consequential losses are not paid out. These systemic issues need to be addressed. Those who have lost so much are often left with nothing more than the energy, drive and determination to fight this tooth and nail. Unfortunately, neither the regulator nor the law gives them the tools or even the voice to fight. On the contrary, their voices are stifled and their pleas for help are ignored. Would it not be more constructive to give them a fair deal in terms of compensation and recovery, so that the business people who have lost everything can use their energy and drive to rebuild their businesses, thereby doing their bit to contribute to our overall economic recovery? To do that, they need our support—the support of lawmakers and regulators—because the banks are not, simply on their own initiative, doing the right thing. With its decision to drop the inquiry into banking culture, the FCA is not doing the right thing either.

The third issue concerns the ability of individuals to take action; only private individuals can take such action. Although a bank may have breached its regulatory duties under the FCA regulations, it can be sued only for breach of contract, not for regulatory breaches—

**Mr Deputy Speaker (Mr Lindsay Hoyle):** Order.

9.22 pm

**James Cartledge** (South Suffolk) (Con): I add my congratulations to my hon. Friend the Member for Aberconwy (Guto Bebb). He is a doughty fighter for financial justice not only for his constituents, but for all our constituents, and we owe him a great debt.

Like my hon. Friend the Member for North East Somerset (Mr Rees-Mogg), I wish to declare an interest in that I am the director of a small business regulated by the Financial Conduct Authority. Like him, I was also regulated by the Financial Services Authority, but unlike him, I do not go back as far as IMRO. I will come on to some of his points. Whereas most Members have focused on constituents' cases, he, uniquely, has pushed the debate wider—to the overall role of the FCA. If I have the time, I will come on to that.

I, too, want to mention my constituents' cases. The first case is that of Terence and Jean Gray of Holbrook in South Suffolk. They lost the £50,000 they invested in Connaught income fund series 3 plus the interest, as well as the interest on a further £50,000 in Connaught income fund series 1. Mr and Mrs Gray, who are now in their 70s, saved that money throughout their lives and planned to live off it following their retirement, but they fear they will never see the money again. Their primary concern is that the FCA is unable to provide a timeframe for when its investigations will be concluded. Several hon. Members have made that point, and I hope that the Minister, who I presume will speak soon, can give us an update on the timescale they face.

I have received correspondence not just from consumers, but from firms. In particular, I have heard from Steven Farrall of Chattisham in my constituency, who owns the Ipswich-based firm Williams Farrall Woodward, a financial planning and portfolio management business. His concern is about the retail distribution review and the new way in which we regulate commission and fee-charging on investments, although I do not want to go into the detail of it. He encapsulates the anger felt by many smaller businesses about the regulator. He specifically blames those rules for the loss of about 13,500 independent financial advisers. He says:

“My own opinion of the RDR is that at heart it is an assault on the property and employment rights of thousands of law abiding tax paying private citizens, effectively the employers of the FCA bureaucrats... It is an absolute disgrace in a free democratic society the bunch of self regarding and utterly unaccountable functionaries should have such power.”

That is perhaps a tad harsh, but it brings me to my own experience.

I started a mortgage brokerage in 2004. Of course, that did not come under the FCA, but my experience was that the FSA was always box-ticking, rather than looking at potential problems and doing something about them. I could give many examples of that. Every six months, we had to submit something called a capital adequacy return, despite being a relatively small business. We had a famous document called MCOB—the mortgage conduct of business rules—which was the size of a doorstep, and none of which made sense to anybody. I think it is the assumption of the regulator that small practitioners have armies of compliance officers, just like the banks. Of course, nothing could be further from the truth.

The most extreme example of the FSA being focused on bureaucracy, rather than dealing with the problems in the industry, came in 2010 at the height of the euro crisis, when many people doubted from day to day whether it would survive. On a day when the euro's survival was the top item on the news, I received an email for the directors of regulated firms. I opened it, expecting advice about the possible calamity we faced, only to find that it was a diversity survey. It was an extraordinary diversity survey that wanted to know, across all levels of management in my business, which was a very small business employing a handful of people, not only what percentage of staff were from each ethnicity, but what percentage were transsexual and even intersexual—a word I had never even heard before. The regulator, on that day of financial crisis, wanted to know how many of my staff were intersexual. A bit like the word poppers, I suspect that word will be new to many people—possibly even to people who are in the Chamber today.

I use that example to illustrate how the FSA was a tick-box regulator. That is why, despite all its work, it never noticed the basic thing, which was that our financial system was heading for an almighty crash and crisis. What we can say in favour of the FCA is that we have not had a credit crunch under it. We have had the successes that my hon. Friend the Member for Wyre Forest (Mark Garnier) talked about. There is one in particular that I will finish on.

What the FCA has done on mortgage rules and on the property market has been for the good. We need prudential borrowing. I am a conservative on financial services and think that we were far too reckless in the build-up to the crunch. If we want fairness, we must recognise that asking first-time buyers to be so heavily regulated, while a buy-to-let applicant for a mortgage faces no regulation and can take out an interest-only mortgage for a huge amount of money, without a key facts illustration that has to be advised, regulated and so on, is deeply unfair.

In conclusion, I agree with my hon. Friend the Member for North East Somerset that it is too early to pass judgment on the substantive work of the FCA, but we all feel that it needs to do greater work on the basic injustices that our constituents face in cases such as Connaught. I hope that the Minister will have some news on when people who have been affected by such cases can expect to hear substantive news about their rights.

9.28 pm

**Ian Blackford** (Ross, Skye and Lochaber) (SNP): I add my congratulations to the hon. Member for Aberconwy (Guto Bebb) on securing this debate. He has been careful in raising the excesses that his constituents have suffered from over the past couple of years. He is to be commended for the wide range of issues he raised in his speech, including interest rate swaps, which many Members have talked about; Connaught, which has affected many people in our constituencies; and, of course, the issue of banking culture, which in many ways sparked the debate that we are having.

The hon. Member for Bassetlaw (John Mann) made a wide-ranging speech in which he talked about entrepreneurialism and the importance of consumer protection. Again, he is to be commended for his speech.

The hon. Member for Wyre Forest (Mark Garnier) gave an interesting speech on the FCA and its duties. He also got on to the subject of football, which has been much discussed this evening. I cannot pass up the first opportunity I have had in this House to speak about the semi-finals of the league cup in Scotland this week. I am glad to say that the mighty Hibernian football club—the team that the term “sexy football” was meant for—managed to get through to the final in Glasgow on 13 March. As the Member of Parliament for Ross, Skye and Lochaber, that gives me a small problem, because the team Hibernian will face is Ross County—the small highland team from Dingwall that has done very well in the premier league over the past few years. In some respects I'll be a winner if Hibs win, but I'll still be a winner in the constituency if Ross County win.

My hon. Friend the Member for Motherwell and Wishaw (Marion Fellows) raised a number of important points about the complexities of financial regulation, and the difficulties faced by people in her constituency—indeed, in all our constituencies—in understanding how consumer protection should work under the FCA. We should pay much regard to that.

The hon. Member for North Warwickshire (Craig Tracey) made a good contribution about his personal experiences of running a business, and a number of Members expressed their frustration with the complexities of regulation that affect many small businesses. The hon. Member for Ceredigion (Mr Williams) spoke about banking culture and his continued lack of trust in the FCA. We should take that seriously, as should the FCA, because many people clearly feel that it is not discharging its obligations effectively. The hon. Member for South West Devon (Mr Streeter) spoke about swaps—again that issue is important to many people, and there is a lack of confidence in the FCA.

I will not go through every Member's speech because the themes were the same. The hon. Member for Hazel Grove (William Wragg) mentioned RBS, and in particular GRG. It is important to reflect on the fact that RBS was state-owned. I know that the Government cannot interfere in the operations of RBS, but is it not a disgrace that at a time when we as taxpayers owned that institution, it behaved as it did to many companies?

It was a pleasure to listen to my old friend the Member for North East Somerset (Mr Rees-Mogg). At one time, I was connected to him—indeed, he was a client of mine—and in the past I have also been regulated by IMRO, the FSA and the FCA. Having announced that he has been regulated, I cannot help but reflect that some of his colleagues might prefer it if he were more regulated in this Chamber, but that is another matter.

Some important points were raised by my hon. Friend the Member for Edinburgh West (Michelle Thomson) about redress for companies that have been pushed into insolvency, and we finished with the 13th and last speaker, the hon. Member for South Suffolk (James Cartlidge), who in some respects made the most important comments of the evening about the fact that the regulator and the Bank of England were asleep at the wheel when we had the financial crisis in 2007-08—the “almighty crash and crisis”, as he put it. It is worth reflecting on that, because the House should ensure that we have the architecture that stops us ever revisiting the kind of things that we faced in 2007-08. That, along with consumer protection, is the fundamental point. There should be

[*Ian Blackford*]

no room for complacency or hesitation when it comes to reforming the City, and the FCA must reinstate its long-awaited inquiry into banking culture.

Bang on time for this debate, a story is emerging today of a fine for a British bank, this time in North America. Barclays has been fined £70 million by US regulators for its US dark pool trading operations. Dark pool operations allow investors to trade large blocks of shares but keep the prices private. Barclays has admitted misleading investors and violating security law in the way that it operated the pool. The New York Attorney General and the Securities and Exchange Commission have both censured the bank for its misconduct. Ralph Silva, a banking analyst from Silva Research Network, told BBC News:

“The fines are a message, not a punishment. The levels are insignificant compared to the profits in this line of business... Regulators are telling the banks to close the vulnerabilities, something the banks have been reluctant to do because answers come with high operational price tags.”

That is a clear expression that the banks are still not getting it. Unacceptable behaviour is continuing, and we are probably not hearing the full scale of the malpractices that are going on. That is why the decision not to proceed with the review into banking culture is so wrong, and sends completely the wrong signal. I am concerned that the FCA's move to forsake the critical review into behaviour, pay and culture surrounding the UK's banking sector will have a detrimental impact on levels of consumer trust. The FCA must reinstate its long-awaited inquiry into banking culture.

We repeatedly hear legitimate concerns about the amount of time that it is taking for the Chilcot inquiry into the Iraq war, but we have not had a fundamental review into the banking crisis and behaviour. We ought to remember the devastating impact of the financial crisis. Dealing with the cultural issues that were at the heart of it, and which in some senses still remain, is crucial. That is why the removal of the banking culture review is wrong, and we have to seriously question the judgment and leadership of the FCA in not pursuing it.

Much is said about the change to the Basel rules and the enhancement of capital ratios of the banks. It would be my contention that we need not just to review culture in a vacuum, but to do further analysis and stress-testing critically to examine what kind of leverage is appropriate to ensure that, in any financial crisis and any kind of significant fall in asset values, we as a country are never exposed again to banking failure. It is in that context that banking culture must be seen. We are still in a situation where there is a perception that, in any kind of banking failure the state will still intervene. It means that for the bankers the upside potential is all for them and the downside protection is all for us. There needs to be an alignment with society's interests and that of the banks. We still have too much of a fixation with property assets and not enough with real assets, which can enhance our ability to deliver sustainable economic growth. These are all matters related to banking culture.

I have concerns that the FCA's move to forsake the critical review into behaviour, pay and culture surrounding the UK's banking sector will have a detrimental effect on consumer trust. Restoring consumer confidence in

banking integrity is imperative in the aftermath of the financial crisis, where we saw consumer confidence drop. Statistics show some of the bad practices used before the 2008 crash are again being adopted in the banking sector. A recent study by the banking staff trade union Affinity surveyed staff at Lloyds Banking Group and TSB. It revealed that 55% believe that the banks are reverting to their old sales management techniques; 63% stated that the bank was more interested in the results they got and the objectives than in how they do our jobs; and 53% believe that the performance of TSB was just about sales. That is the view of the staff of those banks. Those statistics should be very worrying for all of us. They demonstrate the need for a robust review into banking culture.

A study conducted by KPMG showed that, between 2011 and 2014, Britain's banks handed over 60% of their profits in fines and customer remediation, for a total of £38.7 billion. Those figures suggest that there should be no room for complacency or hesitation when it comes to reforming the City. Only in the past few days, a landmark legal pursuit has contested the banks' £2 billion compensation scheme for inappropriate interest rate swaps. The hearing could have consequences for over 10,000 small and medium-sized enterprises that found themselves in the midst of the mis-selling scandal.

The appointment of Andrew Bailey as chief executive of the FCA raises legitimate questions about the FCA's independence from the PRA and its dedication to consumer protection. Bailey must be subject to a full and proper confirmation hearing. Prior to his appointment with the FCA, Bailey was the deputy governor for Prudential Regulation and chief executive officer of the Prudential Regulation Authority, supervised by the Bank of England. As a conduct regulator, the FCA's role is to protect consumers. Bailey's appointment therefore raises questions about the FCA's independence from the Prudential Regulatory Authority and its dedication to holding consumer protection at the heart of its aims and values.

In a speech to the Mansion House in June 2015, the Chancellor launched a “new settlement” with the banks, which was widely interpreted as a move away from the tougher measures put in place for the banks under Wheatley's leadership. The Chancellor has suppressed the reverse burden of proof and slashed the bank levy. The developments lead to questions as to whether the FCA is on the wrong side of the Chancellor's “new settlement”. The new chief executive of the FCA must be subject to a confirmation hearing, so his plans and views can be scrutinised in detail.

I am concerned that the FCA's move to forsake the critical review into behaviour, pay and culture surrounding the UK banking sector will have a detrimental impact on consumer trust. The FCA must reinstate its long-awaited inquiry into banking culture. The appointment of Andrew Bailey as chief executive of the FCA raises legitimate questions about the independence of the FCA that must be addressed. Bailey must be subject to a full and proper confirmation hearing.

9.39 pm

**Rebecca Long Bailey** (Salford and Eccles) (Lab): I congratulate the hon. Member for Aberconwy (Guto Bebb), my hon. Friend the Member for Bassetlaw (John Mann) and the hon. Member for East Renfrewshire (Kirsten Oswald) on securing such an important and

topical debate, and I thank them for their excellent contributions. It is also a delight to debate opposite the Minister for the first time.

We have had some fantastic contributions from hon. Members. Transparency seems to be the key theme running through the debate. Members referred numerous times to Connaught and interest rate hedging products, and we heard some interesting case studies from the hon. Member for North Warwickshire (Craig Tracey), who shared his experiences of running his own insurance firm and how regulation affected his business. The hon. Member for Wyre Forest (Mark Garnier) highlighted the positive things the FSA was doing—for example, in supporting innovation in “fintechs”—and said that, although there were failings that needed to be addressed, it was important not to throw the baby out with the bathwater.

Operators in the finance sector, commentators, hon. Members and Members of the other place have recently expressed concern over the FSA’s ability to carry out its operational objectives—consumer protection, integrity and competition. Sadly, these concerns overshadow some of the fantastic work the FSA has carried out to date in the finance sector.

Many argue that the Chancellor’s Mansion House speech last year sent a clear message to the financial services sector that the UK was returning to business as usual. In outlining his new settlement for the finance industry, he stated that we must become

“the best place for European and global Bank HQs”.

That was widely interpreted by many in the finance industry to mean that there would be a softening of the FSA’s approach to banks. In fact, as an ode to the Prime Minister’s “hug a hoodie” period, which still tickles me when I think about it, I would suggest that many felt the Chancellor was entering his own love-in—the “hug a banker” period.

The bankers’ Chancellor had finally got his mojo back, and what a mojo it was! A string of concessions was handed to the banks: changes to the bank levy that significantly benefited large international banks; watered-down proposals for implementing the ring fence between retail and investment banking; a time limit on claims relating to the mis-selling of payment protection insurance; and confirmation that banks would not be asked to hold significantly more capital.

In January, however, in a complete U-turn from the autumn statement and the “never had it so good” euphoria, the Chancellor warned us of the risks to the UK from the shaky global economy, citing a

“dangerous cocktail of new threats”

and highlighting the dangers of “creeping complacency”. He failed, however, to address his creeping return to business as usual in our finance sector and the FSA’s role in dealing with the same.

Several factors have brought us here. The first is the feeling that the FSA’s independence has been compromised and that its agenda is being set by political pressure from the Government. Such independence was called into question by a recent external review that said the FSA board’s powers

“with respect to making independent decisions”

were limited and that external interventions

“can have dramatic effects on the organisation”.

This coincided with stories in the media that the Bank of England was directly involved in the highly criticised decision by the FSA to axe the review into the culture at some of the UK’s biggest banks.

Then there is the Chancellor’s influence over sacking or appointing chief executives to the FSA. [HON. MEMBERS: “FCA!”] I mean the FCA. Martin Wheatley, who had been hired by the Chancellor as a tough guy, and a key figure in pursuing misconduct in the financial sector, was removed and replaced by Andrew Bailey. Many are concerned that the Chancellor’s new appointment, who is seen as more of a pragmatist, heralds a decisive shift towards greater leniency on the banking system.

I have no doubt that the new appointment seeks to be completely impervious to the Chancellor’s charms, but as one Treasury Select Committee member eloquently stated recently,

“there is a subliminal desire if you like, to please the masters by taking some of these decisions where the inference has been that potentially if you do not play ball you will lose your job.”

I turn now to transparency. I seek to highlight to the Minister a few examples of where achieving transparency has been a struggle. The conclusion of the FCA’s work on HSBC’s Swiss bank tax evasion and the decision not to take action led many FCA critics to ponder whether this had come as music to HSBC’s ears, given the bizarre coincidence that at the same time was considering whether it should relocate its headquarters outside London. Little detail was provided regarding the rationale for this decision and the FCA simply stated that such a major tax investigation was a matter for HMRC.

That highlighted two issues—transparency and the sharpness of the FCA’s teeth as a regulator. Those issues aside, I would welcome the Minister’s assurance that a thorough investigation will be carried out as a matter of urgency, that HSBC will pay the appropriate tax to the Treasury and that we will not see a repeat performance of last week’s Google tax debacle. Perhaps the incident will encourage the Minister to consider a U-turn on the Government’s proposed cuts to HMRC. If the FCA has no teeth in such situations, surely the Government must ensure that HMRC is adequately resourced—but I digress.

On the same theme of a lack of transparency, I must refer to the industry scandal surrounding the mis-selling of interest rate hedging products, as outlined by my hon. Friend the Member for Bassetlaw today. The FCA rightly launched a full review, resulting in the publishing of a set of rules. What remains worrying is that the FCA had to be pushed by the Treasury Select Committee to publish the rules at all; and, even now, we await details of the methodology agreed with each bank so that we can be satisfied that all banks are in fact complying.

Similar calls for more FCA transparency surrounded the review of the collapsed Connaught Income Funds, as highlighted by the hon. Member for Aberconwy. Here, the FCA faced criticism from the Under-Secretary of State for Wales, the hon. Member for Vale of Glamorgan (Alun Cairns), who set up the all-party parliamentary group on the Connaught Income Fund, and who cited a “generally defensive approach” from the FCA and lack of “transparency”.

Then there is the highly criticised scrapping of the review into banking culture. The Treasury Select Committee recently found that there was no FCA board consultation

[Rebecca Long Bailey]

on this issue. Even the Chairman was not privy to the decision. It is also important to note that no public statement was made regarding the decision—it was simply leaked. When pushed, the FCA commented that

“we decided that a traditional thematic review would not help us achieve our desired outcomes and we would therefore take forward our work on culture through other routes.”

That hardly explains the position at all, but essentially these “other routes” refer to “self-regulation” underpinned by the FCA’s new conduct rules, which centre largely on a presumption that those at the top simply do all that is “reasonable” to ensure good governance.

As we heard in the earlier debate on the Bank of England and Financial Services Bill, the removal of a reverse burden of proof further diminishes any legal recourse that could be pursued. The Chair of the Treasury Select Committee has himself warned that much of the responsibility for implementation is left to banks. He stated that

“the spirit is willing at the top, but the flesh is weak...The board may will the change and culture, but not enough happens lower down.”

Now the FCA’s new direction on this issue deserves close examination, but unfortunately we do not have the time to debate this today. The point is that such a radical step change away from what the public believed would be a root-and-branch banking culture review should arguably not have happened without—at the very least—board approval and transparent consultation.

In conclusion, although I applaud much of the FCA’s work and many of its achievements to date, the issues raised today ring some very loud alarm bells. I hope that the Minister realises that the British public are still paying the price for a financial crisis that they did not cause and that they require an FCA that truly holds the banking system to account—an FCA that ensures that financial productivity does not come with an immoral price tag that ignores the principles of fairness and fair play on which British society is built.

I look forward to hearing the Minister’s comments, and I hope she will confirm that my concerns will be addressed—otherwise, I am afraid that the so-called bankers’ Chancellor will be letting down the British public who bailed the banks out and sending out a clear signal of a return to “business as usual”.

**The Economic Secretary to the Treasury (Harriett Baldwin)** *rose—*

**Mr Speaker:** Order. Before the Minister speaks, let me make it clear that I intend to call the hon. Member for Aberconwy (Guto Bebb) at no later than 9.58.

9.48 pm

**The Economic Secretary to the Treasury (Harriett Baldwin):** I am left with very little time to cover such a wide-ranging debate. I congratulate the Backbench Business Committee and my hon. Friend the Member for Aberconwy (Guto Bebb) on securing this debate.

I think we can all agree that it is important that in the Financial Conduct Authority we have an organisation to keep financial markets honest for our constituents and for markets, which play a crucial role in our economy.

We all want financial services to be on the side of our constituents—the people who want to work hard, do the right thing and get on in life. It is therefore vital that financial services display and uphold the highest standards of behaviour and treat their customers fairly.

The House will no doubt be aware that most small business lending is not regulated. Obviously, when an independent regulator is involved, we need to ensure that the right people are doing the job. Last week the Chancellor announced a number of new appointments to the FCA board, including an excellent new chief executive. As the Chancellor said, Andrew Bailey was the outstanding candidate to be the next chief executive. He brings with him a wealth of experience of financial services regulation in the United Kingdom. He is simply the most respected, most experienced and most qualified person in the world to do the job. However, I want to put on record the Government’s gratitude to Tracey McDermott, the acting chief executive, for all her hard work over the past four months.

Last week we also appointed four new non-executive directors: Bradley Fried, Baroness Hogg, Ruth Kelly and Tom Wright. The new directors provide a balanced mix, on the gender front and in terms of their public and private sector experience and their experience of politics, as well as a wealth of knowledge of consumer issues and the financial services sector more generally, adding an invaluable independent challenge to the board. We believe that the new appointments will strengthen the organisation, and, by ensuring that it has the best possible leadership, will help the FCA to remain a strong, tough regulator that protects consumers and ensures that financial markets work for the benefit of the whole economy.

There are clearly still challenges ahead for the FCA, but it is worth remembering the positive steps that it has already taken. It is in the process of implementing the new senior managers and certification regime, which includes applying enforceable conduct rules to anyone who is involved in the financial services activity of a bank. It has introduced improved whistleblowing requirements, and a new remuneration code that will ensure that individuals are not rewarded for taking excessive risks. It has taken action to protect consumers, such as the regulation of consumer credit, which has included capping the cost of payday lending to protect consumers from unfair costs.

FCA regulation is already having a dramatic impact on the payday market. Indeed, the FCA found that the volume of payday loans had fallen by 35% in the first six months since it took over regulation in April 2014. There has been a new focus on competition in banking and other markets, such as excellent work on Fintech and the innovation hub. Last year the Treasury and the FCA jointly launched a financial advice market review, which is designed to make financial help more accessible and affordable for all our constituents. It is also worth highlighting the role of the Financial Ombudsman Service, to which Members may wish to refer their constituents when they have problems with financial services firms.

The Government are as keen as those who are present tonight to resolve the matters that have been raised by a range of Members. We heard from not only my hon. Friend the Member for Aberconwy, but from the hon. Member for Bassetlaw (John Mann), my hon. Friend the Member for Wyre Forest (Mark Garnier), the hon.

Member for Motherwell and Wishaw (Marion Fellows), my hon. Friend the Member for North Warwickshire (Craig Tracey), the hon. Member for Ceredigion (Mr Williams), my hon. Friend the Member for South West Devon (Mr Streeter), the hon. Member for Brentford and Isleworth (Ruth Cadbury), my hon. Friend the Member for Hazel Grove (William Wragg), the hon. Member for East Renfrewshire (Kirsten Oswald), my hon. Friend the Member for North East Somerset (Mr Rees-Mogg), the hon. Member for Edinburgh West (Michelle Thomson), my hon. Friend the Member for South Suffolk (James Cartledge) and the hon. Member for Ross, Skye and Lochaber (Ian Blackford), as well as the hon. Member for Salford and Eccles (Rebecca Long Bailey).

A number of points have been raised, and I shall deal with them in turn. The issue of the banking culture review was raised by the hon. Member for Salford and Eccles, my hon. Friend the Member for Aberconwy, and the hon. Member for Bassetlaw. The first time I personally heard about the FCA's decision to discontinue the review was when the story broke in the media on new year's eve. We have made it abundantly clear to the House that no Treasury Minister or official was involved in the FCA's decision, and the FCA has made it clear that it did not inform the Treasury before the decision was made public.

**Kirsten Oswald:** Will the Minister give way?

**Harriett Baldwin:** I would love to, but I do not have time.

**Mr Steve Baker (Wycombe) (Con):** Will my hon. Friend give way?

**Harriett Baldwin:** No, because the hon. Gentleman was not even present for the debate.

The hon. Member for Edinburgh West, my hon. Friend the Member for Aberconwy, the hon. Member for Ceredigion, my hon. Friend the Member for South West Devon and the hon. Member for Brentford and Isleworth also mentioned interest rate hedging products and businesses that were suffering as a result of interest rates that were lower than expected. The Government have made it clear from the beginning that mis-selling of financial products is unacceptable, and that businesses affected by it should be compensated. The FCA has established a redress scheme for small businesses that were mis-sold interest rate hedging products to ensure that eligible businesses are compensated. So far the scheme has paid out on 18,000 cases, and more than £2 billion has been paid in redress, including £464 million to deal with consequential losses.<sup>1</sup>

As we have heard tonight, there are still some cases outstanding. As at year end, these include 700 cases in which full refunds have yet to be accepted. Businesses that are considered larger and more sophisticated are not covered by the redress scheme, but they can of course take advantage of the first-class brains in our legal profession. The FCA considers that there is merit in holding a review of how the scheme has worked when these legal cases have been concluded.

The question of Connaught was raised by the hon. Member for Motherwell and Wishaw, my hon. Friend the Member for Aberconwy, the hon. Member for East Renfrewshire and my hon. Friend the Member for

South Suffolk. The Government and the FCA understand the serious financial difficulty and distress that this issue has caused to many investors. As hon. Members might be aware, the FCA published an update to investors on its website this week on Connaught Income Fund, series 1. The update highlights that a settlement agreement has been reached between the liquidators of the fund and Capita Financial Managers Ltd. The FCA has asked the liquidators of the fund to distribute the settlement sum to investors as soon as possible. The investigation that the FCA is pursuing will continue independently of the settlement.

The Global Restructuring Group was mentioned by the hon. Member for Edinburgh West and my hon. Friend the Member for Hazel Grove. Let me reassure the House that I expect to see the conclusions of the FCA's investigation into this matter in the first quarter of the year. On the point made by the hon. Member for Ross, Skye and Lochaber and my hon. Friend the Member for Wyre Forest on Treasury Select Committee scrutiny of FCA appointments, we have agreed that the Committee will be able to carry out a pre-commencement hearing before the new CEO starts at the FCA.

A number of questions have been raised about FCA independence. The FCA is of course operationally independent of the Government. We appoint the chief executive and the board, and the FCA's objectives and duties were voted into statute during the last Parliament. I firmly believe in the independence of the FCA. It is vital that consumers and firms know that regulatory decisions are being taken in an objective and impartial way. Contrary to what the hon. Member for East Renfrewshire seems to think, I have met the acting chief executive of the FCA and her predecessor from time to time. I regret the fact that the hon. Lady has formed a different impression.

The hon. Member for Salford and Eccles raised the question of operational matters. I am afraid that she cannot have this both ways. If she wants the Treasury to interfere in operational decisions at the FCA, she is asking for something that completely contradicts the spirit of independent regulation that I have supported this evening. No one is denying that the FCA has a tough job ahead. That is why it is essential that it is well prepared, well staffed and well equipped to do that job, and that it has the best leadership possible. I am confident that the FCA has the right mandate and team.

Like my hon. Friend the Member for North East Somerset, I believe that today's motion is neither well founded nor well timed, given that a new chief executive and a new team are in place. I strongly urge hon. Members to ignore the motion before us tonight.

9.58 pm

**Guto Bebb:** On behalf of myself, the hon. Member for Bassetlaw (John Mann) and the hon. Member for East Renfrewshire (Kirsten Oswald), I have to say that I think we were rumbled by my hon. Friend the Member for North East Somerset (Mr Rees-Mogg). The purpose of having this debate on the Floor of the House was to highlight the very real concerns of hon. Members from all parties and from all parts of the United Kingdom about the way in which the Financial Conduct Authority is performing its duties in relation to far too many issues. People have real concerns about the interest rate swaps issue, about the way in which the Connaught

1. [Official Report, 4 February 2016, Vol. 605, c. 8MC.]

[Guto Bebb]

scheme has been dealt with, and about the decision not to move ahead with the banking review, which was part and parcel of the need to deal with the banking culture. By bringing this debate to the Chamber, we have certainly made it clear that the FCA is living on borrowed time.

My hon. Friend the Member for North East Somerset said that the debate was premature, and he is potentially correct. However, I hope that in any future debates on this subject, he will support taking further action. He talked about the danger of passing a motion that would subsequently be ignored by the Government, and that highlights some real concerns about the way in which we deal with Back-Bench business. The Backbench Business Committee was a big and important development in the last Parliament, and it is a shame that passing a motion might result in this House not being taken seriously in relation to an important motion such as this. The House should reflect on the fact that we heard 13 Back-Bench speeches but only two were mildly supportive of how the FCA is operating. There is an important message in that point: the FCA does need to reform. Although we all hope that the new chief executive will be a fresh brush within the FCA, he should be aware that he has a lot of work to do to rebuild confidence in the regulator, as it—

10.1 pm

*Motion lapsed (Standing Order No. 9(3)).*

## Business without Debate

### DELEGATED LEGISLATION

*Motion made, and Question put forthwith (Standing Order No. 118(6)),*

### SENIOR COURTS OF ENGLAND AND WALES

That the draft Civil Proceedings, Family Proceedings and Upper Tribunal Fees (Amendment) Order 2016, which was laid before this House on 17 December 2015, be approved.—(*Kris Hopkins.*)

*Question agreed to.*

### COMMITTEES

**Mr Speaker:** With the leave of the House, we will take motions 7 to 12 together. The proposition is to be moved by no less a figure, who should not be walked past as he undertakes his official business, than the Chairman of the Committee of Selection.

*Ordered,*

### BUSINESS, INNOVATION AND SKILLS

That Jo Stevens be discharged from the Business, Innovation and Skills Committee and Jonathan Reynolds be added.

### EDUCATION

That Kate Hollern and Kate Osamor be discharged from the Education Committee and Catherine McKinnell and Stephen Timms be added.

### NORTHERN IRELAND

That Mr David Anderson be discharged from the Northern Ireland Affairs Committee and Tom Blenkinsop be added.

### PROCEDURE

That Helen Goodman and Holly Lynch be members of the Procedure Committee.

### WELSH AFFAIRS

That Christina Rees be discharged from the Welsh Affairs Committee and Stephen Kinnock be added.

### WORK AND PENSIONS

That Mrs Emma Lewell-Buck be discharged from the Work and Pensions Committee and Neil Coyle be added.—(*Bill Wiggin, on behalf of the Committee of Selection.*)

## Deaths of Journalists: Conflict Zones

*Motion made, and Question proposed, That this House do now adjourn.—(Kris Hopkins.)*

10.1 pm

**Nusrat Ghani** (Wealden) (Con): Marie Colvin was a *The Sunday Times* journalist killed in Syria in 2012, while reporting from the siege of Homs. She passionately believed that through her work she could be the voice of all those experiencing conflict, from whatever perspective. During the latter part of her life, her determination to be that voice had a physical manifestation: an eye patch, the result of injuries sustained in Sri Lanka, where she was hit by shrapnel as she tried to cross the front line.

Following her death, the columnist Peter Osborne wrote:

“Society urgently requires men and women with courage, passion and integrity to discover the facts that those in authority want to suppress.”

Marie Colvin herself said:

“In an age of 24/7 rolling news, blogs and Twitter, we are on constant call wherever we are. But war reporting is still essentially the same—someone has to go there and see what is happening. You can’t get that information without going to places where people are being shot at, and others are shooting at you.”

The relationship between Members of this House and the fourth estate—our friends up in the Press Gallery—is complicated, but although much of modern-day politics could often be described as a conflict zone, we do not daily put our lives on the line in our place of work. When a member of our armed forces is killed in a conflict zone, the Prime Minister rightly takes a moment at the beginning of Prime Minister’s questions to remind the nation of the sacrifice that that brave serviceman or woman has made. But with the notable exception of people such as Marie Colvin, we do not hear anywhere near as much about the sacrifices made by a large number of professional and citizen journalists every year in the name of newsgathering.

The Committee to Protect Journalists, which I want to thank on the record for its assistance in preparation for this debate, has recorded that 98 journalists were killed last year. It has been definitively confirmed that 71 of them were murdered in direct reprisal for their work; were killed in crossfire during combat situations; or were killed while carrying out a dangerous assignment, such as covering a street protest.

**Jim Shannon** (Strangford) (DUP): I sought the hon. Lady’s permission last week to intervene. Statistics from the International Federation of Journalists show that 2,297 journalists and media professionals were killed in the past quarter of a century. That is an enormous number. They were standing up for the freedom of speech that we take for granted in this country. Does she agree that the United Kingdom and other liberal democracies should be promoting free speech and liberty across the globe, through the media and through journalism?

**Nusrat Ghani**: The hon. Gentleman makes an important point: the numbers are vast in the past 50 years or so. I hope that the Minister will respond on that, and I will ask him to do so towards the end of my speech. The International Federation of Journalists puts the number even higher than the CPJ, saying that at least 112 were killed last year.

Professional journalists in conflict zones, such as those working for the BBC and Sky, are fortunate to have extensive support from their employers. Employees of those organisations undergo hostile environment training in preparation for travelling to conflict zones to check that they are adequately prepared for the dangers that they will face.

Recently, a member of staff working for a major British media outlet in the middle east was approached by a man who verbally abused him, accusing him of being a traitor and a collaborator. His companions intervened, but another eight people arrived on the scene carrying batons and knives. The journalist ran away and took refuge in a nearby shop. However, two of his companions were heavily beaten up and received hospital treatment from the injuries they sustained.

The incident was reported by the staff member to the high risk team, which subsequently deployed a security adviser to the country to conduct a security review for that individual, and put additional security measures in place to support the staff. However, increasingly, our news comes not just from professional journalists, whose names, faces and employers we recognise, but from stringers and citizen journalists. Stringers are unattached freelance journalists and citizen journalists are members of the public—*independent voices*.

The ability of citizen journalists to share stories has an effect on professional journalists. The pressure to go deeper into conflict zones is greater. One of the defining features of a war reporter these days is that they are embedded in the conflict. Today, they are on the frontline, or in enemy territory.

Increasingly, we understand that many of the world’s conflicts today are conflicts of narrative. In the middle east, Daesh wants to control what the conflict looks like. It wants a monopoly over stories and images. More than ever, the narrative is what people are fighting over. Daesh wants to recruit with images, and the reality disseminated by journalists challenges that propaganda. Any citizen journalist can break the propaganda machine. Anyone with a phone is an opponent.

Daesh sees journalists as spies. It sees them as western actors who seek to disrupt the Daesh narrative by reporting on its weaknesses and failures, and that makes them a target. The philosopher Walter Benjamin said:

“History is written by the victors.”

That remains true, but the victors, and the course of the fight, are now a consequence of what is written, and that is even more the case now than it was in Benjamin’s time. That makes it even more important that we protect and honour those journalists, whether professional or citizen.

The BBC’s Lyse Doucet said last year:

“We often say that journalists are no longer on the frontline. But we are the frontline... We are targeted in a way we never have been before... now journalists are seen as bounty and as having propaganda value.”

Journalists in conflict zones are not ordinary members of the public. They tell the stories that allow us to understand what is truly going on in the confusion and propaganda of warfare, and they carry out a vital public service.

**Nigel Huddleston** (Mid Worcestershire) (Con): I thank my hon. Friend for giving way and I congratulate her on securing this very important debate. Does she agree that

[Nigel Huddleston]

the pace of news in the modern age means that we can no longer wait for dispatches to be informed about what is going on in conflict zones? Journalists are best positioned to give us this real-time accurate information of what is really going on.

**Nusrat Ghani:** I absolutely agree with my hon. Friend. Conflict is changing incredibly quickly. Lots of chaotic terrorism acts are happening all over the world, and, quite often, we rely on journalists to be our eyes and ears on the ground.

My discussions with journalists and their employers in recent days have highlighted what I consider to be a gap in the service provided by the Foreign Office to those taking risks to bring truth and to hold people to account. Will the Foreign Office consider making it the policy of British embassies and consuls abroad to hold a register of journalists working in conflict zones within the relevant country at any one time? At the moment this process is ad hoc. On registration, the embassy would and should provide a security briefing on the situation in that country or the neighbouring country if it is in conflict, increasing the ability of journalists to protect themselves, and their employer's ability to ensure that they are acting according to legitimate and expert advice.

The role of foreign Governments in the protection of journalists is an important one. Will the Minister outline what expectations the Foreign Office currently has of foreign Governments to do everything they can to protect journalists who are British, or working for British-based media outlets, and to challenge them to extend that protection to their own local journalists? Will he consider making it a requirement for negotiations with foreign Governments, especially when embarking on diplomatic relations with emerging democracies, that the protection of journalists is an issue on the table?

The British Government have rightly identified Bangladesh and Pakistan as critical countries in the region and we have partnered with them as a result. Yet in Bangladesh, for example, bloggers are killed by al-Qaeda and others because of what they write. Last year, over 40% of journalists killed in Bangladesh were killed by Islamic extremists because they just disagreed with the words that were written.

In Pakistan in 2006, it is documented that the Government prepared a list of 33 columnists, writers and reporters in the English and Urdu print media and tried to neutralise the "negativism" of these writers by making them "soft and friendly", and one could interpret that as going a bit beyond a friendly chat. I have more up-to-date testimonies, but the journalists concerned were reluctant for me to raise that on the Floor of the House today. Will the Foreign Office consider making it a requirement that countries that we are partnered with show clear intent to protect the rights of journalists, both professional and citizen? We must not flinch from exporting our proud British values of freedom of the media and of expression.

I will finish by talking about Ruqia Hassan, a citizen journalist in Syria who used her Facebook page to describe the atrocities of daily life in Raqqa, until she went silent in July last year. It has been reported that her last words were:

"I'm in Raqqa and I received death threats, and when Isis [arrests] me and kills me it's ok because they will cut my head and I have dignity it's better than I live in humiliation with Isis."

It has been speculated that her Facebook page was kept open for months so that other citizen journalists could be lured in and so that they too, in turn, could be silenced.

Naji Jerf, a 38-year-old activist who reported for the website "Raqqa Is Being Slaughtered Silently", was also murdered late last year following his final work, "Islamic State in Aleppo", which exposed human rights violations in the city. His murderers disagreed with him that anyone should hear about those violations. I believe he is the fourth person from "Raqqa is Being Slaughtered Silently" to have been murdered so far.

Individuals such as these are part of conflict, and through our consumption of news we are complicit in their participation, but they take the risks. We must honour their bravery, and their pride in what they were, and still are, doing, by highlighting their contribution not only to our understanding of what is going on in conflict zones, but also their contribution to ending conflict by shedding light on it, and we must do all we can to defend their right to do what they do, and protect them as they go about it.

10.12 pm

**The Parliamentary Under-Secretary of State for Foreign and Commonwealth Affairs (James Duddridge):** I am grateful to my hon. Friend the Member for Wealden (Nusrat Ghani) for highlighting the dangers faced by journalists. She brings a wealth of experience as a campaigner on health and education issues from her time working in conflict zones, and it has been demonstrated today that the House is all the richer because of the knowledge that she brings.

We often disagree with what journalists say about us, but we must defend their freedom to say it. Without journalists in conflict zones, and, indeed, domestically, we risk the deterioration of our society and of the essential checks and balances that hold our societies and democracies together.

I begin by reflecting on the specific issue of the deaths of journalists in conflict zones, and also by paying tribute to journalists such as Marie Colvin, who was a fine example of someone who chooses to put themselves in harm's way to reveal and report the truth. This is essential for the work of journalism, and I also commend Marie Colvin for her advocacy for other journalists.

It is of course true that journalists have often displayed exceptional bravery in reporting from war zones, all too frequently paying for their vocation with their lives. However, my hon. Friend is right to highlight a chilling trend of journalists increasingly being seen as the enemy—being, as she put it, on the frontline. This is nowhere more evident than under the barbaric repression of Daesh and other extremist groups. Last year 28 journalists were killed by these groups. As execution has become an almost inevitable consequence of capture, journalists have been increasingly constrained as to where they can stay safely. Yet the reality of life under Daesh has continued to get out, as citizen journalists have filled the space with their own reports of repression and depravity. Now these stringers—citizen journalists—like the professional reporters who went before them, are being seen as the enemy. The cycle goes on.

According to Reporters Without Borders, 110 journalists were killed last year and many more were injured, captured or imprisoned. It is right that this Government

and Members of this House put on record our admiration for those who are willing to risk everything in pursuit of reporting the truth. My hon. Friend urges me, as did the hon. Member for Strangford (Jim Shannon), to pick a number of those affected. I shall resist the temptation. I have seen many numbers in reports from the UN, the Organisation for Security and Co-operation in Europe and Reporters Without Borders, but they cover different regions and different periods and largely report deaths, rather than those injured or otherwise affected. One death is one too many, so rather than putting an exact number on it, we should say just that—one death is too many. The actual number is certainly much larger and the problem is increasing, not diminishing.

My hon. Friend spoke eloquently about the importance of a free press, and highlighted that, in many parts of the world, the media are restricted in their ability to challenge authority, promote new ways of thinking or root out corruption. Media freedom is vital. Without a free press, corruption goes unchecked, individuals cannot flourish and economies are constrained. This Government make that point to all our international partners, regardless of where they are around the world.

I applaud the work of many organisations dedicated to promoting media freedom and to supporting and protecting journalists. The OSCE does vital, courageous work, including promoting the free media internationally. I pay particular tribute to Dunja Mijatovic for her remarkable work on press freedom. The UK is working closely with that organisation to find a suitable successor. It must find someone of equivalent stature, given the dangers and pressures faced by journalists—pressures that we know, sadly, will increase.

Last year this Government worked with UN Security Council partners to put the issue further into the international spotlight. Resolution 2222 sets out very clearly the obligations of member states to protect journalists and to punish those who threaten or kill them. During that debate our representative at the UN, Matthew Rycroft, highlighted the risks that journalists face. In his remarks he recognised, as did my hon. Friend, the changing shape of journalism in the digital age, and the role played by stringers, citizen journalists and bloggers. That debate was another opportunity to draw attention to the appalling impunity that often accompanies crimes against journalists.

The UN has reported that worldwide over 90% of the killings of journalists go unpunished. That is a shocking statistic. Governments have the primary responsibility to protect journalists. When other Governments fail to live up to this responsibility, the UK will continue to make our concerns known to them through our normal dialogue and regular bilateral relationships, raising these issues at the highest level of Government both bilaterally and in multilateral forums.

We are also prepared to raise these issues in countries where we have good relationships. For example, I recently did so with a good development partner in Rwanda that has a troubled relationship with the media—a less open relationship than we would hope to see. Last week I was

in South Sudan, where I made a point of speaking at some length on local radio, which reached over 75% of South Sudan, where the newspapers would not reach and where they would be more constrained in their reporting.

We are frequently reminded that journalists do not have to be in a conflict zone or a repressive state to be in danger. My hon. Friend the Member for Wealden mentioned Bangladesh, where we have seen the same struggle for the right to freedom of expression as we have seen in conflict zones. In the past three years, five bloggers have been murdered for openly stating their atheist views. Islamic extremists have drawn up hit lists and incited violence and murder, and when added to the targeted killings, such actions create a chilling effect, making it harder for anyone to express their personal views.

My hon. Friend talked of what more we could do through embassies and high commissions. As part of the daily routine, one would certainly expect high commissioners and their staff to engage with journalists. I was quite surprised to find out that the last Labour Government instituted a more comprehensive basis for registering British citizens in-country. I intuitively thought that that would be very successful, relying heavily on the internet and making it easy to register people. Actually, the evidence was that it was not particularly successful, and I do not think there is a good formula for registering everybody in-country, whether journalists or not. In many ways, though, journalists are for obvious reasons better known to our embassies than other people passing through a country. However, I am more than happy to speak to my hon. Friend if she has any ideas on how we can act more effectively.

Just over a year ago, eight journalists from *Charlie Hebdo* were murdered in their offices in central Paris, in an attack that also claimed four other lives. It was a stark and horrific reminder of the risks that journalists face in the normal course of their jobs. Yet, the public response in Paris, as in many parts of the world, was testament to the importance that citizens around the world give to media freedoms.

In protecting journalists, therefore, we are not seeking to defend what they say, but, crucially, their right to say it. Freedom of expression should be protected, respected and cherished, because it is fundamental to a healthy democracy to encourage debate and to promote free and innovative thinking. As opinion formers, information sources and challengers of received wisdom, journalists play a crucial role. Whether they are bringing news from war zones or elsewhere, the Government will stand up for their right to operate freely and safely. I am sure that Members on both sides of the House will agree with that sentiment, and that we should thank journalists from the bottom of our hearts for their continued good works.

*Question put and agreed to.*

10.22 pm

*House adjourned.*



# Westminster Hall

Monday 1 February 2016

[GRAHAM STRINGER *in the Chair*]

## Transitional State Pension Arrangements for Women

4.30 pm

**Helen Jones** (Warrington North) (Lab): I beg to move,

That this House has considered e-petition 110776 relating to transitional state pension arrangements for women born in the 1950s.

It is a great pleasure to serve under your chairmanship, Mr Stringer. At the outset, I want to say that I have a personal interest in this issue, because I was born in 1954—[*Interruption.*] There is no use in members of my Committee trying to be kind to me; I am a TOG—one of Terry's old gals.

I am, however, one of the very lucky members of that cohort of women because I belong to the parliamentary pension scheme, and when that scheme was changed in the previous Parliament, the Independent Parliamentary Standards Authority—I make it clear that this was done by that body, not MPs—decided that the new scheme would not apply to anyone who had reached 55 by a certain date. Sadly, although the reason for that decision was that people would not have time to make alternative arrangements for their retirement, we have not extended the same consideration to many women who will have to rely on their state pensions. I speak today for those women, not for myself. I am speaking for the thousands of women in this country who are having to change their retirement plans at short notice, to dig into their often meagre savings, or to rely on their husband's pension. Many of them are being driven into poverty as a result.

This debate is not about the question of equalising the state pension age. Of all the many women who have contacted me, none has objected to that. This is about the speed of the changes, their impact on a particular group and the lack of notification, or totally inadequate notification, that women have received.

To explain the situation, I am afraid that we have to go back through the history. The Pensions Act 1995 sought to equalise the state pension age for men and women at 65. In 2007, the then Labour Government decided that the pension age would increase to 66, and then to 68, but over a very long period—from 2024 to 2046. However, the coalition Government then decided to pass the Pensions Act 2011, which speeded up the changes so that the state pension age for men and women would reach 66 in 2020. To achieve that, they brought forward the increase in the pension age to 65 for women from 2020 to 2018. At that time, the coalition Government were warned again and again about the problems that the changes would cause. In fact, the Opposition moved amendments that would have ensured that no one would wait more than a year longer for their state pension than would have been the case under the 1995 Act.

**Ms Gisela Stuart** (Birmingham, Edgbaston) (Lab): I, too, declare an interest as someone who was born in 1955. Does my hon. Friend agree that the really objectionable thing is that we know that people need to be able to plan for their pension provision? This cohort of women—we could be talking about factors such as reduced contributions, or not qualifying due to caring responsibilities all the way through their lives—has got it in the neck, so we need transitional arrangements to put that right.

**Helen Jones:** I absolutely agree with my right hon. Friend, and I will come to that point later.

As I said, the problem was recognised by many people at the time of the 2011 Act. My hon. Friend the Member for Erith and Thamesmead (Teresa Pearce), who has a great deal of expertise in this area, moved amendments that would have protected women born between October 1953 and April 1955 from waiting more than an extra year for their state pension.

**Dr Philippa Whitford** (Central Ayrshire) (SNP): Is it not also the case, as several of my constituents have said, that these changes compounded measures in the 1995 Act of which women were not informed? One lady said that until she got a letter saying, "You are no longer retiring at 64, but at 66," she knew nothing about the fact that there had been a change, so for her the difference is six years.

**Helen Jones:** The hon. Lady is absolutely right. Again, I will come on to that point a bit later.

Part of the problem in 2011 was that the Government did not seem to understand the implications of their own Bill. When the former Pensions Minister gave an interview to the Institute for Government after the 2015 election, he said, somewhat ungrammatically, I think, but fairly clearly:

"We made a choice, and the implications of what we were doing suddenly, about two or three months later, it became clear that they were very different from what we thought."

I have known a few Ministers in my time who did not seem to understand the implications of their own Bills, but this was a former Pensions Minister—an acknowledged expert on social security—who did not understand what was going to happen. If he did not understand the position, how on earth could he expect the many thousands of affected women to understand it?

**Rachel Reeves** (Leeds West) (Lab): I thank my hon. Friend for securing the debate. She quotes the former Pensions Minister, but the current Minister for Pensions said in 2011:

"The Government has not given women enough time to change their plans...I believe the Government's decision is unfair and disproportionately hits women who are now around 56 years old."

She said that then, so it is a shame that now she is in government, she is not trying to change the situation.

**Helen Jones:** I could not agree more with my hon. Friend.

Let us remember that during our consideration of the 2011 Bill, the then Pensions Minister promised to look at transitional arrangements for some of the women affected. Towards the end of the Bill's passage, the

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Government made amendments that at least prevented people from having to wait longer than an extra 18 months for their state pension. That certainly helped some women born between January and September 1954, but there was still a whole load of anomalies that were not dealt with. One of the things that has made the situation worse, as has been said, is the lack of notice that women received about the changes.

**Mr George Howarth** (Knowsley) (Lab): My hon. Friend is making a powerful case. May I give her one instance of what she described? Somebody who was born in 1956 was notified in 2006 what her state pension would be at the age of 60. That was the last communication that she had, so in 2010, when she was offered early retirement as a teacher, she took it on the basis of that information, and retired in 2011. She was given absolutely no indication that she would be in this situation, but she has now been told that she will not get her state pension until she is 68.

**Helen Jones:** Absolutely. Many, many women have found themselves in a similar position. They have been given information that has never been corrected and they have relied on that information.

**Several hon. Members** *rose*—

**Helen Jones:** I need to make some progress, because lots of people want to speak in this debate and I do not want to take up too much time.

Let us remember that, way back, the Turner commission said that people should be given at least 15 years' notice of changes to the state pension age. The Pensions Act 2014—we wait ages for a Pensions Act and then they are like buses; a load come along together—set up periodic reviews that aimed to give people at least 10 years' notice. One could argue that, in principle, the 1995 Act gave that kind of notice, but lots of people did not know about it. There was no requirement under the Act to inform individual women who might be affected. Indeed, apparently what happened was that the Department produced a leaflet. That is very nice, but if people are going to request the leaflet, they must know about the changes coming forward. I certainly did not know that it existed, and I do not think anyone else did. There was an advertising campaign about preparing for retirement, but it was aimed at both men and women. It was not aimed specifically at those whose state pension age was changing. There were a few inserts and adverts in papers and magazines.

For most people, those things were background noise as they were getting on with their lives. No one wrote to the individual women who would be affected. It was not until 2009 that the Government started to do that, but that process was stopped in 2011 as we debated yet another Pensions Act to introduce more changes. That gross dereliction of duty on the part of the Department for Work and Pensions cannot be defended.

After the Pensions Act 2011 was enacted, the Government again began to write to people. They finished the process in 2013, but that meant that some women, if they were notified, received only between three and

four years' notice of changes to their pensions, which was not nearly enough time to make proper provision. In fact, some did not receive notification at all, as we have heard, because their letter were sent to their old address. Some received the wrong state pension forecast and they were not corrected.

Before she became Minister for Pensions, Baroness Altmann said that

“until recently, many of these women were expecting to receive their state pension at age 60, since they were unaware of the changes made in 1995”.

Indeed, the former Pensions Minister said the same thing. In 2015, when he gave evidence to the Work and Pensions Committee, he said that it was clear that there was a cohort of women who did not know about the changes and that

“there is no question about that.”

The rapid changes introduced by the 2011 Act have resulted in huge inequalities, because small differences between people's date of birth may mean a big difference to the dates when they reach their pension age. Women born in the 1950s are particularly affected, and I am grateful to those women who have written to me with specific examples of what is happening. I shall quote some of them because I stress to the Government that this is not an academic exercise. Real people are on the receiving end of the changes and many of them are suffering.

One lady wrote to me pointing out that her husband was born in January 1954, meaning that he can retire at the age of 65 years and two months. She was born in August that year, but cannot retire until she is 65 years and 11 months. She said, “Whatever that is, it is not equality,” and it is not.

**Carolyn Harris** (Swansea East) (Lab): Will my hon. Friend give way?

**Helen Jones:** I will give way, but then I want to make some progress.

**Carolyn Harris:** I congratulate my hon. Friend on securing the debate. If, in March 1953, Mrs Jones gave birth to twins, Jack would get £155 a week under the single-tier state pension, but Jill would get £131, because she was born a woman. Where is the justice in Jack getting £20,000 more over 20 years than his sister, Jill? That is ludicrous.

**Helen Jones:** My hon. Friend is right. The system is riddled with inequalities.

Many women have received wrong information. One lady who contacted me wrote:

“I have a pension calculation from the DWP telling me that I retire at 60 and this would not be reviewed until 2020”—

someone obviously keeps her paperwork carefully. She went on to say:

“I have had no notification or correspondence from the DWP informing me of these changes and have...just found out by applying for a State pension forecast...To be told at the age of 58 that you will not get any pension until you are 66 does not give enough time to plan or budget”—

she is right.

Many women have been caught out by the changes in the number of years' contributions to national insurance required before receiving a full pension. One lady said:

"I was made redundant after 30 years and I contacted the NI people to ask about my contribution record...I was told because I had paid a full 30 years I didn't need to pay anymore".

She then found out that she

"was no longer getting a full pension but approximately £35 a week less because guess what I haven't paid enough NI contributions in the last 7 years! I WAS TOLD I DIDN'T NEED TO!"

In any private pension scheme, that would be called mis-selling, but we see the same from the Government.

Another lady highlighted the fact that many of this cohort of women took time out to look after their children or to act as carers, meaning that they did not build up enough occupational pension. In some cases, women were not allowed to join occupational pension schemes at all and some were working before the Equal Pay Act 1970 came into force. She said:

"I am also penalised here because when I did return to work after my children were older I did not accrue enough to have a reasonable work pension...It is totally demeaning that I have to rely once again on my husband who is 67 this year and worked from the age of 18."

That is not equality.

Another lady, who is also a carer, said:

"I will be 62 next month and found out that I will not be getting my state pension until I am 65 and some months. I made Choices in my mid fifties and gave up work to look after my husband expecting to only wait 5 years or so to get my pension but it came as a shock to find out that I wasn't".

People have made decisions based on information they were given at the time in good faith, but they then found that decisions had been overturned.

**Mr Jim Cunningham** (Coventry South) (Lab): I congratulate my hon. Friend on securing the debate. This is the second debate on this matter that we have in a few weeks, but the Government have not taken a blind bit of notice. I have also received correspondence outlining similar cases. In fact, we received more than 3,500 examples in Coventry. Is there not a danger that women will be in the same position as they were before the Equal Pay Act? Equal pay has still not been achieved in some industries, and women are also being affected in terms of their pensions.

**Helen Jones:** Many women are losing out on their pensions in all sorts of ways, not least because of the change in the retirement age. One woman who wrote to me has, like many of those I have heard from, worked all her life. She suddenly found out that rather than her retirement age being 62, it was going to be 65. She said:

"I am really annoyed with the Government's lack of respect for those of us that have worked hard all our lives."

The phrase "lack of respect" sums up the situation. There has been failure to give proper notification—sometimes there has been no notification—a failure to understand that many of the women affected were working in low-paid jobs all their lives, a failure to understand that women could not change their plans at short notice and that many of them would have to rely on their husband's pension, and a total failure to see the impact of the legislation on those real people. Many of these people are now living in poverty or working

for longer in low-paid jobs, while many were made redundant in their early 60s and cannot get other employment.

**Paul Farrelly** (Newcastle-under-Lyme) (Lab): Will my hon. Friend give way?

**Helen Jones:** I will give way once more and then make some progress.

**Paul Farrelly:** I congratulate my hon. Friend on her speech. Has she been able to obtain from the Treasury an estimate of the saving to its coffers due to this acceleration of equalisation? It seems to me and many others that, alongside measures such as the restriction to the lifetime allowance, this is part of the Chancellor's great raid on the pensions of people around the country.

**Helen Jones:** The Chancellor's financial calculations are always a little opaque, but I think that we are talking about something like £30 billion.

The Government have consistently undervalued these women and their contribution to the country through work, caring and childcare. These women are being forced into poverty, and they are angry, as they have every right to be, because they have been treated appallingly. Frankly, blaming the EU for the fiasco, as the Government have tried to do, will not work. I know that many MPs are being told to blame the EU in the standard letters that they send back. It is common for some Ministers to blame the EU if it rains three days in a row but, in this case, that is not correct.

EU directive 79/7/EEC promoted equal treatment in social security matters, but it specifically recognised that progress towards equal pensions would have to involve transitional arrangements. In fact, the European Commission's 2007 report made it clear that it expected transitional arrangements to be made. What are other EU countries doing? Austria will equalise its state pension ages in 2033. France is doing that earlier—in 2020—but it is equalising them at 61. In fact, many European countries have a long transitional process in the move towards equalisation. The European Court of Justice judgment that is often cited applies to occupational pensions, not state pensions, which are specifically exempted under paragraph 1(a) of article 7 of the directive to which I referred.

The real reason behind this, as we heard earlier, is to save money. Again, the current Minister for Pensions agrees with that, because in an article for the *Yorkshire Post*—again, this was before she became Pensions Minister—she wrote:

"increasing state pension age saves significant sums, as millions must wait longer before their pension starts, but for many this is causing real hardship. Surely Ministers should be sensitive to the damage done to older people's lives".

Well, Ministers are not sensitive to that damage. The new Pensions Minister in particular is not sensitive to that damage, because she wrote to a member of Women Against State Pension Inequality—I congratulate it on its work—to say:

"there is no basis for me to demand spending public money when due process was followed."

Well, let me ask this: who contributed to that public money? Many of those contributions came from

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women who have worked hard all their lives and have relieved the state of huge burdens through their caring responsibilities.

**Nic Dakin** (Scunthorpe) (Lab): I congratulate my hon. Friend on the way in which she is pursuing this argument. Is not that the very point? Women such as the many constituents who have come to see me have contributed to the state throughout their lives. They have put in, but now they are not allowed access at the point when it is their turn to get support.

**Helen Jones:** My hon. Friend is quite right. That is exactly why women are so angry about the situation. They rightly feel undervalued and ignored.

There are steps that the Government could take, many of which were suggested during the passage of the 2011 Bill. The Government could limit the amount of time that someone has to wait longer for their state pension to a year, as my hon. Friend the Member for Foyle (Mark Durkan) suggested at the time. They could ensure that the age for pension credit remains in line with that under the 1995 Act. They could also exempt some of these older women from parts of the Work programme, because it is frankly appalling that when women who have worked all their lives are made redundant in their early 60s, they are put on the Work programme and treated like a bunch of workshy teenagers. That is degrading to those women.

**Dr Tania Mathias** (Twickenham) (Con): I thank the hon. Lady for securing the debate and absolutely agree with what she is saying. She talks about women being undervalued. Does she agree with me that these 1950s heroines not only have worked all their lives but, because they did not have notice in time, as she rightly says, have opted to be carers for their mothers or mothers-in-law and are contributing even now?

**Helen Jones:** That is exactly right. A number of these women, such as the one whose letter I read out earlier, have taken the decision to retire early from work to look after someone in their family on the basis that they can manage if they have only a few years to wait for their pension, but then have then found that they are waiting a lot longer.

It is clear that the Government have failed these women. They broke the coalition agreement by introducing the 2011 Act. They failed to communicate with women successfully and they have failed to listen to their representations since. In fact, they broke the contract with their citizens whereby people pay their national insurance on the understanding that they will get something back when they are in need. The contract with these women has been broken, and I say again that if this had been done by a private provider, we would be after it for mis-selling.

It is time, after these many debates, for the Government at last to bring forward proposals for transitional arrangements that can be properly debated in the House so that the injustice can be put right. It is time for the Government to listen to the women of this country, and I hope that the Minister, after so long prevaricating, will finally do so.

**Several hon. Members** rose—

**Graham Stringer** (in the Chair): Order. Before I call Richard Graham, I have a note on the number of people who want to speak. I think that Mr Hanson, who will be in the Chair later, intends to start calling the Front Benchers to wind up the debate at 7 o'clock, which leaves about two hours for those Back Benchers who want to contribute to the debate. Twenty people wish to speak, so Members can do the arithmetic themselves. I do not intend to impose a time limit yet, unless people abuse the time that is available. We will take interventions and speeches only from people who have seats in this unusually well attended debate. I remind right hon. and hon. Members that interventions should be short and to the point.

4.57 pm

**Richard Graham** (Gloucester) (Con): I congratulate the WASPI campaign on the success of its e-petition, which has led directly to today's debate. I also congratulate the hon. Member for Warrington North (Helen Jones) on her speech, which made the case strongly on behalf of women born in the 1950s—she reminded us that, implausibly, she was too.

Today, we debate the WASPI e-petition and, in a sense, the consequences of it. I want to address in turn three separate parts of the e-petition: first, the changes to pensions for women born in the 1950s and the ask from the WASPI campaign; secondly, the communications to those women from the Government and in other ways, from 1995 onwards; and thirdly, the new state pension and the way in which information about that is being communicated. As I said, I will touch on each of those in turn, highlighting where I agree with the campaign and e-petition and where not.

Let me start at the heart of the WASPI e-petition. This is the third time that we have debated this issue in the House, and as we go around the course again today, I hope that we will focus as much on the facts of the ask and the consequences of that as on the understandable emotion of women born in the 1950s. By way of reassurance to those in the Chamber, let me say that that includes my wife and both my sisters.

**Helen Jones:** Will the hon. Gentleman give way?

**Richard Graham:** May I make a little progress before giving way to the hon. Lady?

First, I agree that the changes in the Pensions Act 1995 and the Pensions Act 2011 will undoubtedly be difficult for women born in the 1950s. Indeed, those changes have been underway for some time and the pension age for women is already 63. But—this is a significant but, and a challenge that has to be made today—I do not accept the proposed WASPI solution, and I will explain why.

The e-petition states:

“The Government must make fair transitional arrangements for all women born on or after 6th April 1951 who have unfairly borne the burden of the increase to the State Pension Age”.

The fair, transitional arrangement sought by the campaign is spelt out on the WASPI Facebook page, which reads:

“What is our ask?... put all women born in the 50s, or after 6th April 1951 and affected by the changes to the state pension age in the same financial position they would have been in had they been born on or before 5th April 1950.”

One of the key WASPI campaigners, Anne Keen, who I imagine is here today, said in her evidence to the Women and Equalities Committee,

“we feel this is a very fair ask”.

Now, the impact of the ask that appears on the WASPI Facebook page has been estimated at more than £30 billion. I hope that the Minister will be able to give us a little bit more clarity on that. The figure is a third more than the entire Transport budget, more than the entire budget of the Department for Business, Innovation and Skills, and probably the same as—possibly more than—the entire budget for Scotland. What we are talking about today may be considered a very fair ask by some people, but others may consider it an enormous and wholly inappropriate ask.

The petition states that the WASPI campaign agrees with equalisation, but the implication of the ask on the Facebook page, and as repeated to the Women and Equalities Committee, is to unwind the 1995 Act, which was brought in specifically to bring about the equality of gender.

**Ian Blackford** (Ross, Skye and Lochaber) (SNP) *rose*—

**Richard Graham:** If the spokesman for the Scottish National party wishes me to give way, I am happy to do so.

**Ian Blackford:** We recognise that equalisation has to take place, but this is about the pace of change and the desire to ensure that mitigation can take place. We talked about the pension age being 63. As it is, somebody born in February 1954 will not retire until July 2019—two and a half years after somebody born a year earlier. That cannot be acceptable. Also, £30-odd billion is not the spending in one year; it is the spending up to 2026. The hon. Gentleman should get his facts right.

**Richard Graham:** I am half grateful to the hon. Gentleman for his intervention. The SNP's position has always been interesting, because its Members are in the happy situation of being able to say—and, if need be, to promise—whatever they like without any danger of having to fulfil a commitment on the pension age. I notice that he did not try to commit himself to any transitional arrangement, let alone the full transitional arrangement proposed by the WASPI campaign. It is fine for hon. Members to posture in this debate, and I am in no doubt that we will see a great deal of that, but it is unkind and unfair to the WASPI campaigners for Members not to speak honestly about what they and their party would do.

**Helen Jones:** I am grateful to the hon. Gentleman for giving way.

**Mr George Howarth:** On a point of order, Mr Stringer. Did I just hear the hon. Member for Gloucester (Richard Graham) correctly in his accusation that some people were behaving dishonestly? Is that a parliamentary expression?

**Graham Stringer (in the Chair):** I did not hear the hon. Gentleman say that. I call Helen Jones to continue her intervention.

**Helen Jones:** The hon. Gentleman said earlier that the women protesting about the change were being emotional. That is quite often a label attached to women who exhibit behaviour different from that of a doormat. What I said to him about the injustices in this scheme was based on fact, not on emotion.

**Richard Graham:** I am semi-grateful for that intervention as well.

**Mrs Maria Miller** (Basingstoke) (Con): I am listening carefully to the debate, and I have heard a lot of warm words from the SNP and from the hon. Member for Warrington North (Helen Jones), but I have not heard any solutions, let alone how those solutions may be paid for by any future Government.

**Graham Stringer (in the Chair):** I remind right hon. and hon. Members that interventions should be short. We are not doing very well at the moment.

**Richard Graham:** Thank you, Mr Stringer; I am doing my best to take interventions. My right hon. Friend the Member for Basingstoke (Mrs Miller) made a very reasonable point. The previous Labour pensions spokesman said that, in the four months in which he was in the role, he was

“grappling with how best to work out the transitional provisions.” I hope that we hear more about what the Labour party intends to do in practice.

One of greatest difficulties in this debate is about the word “fair”. Over the weekend, a lot of WASPI campaigners were tweeting me back and forth about various issues regarding the debate and their e-petition. One of the most interesting views came from a woman born in early 1960 who made a point about what would happen were the main WASPI campaign ask to be given—that is, if everybody born in the 1950s were backdated as if they had been born before 1950. She asked why she and her contemporaries should bear the burden on behalf of those who would effectively be given an exemption from the changes, and who were born only a few months before her.

The problem is that whenever a change is made, some will always be relatively better off and some will be relatively worse off. I strongly support women born in the 1950s—as I hope I made clear from the fact that my wife and sisters are both girls of the 1950s—but to imply that somehow they must take preference over those born a few months before or after is a different kind of potential unfairness.

The second point of the debate is all about communication. Communication is at the heart of what many of the campaigners feel is unfair about the changes made in 1995 and 2011. However, it is simply not true that nobody knew, as the hon. Member for Paisley and Renfrewshire South (Mhairi Black) claimed in the debate in the main Chamber. In 2004 the then Labour Government estimated from their research in the Department for Work and Pensions that 75% of those affected had been told. A separate study by the DWP—not yet referred to in debate, but unearthed by the pensions correspondent at the *Financial Times* over the weekend—demonstrated that seven out of 10 people spoken to knew about the change in the pension age. The truth is that we will never know the precise figure. We will never know

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exactly how many people knew, did not know, and might have been told about it but ignored it because it was all a long way in the future—20 years away.

**Mhairi Black** (Paisley and Renfrewshire South) (SNP): I thank the hon. Gentleman for allowing this intervention. Does he not find it strange that thousands upon thousands of women from different careers, different backgrounds and different classes are all coming together to claim exactly the same thing, which is that they were not told? The DWP has conflicting records on what letters were sent out and when, so we should be careful when addressing the point that people were told.

**Richard Graham:** The hon. Lady is absolutely right that we can be sure that not everybody knew and that not all of those who were told took the information to heart. We can be sure that some people were not told—there is no doubt about that. The pensions correspondent at the *Financial Times* told me:

“I dispute the evidence given to the Committee... by Lin Phillips, that ‘There was not much in the newspapers, only maybe a little bit in the business pages.’”

The correspondent has done a detailed study that will be presented as written evidence to the Select Committee, and she went on to say that she has looked at coverage from 1993, when the changes to equalise the state pension age for men and women was first mooted by my right hon. and learned Friend the Member for Rushcliffe (Mr Clarke). She says that, from 1994 to 2006, there were hundreds of mentions of the state pension age in the news sections and the personal finance pages, as well as in the business pages.

**Dr Philippa Whitford:** Does the hon. Gentleman not accept that, for such a drastic change as a change in the age of retirement, women had a right to expect to receive a direct letter, in the same way as they are given a pension statement on an almost annual basis?

**Richard Graham:** The hon. Lady is right. There are huge lessons to be learned, and I will come on to them because both parties that were in government between 1995 and 2010—predominantly the party that is now the main Opposition party—have to be able to explain, to look at themselves and say, “Could we have done more? Could we have communicated better?” The answer has to be yes, although there is a philosophical question that remains valid today. It is for Members, and indeed for the WASPI campaign, which has offered some thoughts, to come up with ideas about how that philosophical question can be addressed, because surely there is a balance of responsibility between what the Government must do to spell out change, what the wider world, including the media, must do to communicate that change—in today’s world that includes social media—and what the individual must do to take responsibility for finding out about major things that will affect their life.

**Ruth Cadbury** (Brentford and Isleworth) (Lab): I congratulate my hon. Friend the Member for Warrington North (Helen Jones) on introducing this debate. Those of us who have had children have received child benefit. I have received an annual statement from the DWP about my entitlement to child benefit, so it would

therefore not be too difficult for people to receive annual statements on their pension entitlement in the same way. If the DWP can do it for parents, surely it can do it for those approaching retirement age.

**Richard Graham:** The hon. Lady is correct. Indeed, people can get a pension statement from the DWP, and half a million people have done so. Of course, an individual has to ask for that statement, rather than it being automatically sent. She raises a question about whether the DWP could do more to communicate directly, which I am sure the Minister will address.

**Gavin Robinson** (Belfast East) (DUP): Will the hon. Gentleman give way?

**Kirsten Oswald** (East Renfrewshire) (SNP): Will the hon. Gentleman give way?

**Richard Graham:** I will make a little progress first.

I agree with the WASPI campaign that it is clear that more should and could have been done on communication and that a lot of women have had a lot of difficulty as a result of that failure in communication. As I have said, there is still the philosophical question to address. What matters now is whether lessons have been learned by everybody involved and whether changes will be made that help people in future. So long as longevity projections continue to move upwards, the likelihood must be that the state pension age will also move upwards.

**Barbara Keeley** (Worsley and Eccles South) (Lab): Will the hon. Gentleman give way?

**Richard Graham:** Let me finish my point, and I will come back to the hon. Lady.

I believe that the Government have now accepted three major points, and it would be good to hear from the Minister that that is the case. First, there will be a review of the state pension age every five years—I believe a review is planned for 2017, which perhaps he will confirm. Secondly, whatever is decided as a result of that review, which should have cross-party consensus as far as possible, everybody concerned will be given a minimum of 10 years’ notice. That will address the most difficult point for members of the WASPI campaign, which is the shortness of the time in which they knew about the changes. Thirdly, and this is also important, the basis on which the new state pension age will be calculated is that all of us, men and women alike, should have a maximum of a third of our life on the state pension. That is important for the one fairness that has not been mentioned today, intergenerational fairness, so that those who are paying for the pensions of their elders are paying for us to spend only a third of our life as pensioners.

**Several hon. Members** *rose*—

**Richard Graham:** I will come to questions in a moment.

I hope the Minister will confirm all my points, because they have important consequences for everyone, not least the 10 years’ notice of any change.

**Catherine McKinnell** (Newcastle upon Tyne North) (Lab): On a point of order, Mr Stringer. You asked us at the start of this debate to do the maths on the time

needed to allow all 20 speakers to speak. I did the maths, and it was five to six minutes. The hon. Member for Gloucester (Richard Graham) might be having some difficulty.

**Graham Stringer (in the Chair):** That is not a point of order, but the point is well made.

**Richard Graham:** May I seek your guidance, Mr Stringer? I have tried to be as generous as I can in taking interventions.

**Graham Stringer (in the Chair):** You have the floor, but there are 20 people waiting to speak. When you sit down, I intend to impose a time limit.

**Richard Graham:** Thank you. I have got the message loud and clear, and I hope that Members will respond accordingly—[HON. MEMBERS: “It’s you!”] I was trying to help colleagues on both sides of the Chamber who are standing up and trying to intervene.

The last point raised by the petition is on the new state pension, the way in which it has been communicated and the implied fairness, or unfairness, of it. It is time that we all recognised that the new state pension has huge benefits for many people, and particularly for women. For the first time in the history of pensions in this country, women who have spent years out of the workplace, either bringing up children or caring for their parents, will receive those years as contributions to national insurance, which will determine what their state pension is. [*Interruption.*] That is a revolutionary change, whether Members care to recognise it or not, and it is one that we should all support.

Secondly, the changes made to the composition of the state pension, particularly the triple lock, mean that the absolute amount of money received by people on the new state pension this April will already be £1,000 a year more than in 2010. Thirdly, it has been calculated that, in the first 10 years of the new state pension, some 650,000 women will receive £416 a year more than they would have received without the new state pension.

**Mr George Howarth:** On a point of order, Mr Stringer. As the hon. Gentleman moves into the 22nd minute of his speech, will he give us an indication of its likely future proportions, so that we can pace ourselves?

**Graham Stringer (in the Chair):** Again, that is not a point of order, but the point is made.

**Catherine McKinnell:** Further to that point of order, Mr Stringer. Can you guide me on whether you have any control over this issue? My concern is that it is deeply disrespectful to the many women here who are concerned about this subject.

**Graham Stringer (in the Chair):** Mr Graham has the floor. He has heard the points, and I intend to impose a time limit when he sits down.

**Richard Graham:** Thank you, Mr Stringer.

I have covered the three main points that I wanted to raise today, and it is worth recapping the implications—[HON. MEMBERS: “No!”] I will be very brief. First, many people in this House—

**Simon Hoare (North Dorset) (Con):** On a point of order, Mr Stringer. This debate is being held in a way somewhat alien to what we are used to in the Chamber. The Public Gallery is full, and rightly so; it is an important issue. I invite you to remind all of us that this is a meeting being held in public, not a public meeting.

**Graham Stringer (in the Chair):** Again, that is not a point of order, but you have made your point, Mr Hoare, and I think Mr Graham has heard it.

**Richard Graham:** Thank you, Mr Stringer. In conclusion, the WASPI campaign has been well put together, and the e-petition has been a great success; that is why we are all here. I congratulate WASPI. All the points made by the campaign about communication in the past will have been noted and largely accepted by almost everybody in the House.

I have emphasised the lessons to be learned, in terms of what the DWP can take from this debate for any future changes made to the state pension age and how they are communicated, but WASPI’s central ask—changing the state pension received by people born in the 1950s—is not favoured by many of the campaign’s supporters, who understand that £30 billion or more is not an appropriate ask when there are so many other good causes on which money should be spent. On that basis, I do not believe that this House should support the e-petition’s call for fair transitional arrangements, which amount to that.

**Graham Stringer (in the Chair):** Before I call Mhairi Black, I am imposing a five-minute limit on speeches. If Members take interventions as well as taking up the whole five minutes, either Mr Hanson or I will have to reduce that limit.

5.21 pm

**Mhairi Black (Paisley and Renfrewshire South) (SNP):** It is a pleasure to serve under your chairmanship, Mr Stringer. I shall be as brief as possible.

On 7 January, I was happy to lead a debate on the issues raised by Women Against State Pension Inequality. We heard, first, how consecutive Governments did not give women enough information or notification; and secondly, how, owing to the acceleration of equalisation, women were not given enough time to make appropriate financial arrangements for themselves. A motion was tabled calling on the Government to consider new transitional arrangements; it was overwhelmingly passed by the House, with 158 votes for and zero votes against.

Despite all that, I am still no further forward in understanding whether this Government have any intention of considering new transitional arrangements. Instead, I have been met with the same three rebuttals over and over—we heard some of them in the previous speech—given by the Government to justify doing absolutely nothing. I know that many colleagues will, as previous speakers have done, mention personal stories and examples showing the human cost of the issue, but I shall focus on the three rebuttals continually given by the Government.

First, we hear that the single-tier pension will solve all the problems these women face, but the reality is that they will receive the higher rate of the new state pension only if they have paid national insurance for 35 years. That means that many individuals who have had low-income or part-time jobs, or who have been in and out

[Mhairi Black]

of work because they have cared for children, elderly parents or disabled family members, will not meet the 35-year contributions level. It is important to note that approximately 80% of those in this category who will not qualify for the higher rate are women. The idea that the single-tier pension is the answer to the problems that these women face is absolute nonsense and totally irrelevant.

It is also incredibly damaging to continue sending that message. Only this month, *The Telegraph* reported inaccurate communication from the Department for Work and Pensions to pensioners, after thousands of workers were told that the number of years needed had been reduced to 30, when the new scheme will actually require 35 years. Similarly, and rather embarrassingly, the Select Committee on Work and Pensions raised concerns about the Prime Minister's misleading claim that the new single-tier pension will start at £150. The Pensions Minister, Baroness Altmann, had to explain:

"That is the full new rate for someone who starts building up from April 2016. That is where there has been so much misunderstanding".

The whole reason why we find ourselves with this problem in the first place begins with poor communication between the Government and those affected, and it seems that this Government have not learned any lessons from that poor communication. They cannot continue to imply that the single-tier pension will solve the problem, because it will not.

**Andrew Bridgen** (North West Leicestershire) (Con): The hon. Lady is making a powerful case, but will she concede that thirty thirty-fifths of the new single-tier pension are still worth more than the old pension?

**Mhairi Black:** I accept that point, but how is it relevant to what these women are facing?

It would seem that this is not the first time that the Government have misled people, or certainly gotten their facts wrong. The Pensions Minister gave inaccurate information to the Work and Pensions Committee when she said that WASPI was calling for the Government to undo the Pensions Act 1995—in other words, to reduce the pension age for women back to 60. That is strange, given that she was so involved with WASPI before being employed by the Government.

That brings me on neatly to the second reason why the Government think that nothing should be done: the principle of equality. We hear time and again that this is about equality, which is why we cannot repeal the 1995 Act and why the women affected should just put up with it. Let me set the record straight for the Government and for the Pensions Minister so that there can be no more confusion or inaccurate information: no one is calling for the 1995 Act to be repealed. No one is against the principle of equality. Neither I nor my colleagues nor the WASPI women—nor anybody in this room, I think—are against the principle of equalisation; it is about the speed of it, and the inadequate time and information given to the women affected. I truly hope that when the Minister responds to this debate, we do not hear at great length why equalisation is important. That is agreed. We want the Government to address specifically the speed at which it is being implemented.

The third and final reason commonly given to justify doing nothing is that the issue has already been debated, in 2011. That is correct. The changes were previously considered, and the concerns being raised now were raised then, which is why the Government rightly recognised that the initial transitional arrangements were not appropriate and responded, "Do you know what? We've listened, and you've got a point," and changed the waiting period from two years to 18 months.

But if colleagues speak to Pensions Ministers or pensions experts, as I hope they do regularly, the Ministers and experts will say that quite often they do not fully know or appreciate potential problems with pensions until they experience them, and it is then that they have to respond appropriately. So yes, although this issue was debated in 2011, we are returning to tell the Government that in fact the initial six-month concession is not enough. It is not working out, so they have to consider something else that works better.

I have outlined why the Government's responses have been completely inaccurate and often irrelevant. I do not want to hear that the new single-tier pension is the answer, because it is not; I do not want to hear speeches about the concept of equality, because it is irrelevant; I want to hear a genuine response from the Government on this matter. I said during the last debate that I did not believe that the policy was vindictive or deliberate, but with the knowledge of everything that is happening, it will become deliberate. That is not something I want tied to my name.

5.27 pm

**Mrs Maria Miller** (Basingstoke) (Con): I am pleased to serve under your chairmanship in this important debate, Mr Stringer. I commend the hon. Member for Warrington North (Helen Jones) for securing it and the members of Women Against State Pension Inequality, many of whom are here, for their successful petition.

There is a great deal of heat in this debate; I hope that at the end of it, we will get a bit of light as well. We owe it to the many people who have signed this petition to lift the fog of debate. I say that because many of my constituents have contacted me to ask for clarification of many of the issues raised here. The Minister has an important role to play in ensuring that some of those issues are clarified.

What is clear is that we all agree on equalisation of the state pension age. It is the right thing to do. It is equally right that we are regularly reviewing the age at which we retire. The great news is that we are all living longer, but we cannot possibly expect that not to affect the age at which we can retire. Surely it cannot be sustainable for us to live longer in retirement than in employment. The sums simply do not add up.

**Ian Paisley** (North Antrim) (DUP): Does the right hon. Lady have some heart for my constituent Lilian, who this year had the honour of receiving an MBE but was told in the same week that she is not getting her state pension? You could not meet a more loyal person or a more honoured person, nor a more betrayed person.

**Mrs Miller:** The hon. Gentleman makes his own point in his own way, but we are trying to take some of the emotion out of this debate to get to some of the facts, and we owe it to those people who are really heavily engaged in this debate to do that.

We need a fairer pension system and one in which everybody knows what they are going to get out of it at the end, not only from the state pension system but from private pensions as well. It would be very fair of us all here today to be highly critical of the pensions industry for the opaque way in which it operates, which makes it is very difficult for us to know exactly what we will get and when.

I shall refocus on the point that my hon. Friend the Member for Gloucester (Richard Graham) made, namely that the petition being debated today creates some of the fog because it appears to call for change that puts all women in their fifties who were born on or after 5 April 1951 and who are affected by the changes to the state pension age to be in exactly the same financial position that they would have been in if they had been born or before 5 April 1950. That appears to be a call for a significant change, which I am not sure has been advocated in the contributions made by hon. Members thus far.

**Jonathan Reynolds** (Stalybridge and Hyde) (Lab/Co-op): On a point of fact and reasonableness, none of the constituents directly affected by this issue whom I have spoken to have asked for any woman born in the 1950s to be able to retire at 60, but they have come to me with specific injustices, such as the women born in 1953 or 1954 who had 18 months added to their retirement age as a result of the 2011 change. That simply cannot be right and it does not really help the debate to try to claim that all these women are calling for something, which does not appear to be true.

**Mrs Miller:** The hon. Gentleman makes an important point but we are today debating a petition and I am just trying to focus on that. There is so much debate in the Chamber about exactly what we are talking about, and it is important that we consider the petition as it is written rather than as we might like it to be written, which is what he is talking about. Considering the petition is important, because so many people have supported it, but we also need to consider how any changes that would be made, in the way that is being suggested, would be financed. To ignore that and to simply try to pretend that that is not the case would not be fair on those who have created the petition and those who have signed it, because they are pretty clear what they want.

I hope that the Under-Secretary of State for Work and Pensions, my hon. Friend the Member for North West Cambridgeshire (Mr Vara), who will respond to this debate, will be clear about what the exact elements of the petition would mean. Equally, however, I hope that he will be clear about some of the other issues that hon. Members have raised, particularly the notification of those who have been affected by this change, which I will focus on in the remaining few minutes that I have.

The hon. Member for Paisley and Renfrewshire South (Mhairi Black) is absolutely right when she says that there appears to have been a great deal of communication—no doubt, extremely expensive communication—over a great many years but very little understanding of what has actually come out and been given to people. It is regrettable that the Pensions Act 1995 did not contain a requirement to communicate effectively with those who were affected by it. Although a leaflet was published at the time, I have no doubt that it was entirely ineffective.

Lord Willetts, who was a Member of this House at the time, pressed the issue back in 2002 in parliamentary questions. The hon. Member for Warrington North is absolutely right to say that at that point there was potentially a gross dereliction of duty at the DWP in not ensuring that there was more effective communication, but I guess that we could also look at the fact that the Department undertook research that clearly showed that three quarters of the women affected were aware of the increase in the state pension age. Perhaps that is why the then Labour Government did not do more at that point.

**Mhairi Black:** I just want to set the record straight. I am trying to draw attention to the poor level of communication and to the miscommunication, and I hope that the Government will learn from that.

**Mrs Miller:** I can reassure the hon. Lady that that is exactly the point I am making—a great deal of money was spent on things that clearly did not work. Otherwise, we would not be here today.

We know that the women who are affected were written to on numerous occasions. Clearly, they were not communicated with in an effective way, and some of the research I have referred to may well have been misleading in the impression it gave to the then Labour Government and the coalition Government that followed.

What I would like to hear from the Minister today is exactly how he will ensure that not only will the women currently affected by the situation really understand the true position that they are in following quite complex mitigation but that we never, ever find ourselves in this situation again.

5.35 pm

**Andrew Gwynne** (Denton and Reddish) (Lab): I pay tribute to my hon. Friend the Member for Warrington North (Helen Jones) for the eloquent way that she opened this debate. May I also say what a pleasure it is to serve under your chairmanship, Mr Stringer? I welcome my hon. Friend the Member for Ashton-under-Lyne (Angela Rayner) to her Front-Bench position. Mainly, however, I pay tribute to the WASPI women—Women Against State Pension Inequality. I have stood with them for quite some time because there is a real injustice here and it is about time that Parliament served these women as well as it ought to.

Mr Stringer, in future we will probably need a bigger venue and more time for a debate on these issues, and the hon. Member for Gloucester (Richard Graham) has proved that someone does not need 23 minutes to make a good speech but they certainly need 23 minutes to make a bad one.

Hon. Members will know that my interest in this issue is a long-standing one, and for good reason. They will also know that when constituents come to an MP in numbers and tell them that the Government are doing them an injustice, the MP's ears perk up and they just know that something big is coming. Well, 140,000 signatures on an e-petition is something pretty big and that is why I pay tribute to those women who have secured those signatures.

The problem is not a new one. When these women realised what had been done to them, they found it difficult to get their voices heard. What I knew was that

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often women of that age have not had the best luck in life. Women in their 60s still earn 14% less than men and many do not have private pensions. Until 1995, women who worked part time were not even allowed to join company pension schemes, and others did not qualify because they took time away from work because of ill health or to fulfil a caring role.

I do not want to repeat what other Members have said or predict what others will say, but I will make a few brief points, to which I hope the Minister listens carefully. First, when the Pensions Act 2011 was debated on the Floor of the House in June 2011, the Secretary of State for Work and Pensions said:

“We will consider transitional arrangements.”—[*Official Report*, 20 June 2011; Vol. 530, c. 52.]

These ladies are still waiting for those “transitional arrangements” and time is quickly running out. I hope that when the Minister comes to respond, he will finally set out what these “transitional arrangements”, which these women were promised, are.

I am sure that the Secretary of State, wherever he is, knows that we will not stop asking questions about this issue; we have raised it many times before and we will raise it again. In the previous debate on the issue, I said that the WASPI ladies were, like wasps, not easy to bash away; when someone tries to bash a wasp, they get angry and they come back and sting. I fear that the Minister is in for multiple stings unless he changes his ways.

I will very briefly mention the Second Reading debate in 1995. In opposition, the Labour party, under Tony Blair, tabled an amendment to point out that the Pensions Act 1995

“does not fully reflect the importance of pensions as a form of deferred pay, takes too rigid an approach to the equal treatment of men and women under the State pension scheme, and includes a range of proposals designed to undermine the State Earnings-Related Pension Scheme and disadvantage occupational as against private pension provision.”

The Conservative Government at that time ignored that amendment, which fell by 267 votes to 228. The amendment summed up our concerns about the 2011 Act, and we made much the same point in the debates about that Act.

Who else shared our concerns in 2011? Well, the current Minister for Pensions, Baroness Altmann, did. Back in 2011, in the same month when the 2011 Act had its Second Reading, she said:

“Ministers must listen to reason on this issue. The current plans are unfair and may, indeed, be illegal in public law terms”.

It is amazing what a subsequent ministerial salary can do. That is the biggest conversion since St Paul on the road to Damascus.

A number of constituents have come to me, including one who worked for the Department for Work and Pensions who said that even she was not aware of many of the changes. Indeed, the WASPI women have today been tweeting that the DWP website still says that the state pension age is 60. What a farce! I hope that the Minister will do the decent thing, listen to these women and give them the justice they deserve and the transition they want.

5.40 pm

**Ben Howlett (Bath) (Con):** Hopefully I can be a little more measured.

I echo the opening remarks of the hon. Member for Warrington North (Helen Jones) and congratulate the WASPI petitioners on securing the debate. As a member of the Petitions Committee, may I say that I would not even contemplate the idea of treating the Chair of the Committee as a doormat?

**Helen Jones:** Very wise.

**Ben Howlett:** Thank you.

I think that both sides of the House agree that changes to the state pension age are necessary but, famously, when von Bismarck created the state pension in Germany in 1889 for all those of the age of 70, life expectancy was only 35, whereas a woman who reaches 65 in 2018 has a life expectancy of nearly 90 years. Increased life expectancy has presented a challenge to pension systems all over the world, and equalising the state pension age is an important step in addressing that.

**Natalie McGarry (Glasgow East) (Ind):** Will the hon. Gentleman give way?

**Ben Howlett:** No, I will make some progress.

The reality is that there has been no shock. People have been living longer for decades, and it is frustrating that Governments of all colours have done nothing about it. In fact, during the 13 years of Labour nothing was done to remedy the issue—at least the Scottish National party has an excuse.

**Several hon. Members** *rose*—

**Ben Howlett:** I want to try to make some progress. I note the time, and I do not want to go on for too long.

There is a legal obligation here, and also a European Union directive on gender discrimination, with several EU members already having equalised the state pension age. One of those is Germany, the birthplace of the state pension. I am, therefore, supportive of the Government's state pension changes but, as a member of the Women and Equalities Committee, I think there is a case for transitional arrangements for the most vulnerable. However, that must be balanced against the implications for our yet-to-be-eradicated deficit. Even the most minimal of mitigations would come at a significant financial cost; just paying the state pension for an extra 12 months to the women affected would cost £2.2 billion, and that is aside from the further complications that would be caused to the system. However, I must note the concerns I have heard about the changes, and I know that the Department for Work and Pensions continues to deny that the women affected were not contacted.

**Ian Blackford:** Does the hon. Gentleman not understand that a contract exists, in effect, between the affected women and the Government? If someone was paying into a private pension and the rules were changed at the last minute, my heavens the matter would end up in court. This is not about the Government's deficit; it is about doing the right thing, and about a commitment that the Government have to women of a certain age.

**Ben Howlett:** I thank the hon. Gentleman for his intervention. He makes his point in his own way, but any changes in welfare come with a cost implication, as he well knows.

**Peter Grant** (Glenrothes) (SNP): Will the hon. Gentleman give way?

**Ben Howlett:** No, I will make some progress. As I said, I must note the concerns I have heard from constituents who have come to my surgeries. The Department for Work and Pensions continues to deny that women who were affected were not contacted, but a number of constituents have contacted me to say that they did not receive adequate notification. It was also concerning to hear that the Department failed to send out a significant number of state pension estimates, citing, in part, reasons of data protection.

Apart from for actuaries and accountants, pensions are confusing; indeed, I am no expert myself. Not only do the Government need to investigate their contact with women about the changes, and the methods used, but there is a wider issue about financial education and I am pleased that the Money Advice Service is working on a new strategy for the financial education of children.

**Several hon. Members rose—**

**Ben Howlett:** I am happy to give way.

**Ms Gisela Stuart:** I am extremely grateful to the hon. Gentleman for giving way but, given what he has said, how does he defend the disproportionate hit that is being taken by this small group of women? This group had low incomes and therefore could not build up their pension contributions, then they got hit by the reduced rates and they have now been disproportionately hit by the transition period? Why should that cohort take the biggest hit?

**Ben Howlett:** I thank the right hon. Lady for that intervention but, as I said, as a member of the Women and Equalities Committee and as someone who has campaigned on equalities issues for a while, I believe that the most vulnerable people need to be looked at, if the Government are to review the policy. Unequal pension ages are unfair and unsustainable in an age of greater life expectancy and of women working longer, but we must remember that there are still glaring financial inequality issues for women in this country, despite huge strides made in recent years.

**Natalie McGarry:** In some parts of my constituency of Glasgow East, life expectancy is 67, so it is simply not correct to say that life expectancy for all is increasing. As Age UK says, it is the people in the poorest areas and in the lowest-paid jobs who are disproportionately hit.

**Ben Howlett:** As I said earlier, transitional arrangements need to be made for the most vulnerable. I completely understand the hon. Lady's position and I hope that the Minister will look into it. Indeed, in my constituency, and in the south-west in general, there is a nearly 20% difference between the earnings of men and women. My colleagues and I on the Women and Equalities Committee are currently taking evidence on that issue and we will publish a response later this month.

At my surgery last week I met with women affected by the changes, and they brought to my attention the issue of divorce and pensions. As women earn less than men they tend to save less towards their retirement and are often dependent on their spouses' income, but the vast majority of them do not choose to consider their husbands' pension in a divorce settlement. I hope that the Minister will consider that further issue in his summary.

Given that emotions are running high, it is important that the Government learn lessons. Although the changes are necessary, we must consider how we can better educate people about their personal finance. We must also remember that women remain economically disadvantaged in both pay and private pension provision. If we address those things we will be able to avoid a recurrence of this regrettable situation in the future. There is little doubt that we will all be living longer and we should not make the same mistakes in communicating such changes in the future.

5.46 pm

**Caroline Flint** (Don Valley) (Lab): It is a pleasure to serve under your chairmanship, Mr Stringer. It is interesting to follow the hon. Member for Bath (Ben Howlett) because, if I heard correctly, he seemed to suggest that it would perhaps help the Government with the pension policy if we all died sooner. I congratulate my hon. Friend the Member for Warrington North (Helen Jones) on her contribution to the debate and on all the work she and many other Labour colleagues have put in.

How many times have we heard constituents say, "I'm not interested in politics. What has it got to do with me?" Well, here today we are debating political decisions on the pension age that have profoundly changed the law with regard to men and women. The fundamentals of the change to equalise the state pension age between men and women is not the problem. It is right that as the barriers to women working and saving for a pension were tackled in the 20th century, the anomaly between the retirement ages for men and women should be addressed too. While recognising the health inequalities that still exist, it is fair to reflect on the statutory retirement age and on what is appropriate, as we are all living longer overall, and to recognise that pension support must better reflect how we live our lives today and that funding must be sustainable in the future.

So what has gone wrong? Why are so many MPs from all parties concerned? How did the WASPI campaign manage to get more than 139,000 signatures on an e-petition, so as to be granted today's debate? The problem is when politicians and senior civil servants forget that public policy making is only as important as delivery, especially when we expect the public to make important decisions affecting their lifestyle and future financial security. It is because of the lack of attention to delivery and to the impact on women's lives that the genuine and widespread concern of the many women and their families affected by the changes has struck such a chord.

Sometimes laws require relatively little of the public, but pension changes need the public to engage with how they will be affected and what they need to do ensure that they can retire with security. For that reason alone Governments have a huge responsibility to do as much as possible to ensure a smooth transition.

[Caroline Flint]

The first increase in women's state pension age was introduced by the Pensions Act 1995, but the plan was that the change would not start until 2010 and that it would take 10 years to complete, so that by 6 April 2020 women's state pension age would be 65 and equal to that of men. Perhaps the thought of 25 years between 1995 and 2020 led to a complacency in Whitehall that has exposed the lack of priority given to ensuring that women were informed and prepared. One letter, even if it gets to the recipient, is not enough. Receiving such a letter at 58—even at 59—saying that the pension age of 60 has been delayed, has left many women unprepared for retirement, after decades of work.

**Mr Pat McFadden** (Wolverhampton South East) (Lab): My right hon. Friend is making a good point that is not just about the principle of equalisation, but the speed and sharpness of the increase. That is what has been the focus of so much anger and frustration. Does she agree with my constituent Mrs Cox, who points out that it is not just about the state pension, but other benefits, such as bus passes in some parts of the country, continued national insurance contributions and winter fuel allowance? It is not just one hit on the women affected, but several, and that is what has made them so angry.

**Caroline Flint:** I absolutely agree with my right hon. Friend. The problem has been compounded by the coalition Government's decision to speed up the introduction of the equalisation of the pension age and to increase the state pension age. Those changes were made without any sense of how aware and ready women were.

**Martin John Docherty** (West Dunbartonshire) (SNP): Will the right hon. Lady give way?

**Caroline Flint:** No, I am going to make some progress. I want to share the story of a constituent from Cantley, Margaret Quilter. When the Pensions Act gained Royal Assent on 14 May 2014, it was two months before Margaret's 60th birthday. That Act pushed the date of her reaching state pension age from November 2018 to May 2020. Margaret was not notified of that change and nor was her occupational provider, the teachers' pension scheme. All correspondence from that scheme used the 2018 date. Margaret has more than 40 years of national insurance contributions, but she was contracted out, as so many were. The amount of years of NI contributions required has also moved, and she believes that that led her to making judgments based on inaccurate information. Margaret's is a classic case: she expected to retire at 60, then 61 and a half. That became 64 and then nearly 66.

Margaret believes that by equalising pensions at the finishing line, Governments have failed to acknowledge inequality from the start. As she told me, when she was working she barely broke even paying out for childcare for her two children, but she thought it worthwhile to keep working and to keep contributing. In her 50s, she found her retirement age was to be delayed, but at the same time her work opportunities were beginning to dry up. She feels let down. Having been assured in 2014 that there would be 10 years' notice of future rises, at 61, having requested a forecast, she discovered the third increase to her state pension age.

**Margaret Ferrier** (Rutherglen and Hamilton West) (SNP): Will the right hon. Lady give way?

**Caroline Flint:** I will not give way, because of the time. My constituent Margaret recognises that she is more fortunate than many. When she had been retired from teaching for a year, the teachers' pension service wrote saying that it used the state pension age of 64—not the state pension age of 66—in its pensions calculation letter sent in July 2014, as changes in the state pension age were not in the public domain. That forecast letter stated that the state pension age was unlikely to change, but it did four months later. Seriously, if an established occupational pension scheme cannot advise clearly in July 2014, is it any wonder that so many women have found themselves unprepared for the changes to their financial and social wellbeing? Margaret has never received any information directly from DWP. She has requested all the information herself.

It is clear that mistakes have been made. Sometimes Governments get it wrong and sometimes Departments mess up. In those cases, they should try to put things right. I hope that after today's debate, the Government will consider transitional arrangements to soften the blow. I also hope that lessons will be learned, across all levels of policy-making, about treating changes of this magnitude as a major project in which the people affected should be at the forefront of planning for change.

5.53 pm

**Scott Mann** (North Cornwall) (Con): It is a pleasure to serve under your chairmanship, Mr Stringer. I thank the hon. Member for Warrington North (Helen Jones), who led the debate so brilliantly. The issues of the WASPI campaign have been raised with me by a number of constituents, so I wanted to participate in the debate. I will not talk for long, as the points I wish to make have been mentioned and will no doubt be mentioned again by Members speaking after me.

I will be honest: before it was widely reported and debated in Parliament, I was not majorly aware of the issue—it had not been raised with me—for women born in the 1950s. The WASPI campaign has evidently gained much momentum over the last few weeks, and the number of letters and emails sent to me has increased, with women from all over North Cornwall telling me about their concerns and how much money they will lose from their state pension. I have also met some of the affected women in my surgeries. I thought it would be a useful starting point to sympathise with their argument and predicament and to bring their concerns to the House. Although the changes were made when I was not a Member of Parliament, I felt it was important to listen to and convey their concerns.

First, I agree with the Government's equalising the state pension age and saving billions for the taxpayer, but the change has been brought in rather bluntly. Men and women pay the same level of taxes and national insurance contributions. They can learn to drive or buy a lottery ticket from the same age, so they should be treated the same when it comes to state pensions. Life expectancy figures also show that women outlive men in many cases, so it is right and fair that their pensions are equalised.

**Margaret Ferrier:** Given that many of the women affected by the changes in state pension age were in full-time employment from the age of 15 and younger, does the hon. Gentleman agree that they have more than contributed? Their full half-century of hard work should be taken more seriously by the Government.

**Scott Mann:** I absolutely agree. The ladies sitting in the Public Gallery and many others across the country have been affected by the issue and have made a full and active contribution to their national insurance contributions. It is right that their opinions are listened to, as they are today.

I absolutely understand why the Government wish to implement the changes quickly. They are working hard to eradicate the budget deficit and get us into a surplus. My concern is how the changes have been communicated and the affect that they have had on the 135,000 people who have signed the petition. Importantly, the women I have spoken to understand that the changes are being made for equalisation, but they ask for help with how they are being implemented. Some have not received letters from the DWP about the changes. Others have said that the changes have drastically changed their retirement plans. Some are set to lose tens of thousands of pounds.

The Work and Pensions Committee said in its interim report that the details sent to people affected were inadequate and confusing. It said that it had widespread concerns about women being unaware of increases in their state pension age dating back to 1995. I come here not as someone who is affected by the changes, but instead to fulfil my role as the MP for North Cornwall by speaking on behalf of those who are affected and are concerned, but who are unable to stand here today and make the case themselves. On behalf of my constituents, I simply urge the Government and the Minister to pause and consider another way of facilitating the changes that would be fairer for the taxpayer and the women in North Cornwall who are set to lose thousands of pounds as a result of something they have little control over. I further urge the Minister and his Department to consider the Select Committee's findings and to contact all women affected, laying out how they will each be affected by the age changes, how they will benefit from the new single-tier pension, and on balance how they will be positively or negatively affected.

[MR DAVID HANSON *in the Chair*]

5.57 pm

**Barbara Keeley** (Worsley and Eccles South) (Lab): I thank my hon. Friend the Member for Warrington North (Helen Jones), the Chair of the Petitions Committee, for the excellent way she opened the debate. It is good to see you in the Chair, Mr Hanson. I thank the WASPI campaigners for the great job they do. I think that we should all thank them. I say to the Minister that I think it is shabby for another Minister to block people on Twitter who are doing such a lot of work to bring issues to our attention. That is a dreadful thing to do.

The former Pensions Minister, Steve Webb, has said that the Government made "a bad decision" over the changes to pensions. His excuse was that Ministers had not been properly briefed. Despite the excuses, it seems astonishing that so many crucial issues were overlooked. Raising the state pension age creates a need for new jobs and new support for people if they are made redundant.

For all the women no longer allowed to retire at 60, there has to be a job so that they can continue to work, or a scheme for financial support.

The Commons Library estimates that 3,200 women in Greater Manchester and 9,400 women in the north-west are affected this year alone by the increases in the state pension age. Across the 10 years to 2026, those numbers rise to 100,000 in Greater Manchester and nearly 300,000 in the north-west. Across the United Kingdom, a staggering 2.5 million women will be affected by 2026. Where is the work and the suitable support for all those women? Finding suitable employment when you are in your 60s is not the same as looking for work in your teens and 20s. The experience of my constituents who are unemployed or who took redundancy hoping to retire at 60 is that suitable work or support programmes do not exist. It seems to me that the issues were known about at the time.

**Sir Edward Leigh** (Gainsborough) (Con): When I mentioned this afternoon the case of a constituent who is a widow and is severely affected by this issue, the Minister in his reply read out a long list of benefits that the lady could receive. Unfortunately, she cannot work. In a sense, having paid in all her life—for 35 years—why should she go cap in hand to the jobcentre?

**Barbara Keeley:** Absolutely. I know of a similar experience, which I will come to in a moment.

The impact assessment for the 2011 Bill showed the number of inactive women as 31% of those aged 55 to 59 and 65% of those aged 60 to 65. Four out of 10 of the women aged 50 to 59 were inactive owing to ill health or disability, and 24% stated caring at home as their reason. What plans did the Government make to give support to such women once they were over the age of 60, in terms of suitable jobs, financial support if they were ill or disabled, or financial support if they gave up work to care for family members?

Like the hon. Member for Gainsborough (Sir Edward Leigh), I have a constituent who is forced to attend the Work programme. She feels that it fails to take into account her previous experience, and she feels that she is going to be "parked", working for free for up to 30 hours a week, or face sanctions. It is difficult for her. She has mobility problems, but she has to pay her own parking costs when she attends the Work programme, because only petrol is paid for.

I have spoken to WASPI campaigners with similar problems in Greater Manchester: forced on to the Work programme at age 62, despite having more than 40 years of national insurance contributions—exactly the point that the hon. Member for Gainsborough made. I have another constituent of 62 who has worked since she was 15. She has osteoarthritis in both knees. She has had one knee replacement and is now waiting for a second. She cannot get her pension until 2019. She is on half pay from her employer and she had contributory ESA to top that up for a while. That seems fair, given that she has more than 45 years of national insurance contributions. However, after assessment she has been told she is fit to do some work and she must apply for jobs, despite having her second knee replacement scheduled soon, and despite being on sick leave from her job. She told me,

[Barbara Keeley]

“I have been so upset with this whole procedure you are not able to get better... Can you believe it I was pleased they took the ESA off me because it is making me ill to keep dealing with them and the way you are dealt with.”

Government Members who talk about ESA and JSA, as some Members did in DWP questions earlier, should realise what it means to have to go to jobcentres, go on to the Work programme or go to ESA assessments.

We should be ashamed to have a system that treats women born in the 1950s in this way. They have worked all their lives, brought up children and paid more than 40 years of national insurance. Very few of them ever had equal pay, and certainly not equal chances of an occupational pension. So I want to ask the Minister why his Government did not consider different schemes for people who have worked all their lives and find themselves redundant or unemployed in their 60s. I can tell him that other EU states have done so.

Faced with the facts of the ill health of women in the 55 to 59 age group, why did the Government not introduce a different support scheme for women who became ill in their 60s after a lifetime of working contributions? Why have the Government not looked at a bridge pension scheme, as some other EU states have done? Why did the Government not look at allowing women aged 60-plus and living outside London to have concessionary travel, as the Mayor of London did for women—and men—with the 60+ Oystercard? Why did the Government not consider women born in the 1950s being able to qualify for winter fuel payments between the ages of 60 and retirement?

The Government are taking £30 billion off women born in the 1950s, which could mean as much as £36,000 per woman affected.

**Martin John Docherty:** I thank the hon. Lady for giving way, and I am grateful to the hon. Member for Warrington North (Helen Jones) for sponsoring this debate. We have talked about the amount of money that women will lose in terms of detriment. I hope that the Minister takes this on board, and I hope that the hon. Lady agrees with me. We heard earlier about women relying on their husbands to make up their income, but in the case of women who are married to women, both suffer detriment because of the changes in pension age.

**Barbara Keeley:** I thank the hon. Gentleman for raising that issue. It is useful that he has done so, because it has not come up before. I hope the Minister will think about that, too.

Sometimes when we have debates, Ministers do not listen to the questions that are put. Some Members have said that life expectancy is still rising in this country, but it is not. The figures that were published in 2013 for 2012-13 show the first fall, which is possibly to do with how social care is being cut in this country. I want the Minister to think about the point I made earlier, which he did not seem to hear, about how female life expectancy is only 72 in parts of my constituency. If those women have to work until they are 66, they will have only six years of pensions, not 20 or 30 years as in more affluent parts of the country. Healthy life expectancy in that same ward in my constituency is 54, so why should women in Salford and in other deprived parts of the

country bear the full cost of equalisation? The costs of support to women born in the 1950s via fair transitional arrangements would be transitional costs. It is the right thing to do and the Minister should agree to ask the Government to bring in those transitional arrangements.

6.5 pm

**Patricia Gibson** (North Ayrshire and Arran) (SNP): There seems to be widespread consensus that that acceleration of the equalisation of the state pension age directly discriminates against women born on or after 6 April 1951. We all agree that women have not been given fair notice to prepare and manage their plans and finances for an additional number of years before receiving their state pension. Many women in my constituency are genuinely alarmed and worried about their financial future due to the lack of preparation time that they have had. As has been said—it bears repeating—life expectancy across the UK is not uniform, and that creates complexities when discussing this issue.

It has been hinted at but not explicitly said today that it is a real shame and a real disappointment that that fantastic crusader for people of pension age, Baroness Altmann, has allowed herself to be effectively neutralised by her ennoblement. Many women face the real prospect of cancelling retirement plans after a lifetime of work. That goes against the grain of natural justice, and it demands to be addressed because it is a breach of contract.

A DWP research report in 2004 found that only 43% of the women affected were able to identify their own state pension age as 65 years or between 60 and 65 years. That low figure was identified as a cause for real concern, showing that information about the increase in the state pension age was

“not reaching the group of individuals who arguably have the greatest need to be informed.”

Levels of awareness were even lower among women who were economically inactive or in routine and manual occupations, standing at a mere 36%.

Women born in the 1950s have been affected by significant changes to their state pension age with a lack of appropriate notification, little notice and much faster than promised. That can have only one outcome: straitened financial circumstances for women as they frantically try to prepare and re-plan retirement. With retirement a further four, five or even six years further away than originally thought, it is not just financially challenging; it is cruel and heartless. All of this, as has been said, is in the context of a lifetime of low pay and inequality faced by far too many women and the old-age problems that are a cumulative effect of that.

**Alan Brown** (Kilmarnock and Loudoun) (SNP): My hon. Friend talks about the lack of planning. In the Chamber earlier today, one of the fallback measures suggested by the Minister was that women could use pension freedoms. That shows a lack of understanding that women are less likely to have a private pension that they can cash in, but to suggest they cash it in to help them get by these few years is absolutely irresponsible.

**Patricia Gibson:** Absolutely. I concur with everything that my hon. Friend has said.

Clearly, and despite the lack of action, the Government know there is a problem. Steve Webb, the Pensions Minister in the coalition Government, has admitted that the period of notice being given to some women was “the key issue”. He further went on to indicate that he recognised that not everyone affected by the 1995 Act had been aware of it. The Government must take responsibility for that. Why did they not act in this matter earlier to ensure that the women affected were fully informed? Why were women left in the dark, blissfully unaware that their retirement plans would lie around them in financial ruins?

The excellent campaign run by Women Against State Pension Inequality calling on the Government to make fair transitional state pension arrangements for 1950s-born women is one that we in the SNP fully support in the interests of natural justice. Fairness is all that is being called for here today. I take exception to what the hon. Member for Gloucester said about the cost being £30 billion. I will challenge anyone who makes that case. Is it more worthwhile to fund weapons of mass destruction or to ensure that our people have dignity as they approach pension age? The Government have not listened to our calls so far. They have avoided and obfuscated.

**Simon Hoare:** Will the hon. Lady give way?

**Patricia Gibson:** I will not, as I am in my final seconds.

The Government have not listened or responded, despite the huge outpouring of public feeling, not only from the women affected but from a society that knows that this is unjust. I urge them to respond to our calls now.

**Mr David Hanson (in the Chair):** Order. I cannot stop interventions, but they add minutes and reduce the time available to fit in everyone who is down to speak. I ask Members to reflect on that when they intervene.

6.10 pm

**Catherine McKinnell** (Newcastle upon Tyne North) (Lab): I, too, strongly commend my hon. Friend the Member for Warrington North (Helen Jones) for leading this debate so powerfully. Although the injustice imposed on women born in the 1950s has been repeatedly debated, discussed and raised with the Prime Minister in recent weeks and months, this is my first opportunity since returning to the Back Benches to express my constituents' concerns, and I am grateful for it.

The Minister and the Government regularly state that the changes to the state pension age imposed by the Pensions Act 2011 are vital to ensuring that our pensions system is fair, affordable and sustainable, and I am sure the Minister will repeat those words today; but not a single Member of this House would suggest that our pensions system should be anything other than fair, affordable or sustainable, and nor would any of the women who are part of the brilliant WASPI campaign. I agree that it is right to equalise the state pension age for women and men, but I thoroughly object to the Government's implication that the women, and indeed men, who are campaigning on this issue are standing in the way of progress, or acting as a barrier to the achievement of gender equality and fairness. That is deeply insulting, patronising and wrong.

We are, thankfully, living longer, and few people would doubt that the state pension age must rise to reflect that, but the crux of the matter is that these pension changes have not been properly communicated to those affected, and women born in the 1950s have been disproportionately hit because their pension age has been increased not once but twice, with very little time for them to do anything about it. That relatively small group of women is being asked to bear the cost of making our pension system fair, sustainable and affordable for everyone else. That is patently unfair and blatantly discriminatory. Women across the country have been left in real fear, simply because they did not have the foresight to be born a few years—in some cases, a few months—earlier.

How dare the Government lecture those women about the importance of gender equality? They have worked hard, done the right thing and paid into the system. They have faced discrimination, unfairness and inequality throughout their working and often their family lives. They thought they had entered into a pensions contract with the Government, only to discover as they neared retirement that the Government were not going to keep their side of the bargain. That is the very definition of unfairness, and the notion that inequality can be fought by imposing more of it is absurd.

**Mrs Sharon Hodgson** (Washington and Sunderland West) (Lab): Will my hon. Friend give way?

**Catherine McKinnell:** I am sorry, but I will not.

Women across Newcastle North face real financial hardship as a result of these changes, just when they thought they had done their bit. As well as repeatedly lobbying the Minister for Pensions about the wider injustice, I have written to her about every single case in my constituency that I have been contacted about. I want her to appreciate the real impact that the changes are having on individuals' lives. I want to share some examples today, if I have enough time.

One of my constituents, a brilliant WASPI campaigner, at the age of 54 and on the advice of her union contacted the DWP in 2008 to request a state pension forecast. She was informed that she had attained 38 qualifying years. She has received no other information from the Government about the 1995 changes. However, she was born in November 1954, so under the 2011 pension changes, at the age of 61 with 45 qualifying years, she is unable to receive her state pension for another five years. She has worked since she was 15, and is now unable to do so because she is pre-diabetic and pre-glaucomic. She claims jobseeker's allowance, but cannot complete the job searches because her condition makes it difficult to use a computer. She is attempting to find work in a region that has the highest level of unemployment anywhere in the country by some margin.

What particularly worries me about that case is not only that my constituent has received no information from the Government about the 2011 changes—she found out about them by chance—but that she has been informed that she will not be entitled to receive a full state pension under the new system unless she makes further contributions between 2016 and 2020, despite having 45 qualifying years. Given her health conditions, it is impossible for her to do so. I gently ask the Minister, who campaigned vociferously on this issue,

[Catherine McKinnell]

what is the point of becoming a Minister if you are unprepared to use the levers of power when you have the opportunity to do so?

6.15 pm

**Ms Margaret Ritchie** (South Down) (SDLP): Thank you for calling me, Mr Hanson. I thought I had withdrawn my name. I would like to make a few points that have particular relevance to Northern Ireland and my constituency.

We debated this issue in the Chamber some weeks ago. I hope that the Minister has reflected on our debate and has some answers about how to give transitional protection to the women sitting behind us and those in the devolved regions and England who are affected by the changes. They deserve it, and the Government must see that it happens.

There are particular issues in Northern Ireland affecting women who left school between 1947 and 1957. The school-leaving age in Northern Ireland was different from that in other parts of the UK. About 500 of those women have lost about two years' contributions and are not getting their correct pension. Many of them are now in their 70s—it is a different group to those in their mid to late-50s. I ask the Government, in the interests of social justice, fairness and equality, to give those women protection.

**Dr Philippa Whitford:** Everybody understands that the changes were made to ensure equality, but women's pensions are riddled with inequality. When I started at the NHS in 1982, I could not accrue death in service benefits to leave to a husband and children, if I had any. When that was finally remedied, it was backdated only to 1988. It is exactly the same for women who worked as cleaners and auxiliaries in the NHS and never had protection for their families.

**Ms Ritchie:** I thank the hon. Lady for that very compelling intervention. That is absolutely right. Women in the lower age brackets will be deeply affected, because they will have to wait longer for their pensions. Many of them are in caring roles, perhaps because their partners are not in good health, so their family income levels are desperately below the level needed to live on.

**Lady Hermon** (North Down) (Ind): I speak on behalf of the many women in North Down who are furious about the changes to their pension arrangements. I am one of the 1950s ladies—I am not going to declare my date of birth—so I have a personal interest in this matter. I wrote to Baroness Altmann—I had enormous regard for her before she became Baroness Altmann—at least three weeks ago and invited her to Northern Ireland to meet the affected women face to face. As the hon. Lady said, the situation in Northern Ireland is slightly more complicated than elsewhere in the United Kingdom. Does she share my bitter disappointment that I am still awaiting a reply?

**Ms Ritchie:** I thank the hon. Lady for her very helpful intervention. Of course I share her disappointment and disgust at the position being adopted by the Minister. In the other place, the Minister for Pensions did not

take on board our points about the forgotten 14s. She did not acknowledge their financial position, and offered them no form of redress. I hope that the Minister here today, who responded some weeks ago, has had time to reflect and has realised that women will be expected to work for longer for a smaller pension than they had expected and planned for. We have been asked to ponder and reflect on solutions today, and the clear solution is to introduce transitional arrangements. The women behind us in the Public Gallery and throughout the UK should not have to lose out and pay the cost of a financial crash that was not of their making.

6.20 pm

**Fiona Mactaggart** (Slough) (Lab): It is a pleasure to be here under your chairmanship, Mr Hanson. I thank WASPI and the Petitions Committee for ensuring that this subject is once again debated in the House. I hope that we get more of a response this time.

Like my hon. Friend the Member for Warrington North (Helen Jones), I am one of the 1950s generation who is luckily protected by the parliamentary pension scheme. I was slightly late being born, so instead of my pension being delayed until 2018, it is actually only delayed until November 2017. Jumps are inevitable when such arrangements are changed; the problem is that women need enough time to plan, and the difficulty with the 1995 changes and even more so with the more recent changes is that the time left for women to plan was inadequate.

I received a pension statement in 2005 that stated:

“Retirement may seem a long way off but thinking about it now can make a big difference to your future.”

The postscript said:

“Remember, no matter how far off retirement may be, acting today can make a big difference to your future.”

At no point did the letter tell me that my retirement was going to happen not when I was 60, but when I was closer to 64. That is the point: I am not unusual. The letter told me exactly what my basic pension entitlement would be at that year's cash equivalent and what my additional pension would be. It was a personalised letter. It would not have been hard for the “Retirement Pension Forecasting Team” to have included a line: “and this is the date at which your retirement will happen”, but it did not. That is a case of the state letting down the citizen.

As many have said, this is a contract between the state and the citizen. We hear that the change is about equalisation, so let us talk about equality—a subject about which I am passionate. Men's and women's pensions are not equal. A European Union research document states that

“pensions tend to be more unequal between men and women than other forms of income”.

Women in their 50s—those of us who fought for the Equal Pay Act 1970 and discovered that it did not deliver us equal pay—have the biggest pay gap compared with men than any other age group. There are other forms of inequality: when I was secretary of the Labour party's commission on older women, I heard many women make a point that was summed up well by one of my constituents: “We are last in the queue for a job and first in the queue for a redundancy.” That is absolutely typical for women in their 50s.

Age discrimination in employment affects women much more than men. Some interesting American research used a technique that was employed when studying race discrimination and job applications. Stating a woman's name and an age and then a man's name and an age found that age discrimination, while present for both, is some three or four times as extreme for women. That is why we should be talking about equality. We are discussing women who have suffered more than any other group from inequality in pay and pensions.

When people talk about using new pension freedoms to deal with the problem, let us be clear that those new pension freedoms actually help those with big pension pots much more than those with small pension pots. Who has big pension pots? The guys. Who has small pension pots? The women—and they are better off hanging on to annuities than using pension freedoms, as any financial journalist will affirm.

These women are saving the state huge amounts of money. They care for their children and grandchildren and look after elderly parents. They get no recompense for that, but Government Members have the cheek to say that those are the women who should pay for the deficit. It is unacceptable. The time has come to ensure that we get real equality in pensions and that these women are not made to pay for the problem.

6.25 pm

**Gerald Jones** (Merthyr Tydfil and Rhymney) (Lab): It is a pleasure to serve under your chairmanship, Mr Hanson. I congratulate my hon. Friend the Member for Warrington North (Helen Jones) on leading today's debate. We are here to consider the petition organised by the WASPI campaign. I was going to say that it has been supported by 139,059 people, but I checked before the debate and the figure is now over 140,000 with some 1,200 people signing the petition today. The number of Members here and the number of people who have signed the petition highlight how important it is that we address the issue.

For me and many others, today's debate is about fairness. The transition to equality is an accepted principle; what is not acceptable is the lack of information and the lack of notice and time to prepare and plan for the transition. I have received many emails and letters from my constituents and those are the overriding concerns. The other common factor in the cases that I have read about is that many of the women affected by the changes have had low, and in some cases unequal, pay. Some have had periods of time outside of work due to bringing up children and have therefore been unable to contribute to national insurance and work pension schemes. Against that background, the changes to pension arrangements mean that what they had planned on getting is now hugely different from what they will receive, which is damaging to their financial security and their retirement plans.

Many women born in the 1950s will have started their employment when the gender pay gap was significant. The number of women across our country affected by the changes is also significant, with 3,180 in my constituency and many hundreds of thousands across the country. Most will not have company pensions, having been excluded from schemes for a variety of reasons. All Members will have heard cases similar to that of my constituent who at 58 is no longer able to retire at 60. She does a physically tough job and will now have to

work until she is 66. She has had a relatively low income throughout her working life and now has to continue doing her tough job, totally unplanned, for a further six years. That just is not fair.

The WASPI campaign's argument is powerful and its members should be congratulated on their passion and perseverance. The women at the centre of the campaign have been treated unfairly. It is surely time for the Government to propose measures to remedy that unfairness. The issue will not be resolved until the Government put it right by introducing a fair transition period to allow people to plan. I hope that the Minister will go some way towards that today by acknowledging the unfairness and by agreeing to discuss what options the Government will consider to bring about a fair transition.

**Several hon. Members** *rose*—

**Mr David Hanson (in the Chair):** Order. Seven people are left to speak and we have 32 minutes remaining, so I have to bring the speaking limit down to four minutes per person.

6.28 pm

**Ms Tasmina Ahmed-Sheikh** (Ochil and South Perthshire) (SNP): It is a pleasure to serve under your chairmanship, Mr Hanson. May I start by saying that we should dispense with the use of the word "emotions"? We have heard it only from Government Members in this debate. We should talk about the facts.

The Government's record on issues relating to women is at best lamentable and at worst fundamentally discriminatory. From changes to tax credits and child benefit to the current pensions issue, the Government's policies have adversely impacted on women across the United Kingdom. House of Commons Library research shows that the measures announced in last year's Budget will have an disproportionate impact on women, and individual proposals, such as the Chancellor's "rape clause", which would require a woman who has her third child as a result of rape to justify her position in order to avoid losing tax credits, are horrifying in their callous disregard for human rights. The matter before us is important because in that wider context, it presents the Government with an opportunity to now do the right thing by the women of this country and, indeed, by the WASPI campaign.

The Government have rightly recognised that when it comes to changes that affect people's pensions, they need to take a more measured approach in future and ensure both effective communication and a reasonable lead-in period, so that those who are affected can properly plan for retirement. The Government should therefore now take their own advice in that respect and act properly and fairly for all the thousands of women who have been adversely affected by the equalisation of the pension age and the subsequent decisions taken in the 2011 Act.

Most of all, this is an issue of fairness. As someone who has argued all their life for equality for women, I absolutely agree with the principles behind the 1995 Act; those are not in dispute. I support equalisation of the pension age, but I have enormous sympathy—we all should—for those who may not have been aware of these changes and are suffering hardship as a result. I cannot support the unfair manner in which these changes were imposed under the 2011 Act to the detriment

[Ms Tasmina Ahmed-Sheikh]

of so many women in Clackmannanshire, Perthshire and Kinross-shire and across the rest of the country. They believed they had a deal, an agreement and even an understanding with the state, and the state has moved the goalposts. This is a failure in the Government's policy and a fundamental breach of contract, and the Government must take responsibility for that and bring forward transitional protection now.

I know that the Government are capable of making sensible and reasonable decisions in this area. That is why I wholeheartedly welcome the fact that under the Pensions Act 2014, future reviews of the state pension should give 10 years' notice of such changes. The same principle should be applied to right the wrongs of the changes made in 2011. We know that some of those impacted by the 2011 changes received only around five years' notice of the changes that would impact them, while those with the largest increases of 18 months got less than eight years' notice. I am sure we have all heard from constituents explaining, often with heartbreaking detail, how that has meant they were given insufficient time to prepare for their retirement. One constituent of mine said:

"At present I will not get my pension until I am 66 with no warning. I will suffer true hardship and misery."

The system has let that woman and thousands like her down, and the Government must act now to make amends.

Pensions are not a benefit; they are part of our social contract, and this Government have broken that contract. I understand—we all understand—that what we seek today costs money, but the Government have a duty to do the right thing, not the cheap thing, when it comes to changing this sort of contract. Our duty must be to do what is right and to then take the difficult decisions necessary to pay for it. We should not start with the cost and work back from there.

Politics is about decisions and priorities. I am here because I believe that getting a fair deal for these women should be a priority. To take another path would be to demonstrate to the thousands of women watching today that this Government know the price of everything and the value of nothing.

6.32 pm

**Ruth Cadbury** (Brentford and Isleworth) (Lab): It is a pleasure to serve under your chairmanship, Mr Hanson. I congratulate the WASPI campaign on getting this debate on to the parliamentary agenda.

Like many MPs, over the past few months I have had a flurry of emails from women who are extremely concerned about their future and how the equalisation will affect them financially. They are rightly angry about the lack of fairness. The fact that women were given just two years' notice of a six-year increase in their state pension age, while men received six years' notice of a one-year rise, is representative of just how unfair the changes are.

I obtained data from the House of Commons Library, which estimates that around 4,470 women in my constituency will be affected by the changes to the state pension age. If the Library can find out that information, why on earth can the DWP not find it out and have the courtesy to tell all the women affected? On the basis of

the figures given by the hon. Member for Gloucester (Richard Graham), some 1,300 women in my constituency are still not fully aware of the changes.

It would be wrong to debate the changes without discussing the knock-on effect they will have on older women who have planned their retirement but now remain on the job market. Many people in the room will know that we have a real issue in this country with the employment of older women, who are often on low pay and in zero-hours contracts. Many of those women had career breaks. Many earned less than men doing equivalent work, and many suffered gender discrimination in the era before the Equal Pay Act 1970. Many were working at a time when few women worked in well remunerated professional roles with occupational pensions, as other Members have mentioned.

**Angela Crawley** (Lanark and Hamilton East) (SNP): Does the hon. Lady agree that we have ultimately failed to take into account the gender pay gap and the inequality between women and men for the many women who have been in low-paid work and have caring responsibilities?

**Ruth Cadbury**: The hon. Lady is absolutely right; this situation compounds a number of other inequalities that women have faced in the workplace.

One constituent of mine was not informed of the changes and only found out due to divorce proceedings. She was formerly a pro tennis player and a coach. Due to the nature of her field, she had to retire from the sport as she got older and retrained in childcare to get her through to 60. It is now not only too late for her to retrain in another field but too early for her to retire. She is stuck struggling with the demands of caring for small children and counting down the days until she can finally retire.

Women have emailed me to say that not only are they finding it difficult to find jobs, but the financial burden is causing breakdowns in family relationships. That is why I urge the Government to consider making transitional arrangements that truly work for the women adversely affected by the changes to state pensions. I received an email from a constituent outlining her case and how the changes affected her, and I was struck by her final sentence:

"As a single woman, my future is bleak. As a woman with significant underlying health issues, my future is dire."

We cannot overlook the misery that this change is causing people. The former Pensions Minister, Steve Webb, said that his one regret during his tenure was that he

"pushed too hard and too fast on raising women's state pension age."

I plead with the current Minister to learn from the mistakes of the past.

6.36 pm

**Liz McInnes** (Heywood and Middleton) (Lab): It is a pleasure to serve under your chairmanship, Mr Hanson. I am grateful to the Petitions Committee and all those who signed the petition for bringing about the debate. I know that my constituents would want me to pass on their thanks to my hon. Friend the Member for Warrington North (Helen Jones) for her excellent opening speech and ensuring that we have the debate.

I want briefly to tell the story of one of my constituents who, despite the protestations from the Government Members, tells me she was never informed in 1995 that her state pension age was changing from 60 to 65. From her own reading and information picked up from various sources—I do not know whether that includes the *Financial Times*—she was led to believe that she would receive her state pension at 62. She told me that although she was unhappy with a two-year deferral of her state pension, she was fit and healthy at the time and did not understand the magnitude of the changes. Her view is that we lived in a different world at that time, and she said:

“The welfare state had not been mauled...There were safety nets to assist the poor and the sick that have now been removed.”

Like a lot of working-class, low-waged people at that time, she was depending on her state pension as her main source of income at retirement, although she hoped to be able to save a little bit of money to supplement that. As time progressed, she unfortunately began to suffer with serious health issues and was forced to give up work. She was born in 1957 and is doubly unhappy that she now has to wait until she is 66 to receive her state pension. She has little in the way of private pension provision and is forced to live on minimal income, while suffering from ill health, with the prospect of having to wait until 2023—seven more years—before she qualifies for her state pension.

**Dr Philippa Whitford:** Given increasing multi-morbid health conditions, there will be women in the 60 to 66 age group with ill health who are suffering due to the cut in support and are then put in the employment and support allowance work-related activity group with absolutely no chance of getting a job or decent support.

**Liz McInnes:** The hon. Lady is, of course, absolutely right. Several Members have mentioned the lack of support that is available to women born in the '50s who find themselves in that situation.

Many women have visited my surgeries, such as Barbara, who was born in 1955. She said to me:

“Women born in the 1950s were more likely to give up work when bringing up their children because there was no provision for maternity leave. They are unlikely to have had the option to develop their own personal occupational pension to the same level, even if they have one. It also remains to be seen whether the majority of women affected will be able to remain in paid employment into their mid to late 60s to lessen these effects.”

I also met Lorraine, who worked in education but, because she worked part time, was not even allowed to join the occupational pension scheme. She is now 59 and has had to give up work completely to care for five elderly relatives. She also does respite fostering. This woman does so much for society and ultimately saves the Government money by caring for all these people, yet her reward is to wait until she is 66 before she qualifies for her state pension.

Jackie introduced herself to me as “June '54 and furious!”—she allowed me to quote her on that. She pointed out that raising the state pension also denies entitlement to concessionary travel and heating allowances. She started work in 1971, when the pension age was 60, but had to take early retirement from the police service to look after an elderly relative. She will not get her state pension until she is 66. She tells me—I believe her—that she did not receive any letters informing her of that.

The Government try to justify the increase in pension age by stating that life expectancy is increasing, yet there is a real north-south divide regarding life expectancy, as several hon. Members have said. Women born in the 1950s deserve to be treated fairly. Many of them worked part time and brought up families. Many were denied access to private and workplace pensions, so the state pension was key to their financial plans for retirement. I call on the Government to reconsider the unequal treatment of women born in the '50s, to consider the inadequate notice that those women were given of the increase in the state pension age and to revisit the transitional arrangements made for them.

6.41 pm

**Rachel Reeves (Leeds West) (Lab):** It is a pleasure to serve under your chairmanship, Mr Hanson. I congratulate my hon. Friend the Member for Warrington North (Helen Jones) on securing the debate and, of course, I pay tribute to the superb campaigners who are here and who are watching today's proceedings.

The women who are being forced to wait longer for their pension, and who have been hit twice—by the changes in 1995 and then again in 2011—have been done an injustice. In 2011, as shadow Pensions Minister, I was proud to work with Age UK, USDAW—the Union of Shop, Distributive and Allied Workers—and many women, including my mother, in calling on the Government to think again. We were pleased then that we won a partial concession so that no woman would have to wait for more than an additional 18 months before they could claim their pension. However, I said then, and say again today, that that does not go far enough in righting this wrong. There are still 2.6 million women who have lost out as a result of the Government rewriting the rules, and 300,000 will have to wait an extra 18 months before they can retire.

Last week, I caught up with Barbara Bates, who lives in County Durham, with whom I campaigned in 2011. Even after the Government's concession, Barbara still faces working an extra 78 weeks before she will see her state pension. The osteoarthritis that affected her wrists and thumbs when I first got to know her five years ago has now spread to her hands, knees, neck and right foot. She said:

“no government can change the way our bodies age, and in particular those of us who started work at 15 in the 70s, a lifetime of menial and heavy jobs that are vital but un-noticed”.

Like other Members, I have also been contacted by constituents. This morning, Margaret Cutty phoned me during her office tea break. She works mostly on her feet, doing lots of lifting as well, and she has had three operations in the past year. Her husband has just had a triple heart bypass. She wants to be able to spend more time caring for him as he grows older but, because of these changes, she will not be able to do so. The experiences of Barbara and Margaret are just two examples of what we know are hundreds of thousands of stories.

**Mrs Hodgson:** I was also recently contacted by two constituents: Lorraine Derret and Evelyn Winstanley, who have worked for 42 years and 45 years respectively. Like others, they have said that they were not told at all by any letter that this was going to happen to them. The DWP has been negligent, so there should be some transitional arrangements.

**Rachel Reeves:** I absolutely agree. The reality is that the 300,000 women who are suffering the maximum 18-month delay have lost out on £12,000 of pension. Official statistics show that only six in 10 women aged 55 to 64 have any private pension at all. For those who do, the average size of their pension pot is only 57% of that of a man of the same age. Women such as Barbara, Margaret and others whom my hon. Friends have mentioned—women earning little more than the minimum wage who are often struggling to work full time because of their caring responsibilities, and who are desperately trying to conserve what savings they have to ensure at least a minimal standard of living during their retirement—are very worried. For those women, moving the goalposts for the second time, as the Government have done, can have a devastating impact on their finances, families and life plans. That is why I propose that, at the very least, the Government should offer some specific protection for those women.

My proposal would mean restoring the qualifying age for pension credit to the 2011 timetable for women's state pension age, thus providing at least some buffer for those who are least able to cope financially with this unfair move. Previous Government costings suggest that that would be affordable, with the money being well targeted at those who have been hardest hit. Let me be clear that I would like the Government to go further, but at the very least they should provide that support to those who have the least. Given the wrong done to those women by the Government, that is the least we should ask for and the least we should expect.

I agree that the state pension age needs to be increased to keep it affordable, and I agree that men's and women's state pension ages must be equalised, but I also agree with the part of the 2010 coalition agreement that stated that women's state pension age should not rise to 66 before 2020. I agree with the former Minister for Pensions—the former Member for Thornbury and Yate—who admitted last month that renegeing on that commitment was a “bad decision”. That is an understatement, but at least he came late to the party. I also agree with the current Minister for Pensions who has said:

“Unfortunately, the Government has not given women enough time to change their plans. These women have already accepted an increase in their state pension age, but they were given time to adjust. Suddenly, these same women are being targeted again, but this time they are not being given enough notice as the changes start in just five years' time. I believe the Government's decision is unfair and disproportionately hits women who are now around 56 years old.”

How right she was, and I hope that she will now stand by those for whom she spoke up then, as I and other hon. Members will continue to do until we get justice.

**Several hon. Members rose—**

**Mr David Hanson (in the Chair):** Order. We have three Members who wish to speak and 13 minutes, so it would be helpful if we did not have interventions or I will have to reduce the time limit for the last two Members.

6.47 pm

**John Mc Nally (Falkirk) (SNP):** Thank you for your advice, Mr Hanson.

I am delighted to be able to take part in the debate today, especially as this is the day of my 65th birthday—[HON. MEMBERS: “Hear, hear!”] Thank you. I now qualify for state pension, unlike my wife, who will not qualify, and the other women who will suffer a penalty because of the Government's decision.

I thank the hon. Member for Warrington North (Helen Jones) for securing the debate. Before I became a Member of Parliament, I worked with and employed many women in my capacity as a small business owner in the hairdressing industry. Throughout the many years I worked with those women, I witnessed their struggles to get back to work after having children, and their subsequent efforts to juggle looking after their families with going out to work. The wholly necessary and desirable career breaks that working mothers take leave them with less pension provision than their male counterparts, assuming that the women are able to return to work. In many cases, for example, they may have, as has been mentioned, the added responsibility of an elderly relative who might be ill or otherwise require attention. Motherhood is only one aspect of gender inequality in the state pension system. The single-tier pension is not the focus of this debate, but the fact remains that the majority of people over 65 are women, yet only 22% of women who reach state pension age in 2016 will qualify for the full £155.65 rate. That cannot be acceptable. Even by 2054, women will be one and a half times more likely than men to receive less than the full amount of the single-tier pension due to a lack of sufficient qualifying years.

Women both disproportionately rely on the basic state pension and are proportionately more poorly served by it, as the women in question will know. Women's financial independence throughout their working lives is critical, but married women have historically relied on derived pension rights from their husbands. Removing their entitlement to those rights with little notice or time to plan for the change will disadvantage many women who will not have had time to achieve the financial independence or the independent pension entitlement that they need.

During the past couple of months, like many other MPs, I have been contacted by a number of constituents and the campaign group Women Against State Pension Inequality, which has been instrumental in alerting everyone to this issue. One email that I got was from Fiona, who got straight to the point by saying that

“the legislation was rushed in too quickly without proper debate and undemocratically for my age group.”

She was born in 1955 and took partial retirement from the civil service in 2010. At the time, her decision was based on the understanding that her state pension would be payable and due at 60, but that is not now the case. The anxieties expressed by Fiona do not affect just that age group; they also affect younger people in their 40s who are extremely concerned that their pension age, which is nearly 70, will be extended once again.

These inequalities affect women born in the 1950s. Taxes are the price that we pay for a civilised society, and we willingly pay taxes in that civilised society for benefits. This Government should honour that commitment and contract.

**Mr David Hanson (in the Chair):** Order.

6.51 pm

**Justin Madders** (Ellesmere Port and Neston) (Lab): It is a pleasure to serve under your chairmanship, Mr Hanson, particularly as you appear to be saving the best till last on this occasion.

I would like to start, as many other hon. Members have done, by paying tribute to the members of the WASPI campaign. Like others who have spoken, I have been contacted by many constituents who are deeply concerned about the profound implications of these changes, which they say that they were not informed about. Many have told me how they have been individually affected, so I would like to draw the Minister's attention to a couple of examples, as they illustrate far more eloquently than I can the injustice that has been created.

One constituent tells me:

"By the time I reach 66, my savings will have run out and the comfortable retired life I had planned and saved for, over 40 years, will have disappeared".

Another says:

"I am struggling daily with trying to work three days a week as I am now disabled. I suffer from anxiety and depression and every day is really hard for me. I cannot impress on you strongly enough how hard life is for me."

I would also like to take a little time to talk about Jane, a constituent whose experience encapsulates very well the injustice that many people feel. She says:

"I left school at 15 and worked in a variety of jobs, taking time out to raise a family of three children. My last job was as a Healthcare Assistant".

She explains that she became too ill to carry on working, so she took ill-health retirement. She continues:

"The final calculations were made, and my pension was worked out"

based on

"retirement at 60 (I was 53 at the time). I received a lump sum and a small monthly pension of just over £250. It wasn't a lot but I was also entitled to Incapacity Benefit and I knew I would have my State Pension which would be a big help.

Things began to change a couple of years later when I was...placed on work related ESA. It didn't take long before that became means tested...It's now a heat or eat situation for many. Some women are suicidal and some have had to sell their homes. Can you imagine how it feels for a 60 year old woman, frightened and in ill health, to be made to sign on and go on workfare? This isn't equality, it's injustice."

Both Jane and her employer made the irreversible decision that she would take ill-health retirement, with the expectation that she would receive the state pension at 60. It is worth emphasising that Jane's employer was the national health service—part of the state—but it did not seem to know about the changes to the state pension age either. It is hardly surprising that if parts of government did not know about the changes, many women did not either. The indignity that Jane has suffered as a result of welfare reform says an awful lot about how our society treats older women. She has already been granted ill-health retirement, but is now consistently challenged about her condition. Her years of service seem to count for nothing.

Women who have planned and saved for their retirement are living on dwindling, limited savings until they reach their new state pension age, when the only income that they will have will be their state pension. Do the Government really want to send people the message, "Yes, we want you to save for your retirement and to

take responsibility for your old age, but beware—we might just move the goalposts and we probably will not even tell you about it"?

We have heard plenty of quotes from Baroness Altmann today. Unfortunately, I do not have time to add my personal favourite, but I will comment that we have seen a remarkable transformation in just a few months from her defending the rights of women to defending the indefensible. There can be no doubt now that the Government are aware of the issues, as this is the third debate that we have had in Parliament in just a couple of months, so will this be third time lucky? Are the Government finally prepared to listen? Will there be an acknowledgement that what has happened is an injustice that is indefensible? Nobody buys it when Ministers say time and again that nothing can be done. The Government's U-turn on tax credits has shown that when they get it wrong, they can change course. I do not accept that nothing can be done, and the women who have talked to us in this campaign do not accept that nothing can be done—be in no doubt, they will not give up until something is done.

6.54 pm

**Mark Durkan** (Foyle) (SDLP): It is a pleasure to serve under your chairmanship, Mr Hanson. I commend the hon. Member for Warrington North (Helen Jones) for introducing the debate so strongly on behalf of the Petitions Committee. I join other hon. Members in praising WASPI for the great effort it has put into this petition. I know that the campaign will continue well beyond today, which has to be encouraged. Despite some of what WASPI has heard today, it can take great encouragement from many of the points raised on both sides of this room.

All hon. Members have said that this issue represents a breach of trust, or a breach of contract, and we need to address it in those terms. Parliament, in particular, needs to understand that we cannot see this just as a DWP issue, or just as an issue for Ministers; it is a test of this Parliament. We cannot say that the previous Parliament passed this and that there is nothing we can do about it, as some Members seemed to imply—they seemed to suggest, "Well, this legislation was passed in 2011, and we can't really pass new legislation."

In the main Chamber today other hon. Members are considering the Second Reading of a Bill that will change two pieces of legislation that went through in 2012 and 2013 and will significantly change the governance furniture on financial services and the Bank of England. If those key pieces of Government legislation from the previous Parliament have to be overhauled and changed now, there is absolutely no reason why the same cannot be done for the Pensions Act 2011, particularly on this glaring issue, when even the Minister who steered the legislation through the House says that he did not understand it and was not well advised. An hon. Member talked about the fog created around this petition, but it seems that the fog was actually in the DWP in 2011. Parliament was lured into that fog on the basis that there was nothing we could do about it and that the one transitional adjustment that could be made was being made—that was the adjustment that cost £1.1 billion a year. The Government rejected the other proposals.

When people talk about the new state pension costing £30 billion, that was the total quantum identified as, in effect, the saving from the change. We need to remember

[Mark Durkan]

how the argument about that £30 billion has been reversed and misargued today. Let us remember that, when we had those debates and discussions back then, we did not have the pension freedoms on the horizon. I take the point raised by the right hon. Member for Slough (Fiona Mactaggart) that it should not be used as an answer to the problem faced by these women born in the 1950s, but—let us face it—the Government now have a tax windfall from the pension freedoms. Money is coming in to the Government well ahead of time, and that was not available back in 2011.

Similarly, the Government have moved to introduce a number of other benefit savings, and the welfare cap has produced even more savings. In the autumn statement, of course, £17 billion was suddenly found down the back of the Treasury and Office for Budget Responsibility sofa. Clearly, money that people thought was not there when this issue was debated in 2011 might now be there, and it is our duty to raise that issue.

This Parliament will see a lot of centenary landmarks of the struggle for votes for women. Will the message from this Parliament to this group of women be that they have to take the hit for equality, and for deficit reduction, by having their pension rights absolutely scrambled? If we tolerate that, it will be an intentional injustice. They will not just be passing, accidental casualties; it will be deliberate and targeted, and not just by Ministers. This Parliament will have conspired and connived in it, which is why we have to change it and why the campaign must continue.

**Mr David Hanson (in the Chair):** Order. I intend to call the Minister at 7.18 pm.

6.59 pm

**Ian Blackford** (Ross, Skye and Lochaber) (SNP): It is a pleasure to serve under your chairmanship, Mr Hanson. I thank the Petitions Committee, of which I am delighted to be a member, for allowing this debate on the back of the petition from the WASPI women. They have been a credit to themselves in the way they have campaigned on this issue, and I hope that they will continue to campaign in the days, weeks and months to come. We must win this debate, and there has to be action.

I thank the hon. Member for Warrington North (Helen Jones) for introducing this debate on behalf of the Petitions Committee. I am unable to go through everyone's speeches because of time, but I thank all Members who have spoken passionately about the injustices faced by millions of women in this country because of the speed of the changes.

**Peter Grant:** Some pejorative and patronising comments have been made about the degree of emotion that the debate has aroused. Does my hon. Friend agree that men can get emotional about social injustice as well and that we should see that as a sign not of weakness, but of common humanity?

**Ian Blackford:** There should be emotion in this debate. Why? Because women are losing tens of thousands of pounds that they are entitled to. Of course people

should be emotional. There are facts that the Government have to address and they should do so in a measured and controlled manner.

The hon. Member for Gloucester (Richard Graham) said that the point about communications had been noted. Nobody is asking the Government to note the failures in communication; we are asking the Government to act on the basis of the failure of communication and to right the wrong that has been done.

I was grateful to hear the words of the hon. Member for North Cornwall (Scott Mann). He spoke honestly about not being aware of the issue. Is that not exactly the point? A Member of Parliament has not been aware of these issues, so how can we expect the women affected by the changes to be aware of them? That is yet another reason why we must act.

My hon. Friend the Member for Ochil and South Perthshire (Ms Ahmed-Sheikh) spoke about the goalposts being moved. She is exactly right. There is a contract between the state and the women. This is not, as my hon. Friend said, about benefits they should be entitled to. It is about an entitlement based on the fact that these women have paid national insurance in some cases for 30, 40 or even more years. It is a breach of trust, as the hon. Member for Foyle (Mark Durkan) said. The Government should reflect on what has been said and on the tone of the debate.

The Minister spoke about this matter in the Chamber this afternoon, saying:

"A whole lot of other benefits are available to the women who may be affected—for example, jobseeker's allowance, employment and support allowance, income support, carer's allowance and personal independence payment."

Does that not explain the problem that the Government do not get this? They want women to go to the jobcentre, rather than to do what they should be doing by collecting a pension to which they are entitled.

What is parliamentary democracy in this country? On 7 January we had an excellent, well informed debate in the Chamber. The House divided and voted 158 to zero that the Government should put in place mitigation efforts. Weeks have passed and nothing has happened. When will the Government respect the will of this House? It is a shame that there is no mechanism by which to put the issue to a vote today, as I am sure that hon. Members want to ensure that it is put to a vote so that the House can express its will.

Speaker after speaker has condemned the Government for not doing the right thing. The way of this place is archaic. It is little wonder that folksy Westminster is out of touch. I contrast the behaviour of this Government in this attack on women born in the 1950s, and in so many other ways, with what our Government in Scotland do. Last week the Government in London were defeated in the courts over the bedroom tax. Was there any recognition that what they were doing was wrong? In Scotland, we have mitigated the effects of the bedroom tax and we want powers to remove it. One thing is crystal clear: if we had powers over pensions in Scotland, we would do the right thing for our pensioners. This Government plough on regardless, ignoring the justified claims of the WASPI women. I state once again, as many of my colleagues have, that we are not against equalisation. We support the move to equalisation, but the pace of the move is unfair.

Look at the reality of what is happening. We can take examples of women born across the early years of the 1950s, whose experiences will be sharply different. A woman born on 10 February 1950 would have retired aged 60 in 2010, whereas a woman born later would have to wait almost two years longer to retire on 6 January 2012. A woman born on 10 February 1952 would have reached state pension age a few weeks ago aged 61 years, 10 months and 27 days. Such a woman will have had to wait almost two additional years more than a woman born in 1950.

As if that were not bad enough, the increase for women born in 1953 and 1954 is worse. A woman born on 10 February in 1953 would have retired in January this year, aged nearly 63. A woman born on 10 February in 1954 will not reach pensionable age until 6 July 2019, when she will be aged 65 years, four months and 26 days. That is shameful—a woman born in 1954 will have to wait two and a half years longer for her pension than a woman born in 1953.

Just dwell on that: someone born on 10 February 1953 has now retired; someone born a year later must wait until July 2019. Where is the fairness in that? If the Minister wants to intervene, I will give him the opportunity to say now that the Government are listening and are going to change. Does any Conservative Back Bencher want to rise to their feet to recognise the unfairness of it? Do they want to punish women in the way they are doing, or will they accept that it is wrong? Here is the opportunity. They can rise to their feet.

**Caroline Ansell** (Eastbourne) (Con): I am happy to rise. I regret that the hon. Gentleman, in an impassioned speech in which he has done good justice to past inequalities suffered by women, has chosen to drag this issue into a political arena, because—[HON. MEMBERS: “This is Parliament!”] A party political arena, I should say. There are Members from all parties who support the cause of the women fighting for greater equality, and women themselves, of all political persuasions and none, will be disadvantaged by the changes. He spoke just moments ago—

**Mr David Hanson (in the Chair)**: Order. Interventions must be short. Time is very limited, and I have to give the Opposition Front-Bench spokesperson and the Minister time to finish before 7.30.

**Ian Blackford**: I say to the hon. Lady and her colleagues that they should join us in the Lobby and vote down the Government proposals. We need change. The Tory Back Benchers need to get some backbone and recognise the problems faced by women in their constituencies. I say to them, you hold your Government to account, and we will get on and do our job by holding them to account.

I ask Conservative Members: who will defend the proposals? Let the Minister say that he now recognises that they are wrong and must change. I have not even got to women born in 1955, who will not retire until February 2021, aged 66 years. It cannot be right. It is too steep an increase over so short a period. I ask Conservative Members to examine their consciences. Women from the WASPI campaign will be coming to their surgeries. Some of them will have been born in 1955 and were expecting to retire now or at least not long in the future. Are Conservative Members going to

tell them that it is right that they must wait six years longer than someone born five years earlier, without mitigation? That is where we are at the moment.

It has been said that this is a breach of trust between the Government and women who have earned the right to a pension. In the limited time left to me, I will talk about proposals, because we were asked about them. Turner talked about taking 15 years to introduce the changes. The changes effectively started in 2010. The Government could look to moderate the increase from age 63 to age 66 over the next 10 years. That would mitigate the pressure that women are under. It is about doing the right thing.

7.8 pm

**Angela Rayner** (Ashton-under-Lyne) (Lab): It is a pleasure to serve under your chairmanship, Mr Hanson, during my first appearance on the Front Bench in this Chamber. I debated with the Minister in Committee last week, and I welcome him back to what is no doubt the first of many exchanges here. I reassure anyone tuning in late that the broken elbow and rib that I am sporting predate this debate, and that our discussions, although heated, have been civil, although I did fear at one point for the hon. Member for Gloucester (Richard Graham).

I thank my hon. Friend the Member for Warrington North (Helen Jones) for opening this debate with a fantastic speech, and the Petitions Committee for ensuring that we could have it. Above all, I congratulate the women of the WASPI campaign, and all those who signed the petition, on their work to get us here. Their numbers are impressive, but we have revealed that the numbers affected by the issue are even greater, at more than 2.5 million nationally. Around 3,500 of those are in my constituency and, like many here, I have heard their concerns directly.

Hon. Members have made some excellent points and we can tell the level of concern from the number of contributions from both sides of the Chamber. In particular, I thank my hon. Friends the Members for Worsley and Eccles South (Barbara Keeley) and for Denton and Reddish (Andrew Gwynne) for their tireless campaigning, and all hon. Members who have contributed today. There are too many to mention in the time I have, but I will write to them all independently.

People listening to contributions made outside this Chamber may have heard the Minister for Pensions say this morning that the WASPI campaign wants to return the state pension age to 60. Let me put it on the record, as others have done, that that is not the case and it has never been advocated in my hearing. Opposition Members are not arguing for that or against equalisation of the state pension age. I hope that, instead of following such red herrings, the Government will listen to the women who are affected, and act. That is what we want to hear from them today.

Opposition Members have shared concerns about the impact of the acceleration under the Pensions Act 2011, the adequacy of the transitional protections and the communication of the changes to retirement ages generally. At one point, those concerns were shared by the Minister herself. She described the last Tory Government's 2011 Act as a decision

“to renege on its Coalition Agreement, by increasing the State Pension Age for women from 2016, even though it assured these women that it would not start raising the pension age again before 2020.”

[Angela Rayner]

That is still live on her website [www.rosaltpmann.com](http://www.rosaltpmann.com). After the passage of the Act including the concession that the Minister will no doubt repeat shortly, she said that the Government

“seems oblivious to the problems faced by those already in their late fifties, particularly women”.

Will the real Ros Altmann please stand up? Apparently, she now prefers to stand up for the Government than for those women. That is a pity because the issues at stake are real and the Government give every impression of simply refusing to engage with them. Instead, we have heard repeatedly—most recently a few hours ago at Question Time—that the 18-month cap is their start and end point.

Let me set out my start point. We must take into account that many of the women who are affected by the changes have also been victims of gender inequality for most of their working lives.

**Gavin Robinson:** Will the hon, Lady give way?

**Angela Rayner:** I will not give way because I do not have much time.

The Equal Pay Act was not introduced until 1970 so many of these women began working even before the first legislative steps to ensure gender equality at work. Before I was elected to this place, I was in a traditionally low-paid, largely female workforce in social care. As an active trade unionist I fought for many years to improve pay and conditions, but even now we are a long way from achieving decent, let alone equal, wages in much of that sector.

Some of the women we are discussing today will have entered work before the 1968 strike in Dagenham. They will have been paid less than men simply because they were women. Those who are likely to have entered work earliest—those born between 6 April 1951 and 5 April 1953—will not be eligible for the new single tier pension.

Another cohort, those born later in 1953, will have found their retirement age change twice: in 1995 and 2011—

**Mr David Hanson (in the Chair):** Order. There is a Division in the House. We will reconvene in 15 minutes. If there is more than one Division, which is possible, we will reconvene 10 minutes after each subsequent Division.

7.14 pm

*Sitting suspended for Divisions in the House.*

7.39 pm

*On resuming—*

**Angela Rayner:** Before we left, I was saying how women have been discriminated against, and continue to be discriminated against, year on year and decade upon decade.

Transitional protections were discussed and promised during the passage of the 2011 Act. We now know that the Minister’s predecessor in the coalition Government, Steve Webb, had hoped for around a tenth of the direct savings—£3 billion—to be put aside for these protections. The option that was eventually put forward as a concession

—the 18-month cap—cost around a third of that amount. So we have a missing £2 billion, which has gone to the Treasury, along with the rest of the savings made from these women.

Of course, it bears repeating that the former Minister has since admitted that that decision was a bad one, made as a consequence of his not being properly briefed. It would be interesting to know whether today’s Ministers have been better briefed and whether they will make a better decision.

The Minister has often put this question back on the Opposition but consistently refused to say whether the Department has properly investigated and modelled options for additional transitional protections. For example, as my predecessor, my hon. Friend the Member for Leeds West (Rachel Reeves), stated earlier, during the passage of the 2011 Act we put forward the option to maintain the qualifying age for pension credit on the 1995 timetable rather than on the 2011 one. I hope the Minister will respond to the suggestions made earlier by my hon. Friend the Member for Warrington North and many other Members.

This debate is not the first time that I have asked what consideration the Government have made of these and other options. As the Minister will know, I have asked him in Committee, through written questions and, today, through oral questions. Despite the Government’s boast that they would be the most open and transparent Government in the world, so far we are none the wiser as to what options they have considered, let alone what the outcomes of those investigations were.

I ask the Minister again: what modelling and analysis has the Department carried out since 2011 on the potential transitional protections? Will he publish that work in full, so that we can assess it for ourselves? Will the Government then consider alternatives properly and in full, and come back with a proper response to those who have signed the petition that we are considering today and the many millions more who are similarly affected. In our view, that is the very least that they deserve.

7.41 pm

**The Parliamentary Under-Secretary of State for Work and Pensions (Mr Shailesh Vara):** It is a pleasure to serve under your chairmanship, Mr Hanson.

I start by thanking the hon. Member for Warrington North (Helen Jones) for moving the motion today, and for doing so very passionately, convincingly and articulately. I also thank all other Members from across the political divide who have spoken today. Indeed, I commend all those who signed the petition that triggered this debate. As we have already heard, we have debated this issue extensively in recent weeks and months, and I am grateful to have another opportunity to put the Government’s position on record.

The debate has centred considerably on state pension age equalisation, and in particular its impact on the women who are affected by it. However, it is important that we do not look at this topic in isolation. We cannot look at the changes to women’s state pension age without also acknowledging the significant changes in life expectancy in recent years, the huge progress made in opening up employment opportunities for women and the wider package of reforms—

**Barbara Keeley:** Will the Minister give way on that point?

**Mr Vara:** I will not give way; I wish to make progress.

As I was saying, we must also acknowledge the wider package of reforms that we have introduced to ensure a fair deal for pensioners.

On life expectancy, people now live longer and stay healthier for longer. I took on board what the hon. Member for Worsley and Eccles South (Barbara Keeley) said, but although she may have quoted a specific figure, other figures show that life expectancy is projected to increase for both men and women. In just a decade, the length of time that 65-year-olds—

**Barbara Keeley:** Will the Minister give way on that point?

**Mr Vara:** No, I will not give way. A number of points have been made. I have listened very carefully for just under three hours and I am keen to put the Government's views on record.

**Caroline Flint:** The Minister is wasting time when he could have taken an intervention.

**Mr Vara:** The right hon. Lady is a former Pensions Minister, so—

**Caroline Flint:** No, I am not.

**Mr David Hanson (in the Chair):** Order. I call Mr Vara to continue.

**Mr Vara:** In only a decade, the time that 65-year-olds live in good health has gone up by just over a year. Of course, this is welcome news, but the reality is that it puts increasing pressure on the state pension scheme. Even when the state pension age changes are taken into account, women in this group will on average receive a higher state pension over their lifetime than any generation before them.

**Ian Blackford:** Will the Minister give way?

**Mr Vara:** I will not give way.

The Government have a duty to ensure the sustainability of the state pension scheme, and it would be irresponsible to ignore such developments.

Employment prospects for women have changed dramatically since the state pension age was first set in 1940. The most recent figures show a record female employment rate of 69.1%, with more than 1 million more women in work than in 2010. I am sure that Members welcome figures showing that the number of women aged between 50 and 64 in work is also at a record high, with more than 100,000 older women in work than at this time last year.

**Lady Hermon:** Will the Minister give way?

**Mr Vara:** I will not.

Turning to our broader reforms, we have introduced a package of measures to transform the pensions system. The triple lock is massively boosting the state pension,

which will be £1,000 higher from April than would have been the case if we had uprated by earnings over the past six years. In addition, we have protected the winter fuel payment and permanently increased cold weather payments. We have created a new, simpler state pension, which will come in from April with a full rate of £155.65 a week. That means that 650,000 women will receive an average increase of £8 a week for the first 10 years. As that will be set above the basic means test for pensioners, people will have a clear platform to save on.

**Ian Blackford:** On a point of order, Mr Hanson. May I ask for your guidance about what can be done? This is a specific debate about the WASPI campaign, but the points that the Minister is addressing have nothing to do with that debate—

**Mr David Hanson (in the Chair):** Order. With due respect to the hon. Gentleman, the content of the Minister's speech is for the Minister to elucidate and defend accordingly. It is not for the hon. Gentleman to comment on in a point of order.

**Mr Vara:** We have also abolished the default retirement age so that people can work for as long as they wish without fear of age discrimination. We have introduced the most fundamental reform to how people can access their pension in almost a century through pension freedom, which has abolished the effective requirement to buy an annuity.

No one can say that the changes have not been fully considered. The parliamentary process was fully followed. We held a full, public call for evidence alongside extensive debate in both Houses. Between January 2012 and November 2013, the Department for Work and Pensions wrote to all those affected.

**Rachel Reeves:** Will the Minister give way?

**Mr Vara:** I will not.

More than 5 million letters were sent to addresses then recorded by HMRC. Crucially, the Government also listened during the process. On Second Reading of the Pensions Bill in 2011, the Government said:

“we will consider transitional arrangements.”—[*Official Report*, 20 June 2011; Vol. 530, c. 52.]

On Report, after considering the matter, Ministers made a concession worth £1.1 billion, and the time period was reduced from two years to 18 months. For 81% of those affected, the increase in the time period will be no more than 12 months.

To reverse the Pensions Act 2011 would cost more than £30 billion, which simply is not sustainable, and nor is it sustainable to reverse the 1995 changes, which some wish to do, as that would cost many billions more. It is noteworthy that if we went back to the 1995 position, it would mean that women would be campaigning for a state pension age of 60—[*Interruption.*]

**Mr David Hanson (in the Chair):** Order.

**Mr Vara:** Over the past decade, women have on average stopped working later than 60. In the first quarter of 2010, the average age of stopping work was 62.6 years, while in 2015 it was 63.1 years. In fact, the actual women's state pension age is approaching 63 years.

**Rachel Reeves:** Will the Minister have some courtesy and give way?

**Mr Vara:** I will give way to the hon. Member for Warrington North, who moved the motion, but I will not give way to others as I have limited time.

**Helen Jones:** Very well then. The Minister cites average ages, but that does not address the issue. The issue is the extra time that women have to wait for their pension and the fact that they have not been informed. The average means nothing to that.

**Mr Vara:** If the hon. Lady is a little patient, I will tell her about the issue concerning communications.

**Rachel Reeves:** Get on with it then.

**Mr David Hanson (in the Chair):** Order.

**Mr Vara:** If the hon. Lady will stop interrupting, I will get on.

I mentioned in the House earlier and I say it again now that when people need extra funds, other benefits are available. That is the case for those who are in work and those who are not. A 2004 Department for Work and Pensions report entitled “Public Awareness of State Pension Age Equalisation” found that 73% of those aged between 45 and 54 were aware of changes to women’s state pension. In 2012, further research by the DWP found that only 6% of women who were within 10 years of receiving their pension thought that their state pension age was still 60.

Several hon. Members have mentioned Steve Webb’s comments. If one reads the full transcript, one sees that

he referred to £30 billion. He said that he sought a concession of £3 billion, but got £1 billion. He added that

“a billion quid is a serious amount of money”.

Reference has been made to other European countries. To put the balance right, I point out that there are countries that have already accelerated the process and equalised the pension age for men and women, such as Germany, Denmark, the Czech Republic and Greece.

The Government recognise the huge contribution that older workers make to the workforce and the country, and we are working with stakeholders to ensure that they recognise those benefits. The number of women aged 50 to 64 is at a record high, as I mentioned earlier. Hon. Members talked about carers. Under the new state pension, people who care for others will qualify for credits that will go towards their contributions to that pension.

Our collective responsibility now is to support the package of reforms. Rather than causing continuous confusion for those affected, we need to build further awareness of the measures I have set out. I again thank all those who have contributed.

7.52 pm

**Helen Jones:** This has been an excellent debate, but in view of the Minister’s totally inadequate reply and his failure to address the issues raised, I intend to do what I would not normally do in this Chamber and press the matter to a vote. I urge my colleagues to join me in voting no.

*Question put and negatived.*

7.53 pm

*Sitting adjourned.*

# Written Statement

*Monday 1 February 2016*

## **ELECTORAL COMMISSION COMMITTEE**

### **EU Referendum: Officer's Indemnity**

**Mr Gary Streeter (*On Behalf of the Speaker's Committee on the Electoral Commission*):** The Electoral Commission intend to provide an indemnity for the Chief Counting Officer, Deputy Chief Counting Officer, Regional Counting Officers and Counting Officers at the forthcoming referendum on membership of the European Union.

The European Union Referendum Act 2015 requires a referendum to be held on whether the United Kingdom should remain a member of the European Union. Read

in conjunction with the Political Parties Elections and Referendums Act 2000, the responsibility for the conduct of the referendum will rest with the Chief Counting Officer (who is the Chair of the Electoral Commission), the Deputy Chief Counting Officer, Regional Counting Officers and Counting Officers (who are mainly local authority chief executives).

Under this indemnity the Electoral Commission will carry the uninsured risks related to these roles while delivering the functions required of them by the European Union Referendum Act 2015. This is consistent with arrangements for similar national polls and is in accordance with best practice published in Managing Public Money.

A minute will be presented to Parliament today regarding the contingent liability arising as a result of this indemnity. Based on their experience of other national polls for which similar provision has been made, the Commission judges the likelihood of the potential liability being called to be very low.

[HCWS501]



# Petitions

Monday 1 February 2016

## OBSERVATIONS

### EDUCATION

#### Mandatory reporting of child abuse

*The petition of residents of the UK,*

Declares that child protection in Regulated Activities is dependent upon a reporting procedure external to the institution(s) in which the concern arises; further that Regulated Activity is defined in the Safeguarding Vulnerable Groups (SVG) Act 2006 as amended as any paid or unpaid work with children; further that child protection is placed in jeopardy by the absence of any direct statutory legal obligation to report the concern to the local authority or police; and further that online petitions on this matter were signed by 202,731 individuals.

The petitioners therefore request that the House of Commons urges the Government to introduce legislation which requires persons in a position of trust who work with children in Regulated Activities and who know, suspect, or have reasonable grounds for knowing or suspecting child abuse, to inform the Local Authority Designated Officer or in appropriate circumstances Children's Services and make failure to inform a criminal offence.

And the Petitioners remain, etc.—[Presented by Mrs Cheryl Gillan, *Official Report*, 2 December 2015; Vol. 603, c. 500.]

[P001652]

*Observations from The Minister for Children and Families (Edward Timpson):*

In England, we have a voluntary system of reporting concerns about abuse and neglect. We are clear that we need the right children being referred at the right time, and that when they are referred, they have access to services and support which meet their individual needs and protect them from harm. Every child deserves to be protected from abuse and neglect. We are clear that having a strong and robust system in place to safeguard children and promote their welfare is a key priority.

Our “Working together to safeguard children” statutory guidance focuses on the core legal requirements which all professionals, including teachers, health visitors, and the police must follow to keep children safe. The guidance clearly states that an immediate referral to local authority children's social care should be made if practitioners have concerns about a child's welfare.

Nevertheless, we are always looking at how to strengthen the system of child protection so that it better protects vulnerable children. We have given the matter of mandatory reporting careful consideration. Mandatory reporting is a very complex issue and it is right that we consider the full range of evidence available before coming to a conclusion. That is why the previous administration committed to launching a full, 12 week public consultation on this issue. We are committed to fulfilling this commitment and expect to launch the consultation exercise shortly and petitioners are invited to respond.

The Government will lay a report on the outcome of this consultation before Parliament by the end of September 2016. Ministers will consider all responses received to the consultation exercise carefully before reaching a decision on next steps.

## HOME DEPARTMENT

#### Treatment of asylum seekers

*The petition of residents of the UK,*

Declares that the petitioners are gravely concerned about the manner in which asylum seekers are currently treated in the UK; further that the 2015/16 Immigration Bill threatens to make those seeking sanctuary even more vulnerable; further that the Bill will leave more families homeless and further isolate an already marginalised group; further that recommendations made by the All-Party Parliamentary inquiry into the use of immigration detention have been excluded from the Bill; further that the petitioners have a moral responsibility as Christians to be a voice for those who have no voice; further that Pope Francis has said that refugees and asylum seekers are our brothers and sisters; and further that a local petition on this matter was signed by 3,000 people.

The petitioners therefore request that the House of Commons urges the Government to reconsider the findings of the All-Party Parliamentary inquiry into the use of immigration detention to adopt the inquiry's recommendations in order to improve the treatment of asylum seekers in the UK.

And the petitioners remain, etc.—[Presented by Robert Ffello, *Official Report*, 9 December 2015; Vol. 603, c. 1108.]

[P001659]

*Observations from The Minister for Immigration (James Brokenshire):*

The Immigration Bill does not affect the support provided to asylum seekers and their families, who will continue to be provided with free furnished accommodation and a weekly cash allowance to cover their other essential living needs.

The Bill restricts the support available to those whose applications for asylum have been rejected, and who are therefore illegal economic migrants. Support will still be available where there is a genuine obstacle that prevents the person from leaving the United Kingdom at the point their asylum claim or any appeal is finally determined.

Detention plays a vital role in maintaining effective immigration control and the protection of our borders. Recommendations made in the all-party parliamentary group report of their inquiry into the use of immigration detention were brought to the attention of Stephen Shaw CBE, the former Prisons and Probation Ombudsman for England and Wales, who was commissioned by the Home Secretary in February 2015 to undertake an independent review of policies and operating procedures that have an impact on detainee welfare. Mr Shaw's report was published on 14 January by means of a written statement, which also set out the Government's initial response to his report.



# Ministerial Correction

*Monday 1 February 2016*

## EDUCATION

### School Places: Thirsk and Malton

*The following is an extract from Questions to the Secretary of State for Education on 25 January 2016.*

**Kevin Hollinrake:** Across North Yorkshire we are seeing a 10% increase in the demand for primary school places, and many of my constituents are concerned that we provide the infrastructure to meet rising populations and the increased numbers of houses being built. Will the Minister confirm that the capital funding will be provided to meet that ongoing demand for new places?

**Mr Gibb:** As I said, the Department has allocated £40 million to North Yorkshire for places required by 2015. This is based on the local authority's own forecast of how many places it will need. We encourage local

authorities to negotiate significant developer contributions for new places where they result from developments. I would be delighted to meet my hon. Friend to discuss this matter in more detail. Perhaps, through him, I can persuade North Yorkshire County Council to encourage more free school applications.

*[Official Report, 25 January 2016, Vol. 605, c. 13.]*

*Letter of correction from Mr Gibb:*

An error has been identified in the response I gave to the hon. Member for Thirsk and Malton (Kevin Hollinrake) during questions to the Secretary of State for Education.

The correct response should have been:

**Mr Gibb:** As I said, the Department has allocated £40 million to North Yorkshire for places required by 2018. This is based on the local authority's own forecast of how many places it will need. We encourage local authorities to negotiate significant developer contributions for new places where they result from developments. I would be delighted to meet my hon. Friend to discuss this matter in more detail. Perhaps, through him, I can persuade North Yorkshire County Council to encourage more free school applications.



# ORAL ANSWERS

Monday 1 February 2016

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Monday 1 February 2016

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# MINISTERIAL CORRECTION

Monday 1 February 2016

	<i>Col. No.</i>
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**Written Answers to Questions [The written answers can now be found at <http://www.parliament.uk/writtenanswers>]**

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