

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

Public Bill Committee

SAVINGS (GOVERNMENT CONTRIBUTIONS) BILL

Fifth Sitting

Tuesday 1 November 2016

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CLAUSE 6 agreed to.
New clauses considered.
Bill to be reported, without amendment.
Written evidence reported to the House.

No proofs can be supplied. Corrections that Members suggest for the final version of the report should be clearly marked in a copy of the report—not telephoned—and must be received in the Editor’s Room, House of Commons,

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Saturday 5 November 2016

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The Committee consisted of the following Members:

Chairs: MR CHRISTOPHER CHOPE, SIR ROGER GALE, ALBERT OWEN, †PHIL WILSON

† Barclay, Stephen (*Lord Commissioner of Her Majesty's Treasury*)
 † Blackford, Ian (*Ross, Skye and Lochaber*) (SNP)
 † Cartlidge, James (*South Suffolk*) (Con)
 † Caulfield, Maria (*Lewes*) (Con)
 † Dowd, Peter (*Bootle*) (Lab)
 † Ellison, Jane (*Financial Secretary to the Treasury*)
 † Frazer, Lucy (*South East Cambridgeshire*) (Con)
 Hepburn, Mr Stephen (*Jarrow*) (Lab)
 † Hopkins, Kelvin (*Luton North*) (Lab)
 † Howell, John (*Henley*) (Con)

Long Bailey, Rebecca (*Salford and Eccles*) (Lab)
 † Merriman, Huw (*Bexhill and Battle*) (Con)
 † Onn, Melanie (*Great Grimsby*) (Lab)
 † Quin, Jeremy (*Horsham*) (Con)
 † Rutley, David (*Macclesfield*) (Con)
 † Smith, Jeff (*Manchester, Withington*) (Lab)
 † Whiteford, Dr Eilidh (*Banff and Buchan*) (SNP)
 † Williams, Craig (*Cardiff North*) (Con)

Katy Stout, *Committee Clerk*

† **attended the Committee**

Public Bill Committee

Tuesday 1 November 2016

[PHIL WILSON *in the Chair*]

Savings (Government Contributions) Bill

Clause 6

SHORT TITLE AND COMMENCEMENT

9.25 am

Ian Blackford (Ross, Skye and Lochaber) (SNP): I beg to move amendment 10, in clause 6, page 3, leave out lines 36 to 39 and insert—

‘(2) This Act comes into force on the day after the establishment of an Independent Pensions and Savings Commission.’

This amendment would delay the commencement of the products until an independent pensions and savings commission is established.

The amendment would delay the commencement of the products until an independent pensions and savings commission was established. The Scottish National party has long called for the establishment of an independent pensions and savings commission to look at the crisis in saving for retirement. Following the success of the Turner commission, we should recognise that we need a standing commission to help us steer a long-term, sustainable path for pensions and savings. The Cridland commission is looking at the state retirement and pensionable age, which we welcome, but all such matters should be looked at holistically.

A commission of experts, free from political influence, could focus on all aspects of pensions and savings, with a view to delivering a universal pensions and savings system that enables dignity in retirement. Such a commission is needed to minimise politically motivated changes to pensions and savings, with the aim of eliminating complexity and perverse incentives. We have voiced our legitimate concerns that the Bill risks undermining pension savings and redirecting consumers to products that will not confer the greater level of benefits that pension savings offer. We need to pause and consider what we are seeking to achieve with pensions and other savings products, while making sure that we build confidence in pension savings in particular.

Malcolm McLean of Barnett Waddingham, the pensions consultant, who is a former head of the Pensions Advisory Service, said:

“Much of pension policy seems to be dictated by political expediency rather than the needs of consumers... Political time horizons are too short. Pension policy is controlled by a government whose agenda is short-term, yet pensions are a long-term issue.”

Chris Noon, a partner at the consultancy Hymans Robertson, also commented on the need to free pensions from the political system, saying:

“Political temptation to raid pensions in hard times is too great. We need less meddling and more long-term thinking. We need to get the best brains together to work out how we deal with longer term, intergenerational issues.”

The Financial Secretary to the Treasury (Jane Ellison): Good morning to you, Mr Wilson, and to the rest of the Committee.

As we have just heard, the amendment concerns the date from which the Bill will come into force as an Act. The hon. Gentleman has outlined his reasons for wanting a delay. The amendment would provide that the Act will not come into force until the day after the establishment of the independent pensions and savings commission he has just described.

Over the course of our deliberations in Committee, we have discussed why the schemes in the Bill are really positive steps for savers, so I will not go through those arguments at length again. The fundamental point is that we want both the lifetime individual savings account and Help to Save to become available to people as soon as possible. A delay would not be fair to the people who could have benefited from them. For example, delaying the lifetime ISA for a year would mean that people would miss out on the chance to save up to £4,000 into such an ISA and get a bonus of up to £1,000.

Ian Blackford: Will the Minister confirm that anyone who has the opportunity to enrol in an auto-enrolment pension is going to be better off doing that than investing in an ISA? That is one of the issues we are trying to determine with the amendment.

Jane Ellison: To some extent, we are returning to a debate we had during last week’s proceedings. The products in the Bill are not designed to be an alternative to pensions. The Government could not have been clearer in expressing our strong support for auto-enrolment and pensions saving more generally. Help to Save is very much a product directed at people for whom there is very little choice available in the savings products that are currently on the market.

Ian Blackford: I apologise for coming back to this, but it is critical. My real worry is that there is nothing that will prevent someone from taking out a LISA and perhaps not taking out an automatic enrolment pension, when the latter would be best for their financial interests. My real concern with the LISA and its consequences is that we will end up with savers putting money into products that are, in this case, not fit for purpose.

Jane Ellison: That takes us back to territory we have covered. I do not doubt the hon. Gentleman’s sincerity in putting forward his concerns, which he has expressed during debates on other amendments, but as I say, the Government are completely committed to auto-enrolment. We want to have a robust, functioning pension system, but there is also a need for complementary products.

Kelvin Hopkins (Luton North) (Lab): I am strongly persuaded by the hon. Member for Ross, Skye and Lochaber. Indeed, I wish I had thought of his amendment before he did, but there we are. Is the Minister not concerned by all the issues raised in the evidence sessions last week about possible complexities and indecision by people who do not know whether to invest? A commission would clarify things for everyone, including us and the Government.

Jane Ellison: I rather take issue with that point. Commissions and reviews by nature tend to look at the broad sweep of policy and how policies interact; they could never offer specific advice for each individual. That is why we have the various advisory services—the Money Advice Service and its successor organisation—and why

the Financial Conduct Authority will consider and offer advice on each individual product. Even making the slightly optimistic assumption that every member of the population would read such a commission's outpourings, it would be unlikely to offer individual advice. I accept the general point that such things can often offer policy guidance in the long term, but that does not alter the fact that we want individuals to take advantage of the advice services that are available and to be guided by what the FCA says about individual products.

Most of the people who gave evidence to the Committee stressed that they saw the lifetime ISA as complementary to pensions. Help to Save is in much more of a standalone category. In all cases, everyone emphasised the Government's commitment to auto-enrolment. I bring the Committee back to the figures that I gave last week: the rate of opt-out from auto-enrolment is around 9%, which is not just lower than originally expected, but lower than the amended figure.

Kelvin Hopkins: I thank the Minister for her answer, but does she not accept that an objective and disinterested arm's length body such as a commission would be preferable to either private financial advice, which may involve vested interests, or Government advice? I can see strong arguments for what the hon. Member for Ross, Skye and Lochaber says.

Jane Ellison: I give way to my hon. Friend the Member for Macclesfield.

David Rutley (Macclesfield) (Con): I thank the Minister for her contributions on this important point. Does she not recall that during the evidence sessions last week, Martin Lewis—I think it was him—and others said that some of the issues about confusion can be dealt with by prompting people during the sales process? That is the appropriate place to ensure that the right questions are asked. Does she agree that that is where the focus needs to be?

Jane Ellison: Yes, I do. That is exactly right. I remind the Committee of the independent Financial Conduct Authority's remit in this regard. Its role is to regulate the providers of policies to ensure, as is its ordinary remit, that they are transparent to consumers about the products that they are offering and that those products are sold with suitable safeguards in place. That is in addition to the Government publishing factual information about the lifetime ISA on gov.uk and working with the Money Advice Service and its successor to ensure that appropriate information is available. I reiterate that if we want individuals to be well informed, those are the mechanisms by which an individual, with their individual circumstances, will be informed. I genuinely do not think that a commission is the way to look at advising each individual, because by its very nature, it cannot look at each person's affairs, life and aspirations and say what is right for them. We need to give people individual advice.

Ian Blackford: I am very grateful to the Minister; she is being generous with her time. The whole point about a pensions and savings commission is not to look at each individual and give advice, but to ensure that we bring Government policy together and look holistically at all the issues affecting pensions and savings, deal with the fact that we have had so many gimmicks like these and get something that is right for the long term for those who wish to save for their pensions.

Jane Ellison: I do not accept that these are gimmicks. I do not think the hon. Gentleman means what he said about Help to Save. If we can help thousands of families to save money for a rainy day and stave off disaster, to which they are all too susceptible at the moment, that would be a very good thing, and all of us on the Committee could take pride in that.

Ian Blackford: To clarify, I am talking about the LISA. I have not made any reference to Help to Save in this regard. I am specifically addressing what I see as the shortcomings of the LISA.

Jane Ellison: Indeed, and we have debated that in previous sittings. The thrust of the hon. Gentleman's argument is that the Government do not consult and are not reviewing things, and that Governments—I suspect he means Governments of all colours—have tinkered with these things. I do not accept the broad point. We have done consultations on Help to Save and the lifetime ISA came out of an extensive consultation on pension tax relief. It is worth noting that there was no clear consensus from that. It is not as if the truth is out there, and if we just have an enormous commission, we will come to one point of view that everyone agrees with. In this area, there is a lot of debate and contention, and therefore we are trying to find a way through that goes with the grain of human nature and common sense. That is why having the lifetime ISA as a complementary product to auto-enrolment or people's other pension arrangements makes sense.

I will finish the point about Government reviews, because it is worth getting it on the record. We already hold all savings policy under review, particularly through the Budget process. Our commitment to reviewing policy is also evident in the review of the state pension age, which will be informed by the independent report led by John Cridland, and the upcoming review of automatic enrolment in 2017. The Government are not walking away from the important job of scrutinising how things land in reality, but I am not persuaded that the reasons the hon. Member for Ross, Skye and Lochaber advanced for a delay are right in the context of these two products and this Bill.

Ian Blackford: Does the Minister accept that the Turner commission was a force for good and for change in pensions and savings in this country? Out of the Turner commission, we effectively got auto-enrolment, about which there was cross-party consensus in the House. That is what we seek to achieve by taking these issues away to a commission. That would create the circumstances in which we could all work together to improve the pensions and savings landscape in this country.

Jane Ellison: Let me try to wind this debate up on a note of consensus. Where we can achieve consensus on important long-term reforms—auto-enrolment is a very good example—it is wise to do so, but we are debating apples and pears here. The debate about what is the right way to go in the pensions and savings landscape over the next several decades is separate from, albeit related to, the Bill and the two products that we want to bring in to augment the available landscape of products for individuals in this country.

Kelvin Hopkins: I want to reinforce the point that the hon. Member for Ross, Skye and Lochaber made. The Turner commission was extremely valuable, because there

[Kelvin Hopkins]

was serious resistance from the Treasury. It was only because the Turner commission put its case so well and measured this so carefully that we got some positive change. Commissions can be extremely useful. As the Minister said, some of these issues are contentious.

Jane Ellison: I do not disagree that commissions can be useful; of course they can. A very good example has been cited. Neither am I arguing that we should not review things and seek, where we can with long-term things such as this, to get a degree of cross-party consensus. I referred to the review we have committed to on automatic enrolment. I am simply making the point that that debate is not relevant to the Bill. Delaying Help to Save for a year would mean people on low incomes missing out on the chance to save up to £600 in a Help to Save account and, of course, to benefit from a Government bonus.

As I say, we are debating two slightly separate issues. I think we all agree that these sorts of commissions and profound examinations of big issues often give rise to important things that achieve a degree of consensus, enabling us to move forward. However, that is not a relevant reason to delay the Bill, and that is why I reject the amendment. We heard in the evidence from StepChange that having £1,000 of rainy-day savings reduces the chance of falling into problem debt by 44%. Help to Save is a product that we have to get on with and not delay further.

I stress that we take an open approach to making pensions and savings policy and that we have approached these policies in an open and transparent way, as I have said. We will consult on the new financial guidance body later this year and, during the course of that consultation, there might well be a relevant moment to come back to some of the wider issues such as how we help individuals to make the right decisions for them. I have mentioned the automatic enrolment review, which will take place next year.

Those are better vehicles through which to have the debate we have just had and to get across some of the points that have been made, not all of which we would necessarily contest. I reject the amendment simply because it is not particularly relevant to the Bill. There is no need to delay the introduction of these two important schemes to establish a further commission.

Question put, That the amendment be made.

The Committee divided: Ayes 6, Noes 10.

Division No. 5]

AYES

Blackford, Ian	Onn, Melanie
Dowd, Peter	Smith, Jeff
Hopkins, Kelvin	Whiteford, Dr Eilidh

NOES

Barclay, Stephen	Howell, John
Cartlidge, James	Merriman, Huw
Caulfield, Maria	Quin, Jeremy
Ellison, Jane	Rutley, David
Frazer, Lucy	Williams, Craig

Question accordingly negated.

Clause 6 ordered to stand part of the Bill.

New Clause 2

LIFETIME ISAs: ADVICE FOR APPLICANTS

(1) The Secretary of State must make provision by regulations for all applicants for a Lifetime ISA to have independent financial advice regarding the decision to save in a Lifetime ISA or through a pension made available to them.

(2) Any applicant that opts in to the services offered under subsection (1) shall be given a signed declaration by that service provider outlining the financial advice that applicant has received.

(3) Any provider of a Lifetime ISA must confirm whether the applicant—

- intends to use the Lifetime ISA for the purposes of paragraph 7 (1)(b) of Schedule 1,
 - has a signed declaration of financial advice under subsection (2),
 - is enrolled on a workplace pension scheme or is self-employed.
- (4) Where the provider determines that the applicant is—
- self-employed and does not participate in a pension scheme,
 - not enrolled on a workplace pension scheme,
 - does not intend to use the Lifetime ISA for the purposes of paragraph 7(1)(b) of Schedule 1, or
 - does not have a signed declaration of financial advice under subsection (2)

the provider must provide information to the applicant about the independent financial advice available to them under subsection (1).’—(Peter Dowd.)

This new clause would place a duty on the Secretary of State to make regulations that ensure all applicants for a Lifetime ISA receive independent financial advice.

Brought up, and read the First time.

Question put, That the clause be read a Second time.

The Committee divided: Ayes 6, Noes 10.

Division No. 6]

AYES

Blackford, Ian	Onn, Melanie
Dowd, Peter	Smith, Jeff
Hopkins, Kelvin	Whiteford, Dr Eilidh

NOES

Barclay, Stephen	Howell, John
Cartlidge, James	Merriman, Huw
Caulfield, Maria	Quin, Jeremy
Ellison, Jane	Rutley, David
Frazer, Lucy	Williams, Craig

Question accordingly negated.

New Clause 4

ADVICE FOR APPLICANTS

(1) The Secretary of State must make provision by regulation to ensure all providers of Lifetime ISAs or Help-to-Save accounts provide applicants, at the point of application, with—

- advice about the suitability of the product in question for each individual applicant, and
- information about automatic enrolment and workplace savings schemes.’—(Ian Blackford.)

This new clause would require advice for those seeking products that also includes information on automatic enrolment and workplace savings.

Brought up, and read the First time.

Ian Blackford: I beg to move, That the clause be read a Second time.

This new clause builds on new clause 2, tabled by the hon. Member for Bootle, and it makes specific reference to advice to be given on automatic enrolment and workplace saving. Many people are in the dark about what they can expect from the state and their employers when they retire. The complexities in the system and in products and the lack of independent advice are not only confusing but may lead to a lack of uptake on saving.

In March 2016, Citizens Advice, which delivers the face-to-face channel of Pension Wise, found that some of the most used pension terms were confusing for customers. It said that people would find it easier to understand their pensions if the industry used simple, standard language to describe its products. It says that some people are also unclear about terms that appear to be more straightforward, which puts them at risk of missing out on the best pension options for them.

9.45 am

In July, the Bank of England's chief economist, Andy Haldane, admitted that pensions had become so complex that even he could not make the remotest sense of them: "I consider myself moderately financially literate—yet I confess to not being able to make the remotest sense of pensions. Conversations with countless experts and independent financial advisers have confirmed for me only one thing—that they have no clue either. That is a desperately poor basis for sound financial planning."

Giving customers access to advice will allow them to weigh up their options and decide where they can save the most for their retirement. Figures from the Association of British Insurers that expose the fact that investors will lose thousands of pounds by saving into a lifetime ISA rather than a workplace pension support the need for savers to be aware of their options and of how much they will get in return.

True Potential LLP supports calls for financial education. The Tackling the Savings Gap campaign places financial education alongside technology and regulation as one of the three core requirements needed to close the gap. The amendment is important because it would put in place the necessary steps for providing advice that would ensure that savers, and those who should be investing in pensions, do not end up in the wrong place.

The Chair: New clause 2, which has already been debated, is on a similar subject, and I therefore remind Members wishing to speak to new clause 4 that their remarks should cover new material, and not be a repetition of the debate we have already had.

Kelvin Hopkins: I rise in support of the new clause. I believe that most citizens would benefit from this kind of advice. As the hon. Member for Ross, Skye and Lochaber said, even experts in the field of economics and finance are sometimes puzzled and at a loss when it comes to deciding what to do regarding savings and investments. The new clause is eminently sensible and would be a strong addition to the Bill. I would have liked this kind of advice when making my own investments back in the 1960s and 1970s.

Dr Eilidh Whiteford (Banff and Buchan) (SNP): The issue was summed up for me last week when we heard evidence and got into a rather esoteric discussion about "taxed, exempt, exempt" and "exempt, exempt, taxed".

That is just gobbledegook to the average person, including me. We absolutely need to translate that into language that normal people, with a normal level of financial literacy, can understand.

Kelvin Hopkins: I thank the hon. Lady for that useful intervention, with which I strongly agree. I hesitate to say this, because I said it before, but it has been calculated that 50% of the population are not functionally numerate—they do not understand percentages and that kind of thing—so advice of this kind is vital for the ordinary citizen. I hope that the Government see fit to accept the new clause, and that we can move on.

Jane Ellison: I will try to observe your stricture, Mr Wilson, and not go over ground that we have already covered.

The Government do not disagree with the intention that everyone should get good advice before they take out a pension, and I certainly would not argue with the fact that for many of us, however well-informed we might like to think ourselves, such things can be confusing. The reason I will ask that the clause be withdrawn is simply that the solution it presents is not correct. Also, there are things in place to steer people, which I will touch on.

It is worth reminding the Committee about the definition of advice and guidance. "Advice" is financial advice involved in the provision of a personal recommendation for a specific product. It takes into account the wider circumstances of the person to whom the advice is given, and must be suitable for them. The definition also mentions regulated products. That is at the heart of the matter. I give a commitment that the Government will ensure that clear and accessible information about the lifetime ISA and Help to Save is available, so that potential customers can make an informed choice about whether the accounts are right for them.

Our impact assessment, which was based on a costing certified by the independent Office for Budget Responsibility, shows that our costings do not assume that people will opt out of workplace pensions to save into a lifetime ISA. However, as I have outlined, it is ultimately the role of the independent Financial Conduct Authority, not the Government, to set the regulatory framework for providers that will offer the lifetime ISA, including setting out any suitability tests that should apply. The FCA will consult on its regulatory framework shortly. It will ensure that providers are transparent to customers about the product, and that the products are sold with suitable safeguards in place.

I recognise the importance of individuals making an informed choice about whether Help to Save is right for them. Some may well be the same people who stand to benefit enormously from auto-enrolment. I have stated our commitment to that a number of times. We know that the Help to Save target audience may have less experience of financial products than the population on average. That is why we have already committed to work with interested parties to ensure that the right support and information are available, so that eligible people can decide whether the account is right for them. That will involve information and support from Government and the account provider, but we are also keen to explore a role for local organisations that are well placed to support the target population, such as local charities, advice bodies, social housing providers and

[Jane Ellison]

the Churches, many of which have very good outreach and advice provision for people suffering from financial exclusion.

While we want to ensure that people have the information that they need, we must ensure that opening an account is as straightforward as possible. Requiring the account provider to give financial advice to every applicant makes the account application process more complex and time-consuming, and risks discouraging eligible people from opening an account. Countless studies show that the more hurdles there are to opening an account online, the more people are likely to fall away. Getting the balance right is really important.

Peter Dowd (Bootle) (Lab): I completely acknowledge that. The Minister referred to more hurdles being put in people's way. Does she agree that many people out there wish some hurdles had been put in their way to prevent them from buying things that they did not want, instead of something that they would have preferred?

Jane Ellison: I totally accept that point. I suspect that some of us on the Committee would put ourselves in that category, casting their mind back over the years. The point is that the regulatory landscape today is very different from what it was; the hon. Member for Luton North made that point in one of our debates last week.

The Government are fully committed to providing advice. The Treasury sponsors the Money Advice Service, which has started to play a greater role in co-ordinating financial education programmes in schools. We have seen a lot more progress on that. We have the 10-year financial capability strategy, led by the Money Advice Service and supported by industry, which aims to improve financial capability across the nation. We see many different bodies going into schools and working with young people. There is always more to do, but I genuinely think that we are looking at a very different landscape from that of some decades ago. While we would never be complacent, that is why we want to take all the measures that I have mentioned to provide advice and information.

We have to find a balance in ensuring that people can access accounts that could greatly benefit them and their family. It is worth reiterating that with Help to Save, people's money is not locked away. If individuals change their mind or decide the scheme is not for them, they are free to close their account and withdraw their savings, free of charge. I want to end with that reminder. We have designed the product with maximum flexibility in mind for a group of people whose current financial exclusion we should be ashamed of as a nation. We want to do something about that.

Ian Blackford: I am disappointed that the Minister has decided to reject the new clause, because it is about ensuring that those applying for the LISA or Help to Save have appropriate advice, which is important to them. We have talked about ensuring that people are

aware of the other choices that they have, particularly auto-enrolment. The new clause is about ensuring that we do not end up in a situation where there could be any dubiety about the potential for mis-selling. This is not about the regulator; it is about ensuring that consumers are given all available information at the point of sale. On that basis, I seek to press the new clause to a vote.

Question put, That the clause be read a Second time.

The Committee divided: Ayes 6, Noes 10.

Division No. 7]

AYES

Blackford, Ian	Onn, Melanie
Dowd, Peter	Smith, Jeff
Hopkins, Kelvin	Whiteford, Dr Eilidh

NOES

Barclay, Stephen	Howell, John
Cartlidge, James	Merriman, Huw
Caulfield, Maria	Quin, Jeremy
Ellison, Jane	Rutley, David
Frazer, Lucy	Williams, Craig

Question accordingly negatived.

Question proposed, That the Chair do report the Bill to the House.

Jane Ellison: With your indulgence, Mr Wilson, I want to take a moment to thank you and Committee members for the constructive debates that we have had while considering the Bill. I have listened carefully to the points made, and tried to answer them as fully as possible, but I will reflect on the wider points made and am happy to continue to discuss them. It is important that we get the Bill right, so that our constituents understand the benefits of both the lifetime ISA and Help to Save accounts and can reap the rewards of the Government bonus. I greatly appreciate the flexibility that Members have shown in withdrawing some of their amendments along the way. Where people did not withdraw amendments and we had votes, our disagreement was in most cases not with the amendment's intent, but simply with the immediate point in hand.

May I also put on the record my thanks to the Bill team from Her Majesty's Treasury and Her Majesty's Revenue and Customs, who have supported me in these debates, and to *Hansard*, which has faithfully recorded our words and provided an important service to us and the public, as it always does?

Question put and agreed to.

Bill accordingly to be reported, without amendment.

9.57 am

Committee rose.

Written evidence reported to the House

SGCB 06 B&CE

SGCB 04 True Potential LLP

SGCB 05 Zurich Savings

