

**Friday**  
**11 September 2020**

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

**PARLIAMENTARY**  
**DEBATES**

**(HANSARD)**

**Friday 11 September 2020**

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# House of Commons

Friday 11 September 2020

The House met at half-past Nine o'clock

## PRAYERS

[MR SPEAKER *in the Chair*]

## Speaker's Statement

**Mr Speaker:** We meet today on the 19th anniversary of 9/11. We remember all those who lost their lives due to terrorism on that day and all those who were injured, as well as those who were bereaved.

**Mike Wood** (Dudley South) (Con): I beg to move, That the House sit in private.

*Question put forthwith (Standing Order No. 163).*

*The House divided: Ayes 0, Noes 76.*

**Division No. 92]**

**[9.35 am**

### AYES

**Tellers for the Ayes:**

Mike Wood and

Kevin Hollinrake

### NOES

Aiken, Nickie  
Argar, Edward  
Atkins, Victoria  
Baker, Duncan  
Baynes, Simon  
Brabin, Tracy  
Bristow, Paul  
Browne, Anthony  
Buchan, Felicity  
Cadbury, Ruth  
Caulfield, Maria  
Chope, Sir Christopher  
Coutinho, Claire  
Crosbie, Virginia  
Cunningham, Alex  
Davies, David T. C.  
Davies, Gareth  
Davison, Dehenna  
Docherty, Leo  
Double, Steve  
Drummond, Mrs Flick  
Edwards, Ruth  
Eustice, rh George  
Everitt, Ben  
Fletcher, Mark  
Frazer, Lucy  
Gibb, rh Nick  
Gibson, Peter  
Gideon, Jo  
Glen, John  
Green, Chris  
Hall, Luke  
Harris, Rebecca  
Higginbotham, Antony  
Hinds, rh Damian  
Hollobone, Mr Philip  
Holmes, Paul  
Howell, Paul  
Jayawardena, Mr Ranil  
Jones, Fay

Jones, Gerald  
Jones, Sarah  
Lamont, John  
Lewer, Andrew  
Longhi, Marco  
Mangnall, Anthony  
Marson, Julie  
Mayhew, Jerome  
McFadden, rh Mr Pat  
McMorrin, Anna  
Millar, Robin  
Moore, Robbie  
Mordaunt, rh Penny  
Morton, Wendy  
Peacock, Stephanie  
Pennycook, Matthew  
Pollard, Luke  
Pursglove, Tom  
Quin, Jeremy  
Quince, Will  
Randall, Tom  
Richards, Nicola  
Richardson, Angela  
Rimmer, Ms Marie  
Roberts, Rob  
Sambrook, Gary  
Smith, Greg  
Smith, Jeff  
Smyth, Karin  
Spellar, rh John  
Spencer, Dr Ben  
Stephenson, Andrew  
Stewart, Iain  
Timpson, Edward  
Trott, Laura  
Webb, Suzanne

**Tellers for the Noes:**

Stuart Andrew and  
Michael Tomlinson

*Question accordingly negatived.*

**Sir Christopher Chope** (Christchurch) (Con): On a point of order, Mr Speaker. I have been looking at today's Order Paper and particularly at the remaining orders, where I had expected to see the statutory instrument that the Government must lay for the draconian new rules they are bringing in on Monday to be lawful. It does not appear to have been laid, despite the Prime Minister making an announcement about it on Wednesday and the Secretary of State for Health and Social Care having made a statement yesterday. I am very concerned about the lack of opportunity for the public to see the text of these new regulations and about the Government's continuing reluctance to give any opportunity to Members to debate this. Yesterday, my right hon. Friend the Member for New Forest West (Sir Desmond Swayne) asked when we could have a debate on it, and he was told that he could apply for a Backbench Business debate. That hardly fits in with the sense of urgency about all this. When my hon. Friend the Member for Altrincham and Sale West (Sir Graham Brady) then raised the matter with the Secretary of State yesterday, he was told that the Secretary of State would take it away and think about it. That is not satisfactory, as we are talking about the most draconian introduction of new restrictions on our liberty, with criminal sanctions. We need to be aware of what is happening and given the opportunity to debate it.

**Mr Speaker:** May I say that I share your disappointment? I think that we should all be informed and the country should also know what is going on. The laying of this instrument is a matter for the Government, but I would say that you know and I know that other avenues could be taken on Monday to tickle this little item out, if required. So I will leave it with you to ponder what you want to do next. The Clerk has made a note, and we will come back with further information.

## Co-operative and Community Benefit Societies (Environmentally Sustainable Investment) Bill

*Second Reading*

9.51 am

**Anna McMorrin** (Cardiff North) (Lab): I beg to move, That the Bill be now read a Second time.

May I start by thanking all those present today and extending my gratitude to those who support my Bill and to the Members who are unable to attend because of ongoing shielding responsibilities? I thank the Minister and his officials for the many discussions we have had on this Bill and the consideration they have given it. I also thank my hon. Friend the Member for Harrow West (Gareth Thomas) for his advice and support. I wish to pay special thanks to my brilliant team—Hannah Buckingham, James Metcalfe, Lauren Kinsey, Mike Ash-Edwards and Charlie Roberts—who have been with me all the way, poring over legislation, dealing with briefings and emails, visiting projects and researching and preparing for this Bill.

Legislation that supports positive social and economic transformation has never been more necessary. I firmly believe that my Bill, the green share Bill, as it is known, has so much to offer. It feels like a lifetime ago that, in January, as a Back Bencher, I was lucky enough to have

[Anna McMorrin]

been selected in the ballot for a private Member's Bill. It was a significant moment: the opportunity to put forward legislation that has the possibility of going the distance, becoming law and effecting change. The turmoil over the past few months has been difficult, and we know that these difficulties will continue as we navigate our way through this covid crisis. There has never been a more important time for this Bill, which supports positive social, environmental and economic change and helps tackle the climate emergency from the ground up. It is a Bill that delivers that necessary transformation.

Like all Members selected in that ballot, I was inundated with emails asking me to put forward important pieces of legislation. I want to thank all those who inundated me with their brilliant suggestions and ideas; this provides a reminder of the scale of change we need to see across this country. The time and circumstances right now are calling for us to be bold; we cannot go back to business as usual. We must create a society that provides the jobs and opportunities of tomorrow and that reduces the inequalities and injustices of today. My green share Bill is an opportunity to do just that. It aims to build a more equitable and sustainable economy, rooted in all our communities and with environmental sustainability at its heart. It unlocks much-needed finance and creates a level playing field for co-operatives.

We are living through a climate emergency. Innovative green projects within our local communities must be at the heart of our rebuild and the fight against runaway climate change. Yesterday's report by Climate Assembly UK that was presented to the House highlighted that the public want greater choice and competition for green energy and sustainable services. As we look to rebuild communities post covid, innovative and sustainable projects that create green jobs and apprenticeships and that generate cheaper and cleaner energy and more sustainable living environments must be a priority for all.

The Bill empowers our communities and investors to do their part in tackling the climate emergency from the bottom up. If we are to help to tackle climate change, we must legislate to enable our communities to rise to that challenge. Top-down approaches from the UK Government alone are not enough, even if they did not fall woefully short of the radical action required. Too often, we have heard the Government make big announcements, but we do not see the delivery of those promises on the ground. Instead of action, we have seen empty rhetoric and missed targets. Instead of climate action, we have seen abject failure and staggering hypocrisy.

People across this country are demanding change. Research last year by Greener UK and the Climate Coalition found that almost 70% of the British public want urgent political climate action and leadership. When I asked constituents in my constituency of Cardiff North what they wanted to see, the answer was healthier, greener and safer communities. This Government are not delivering. When we have a Government who are still willing to funnel billions into fossil fuel projects, how can we trust them to have our best interests at heart? The gulf between action and empty words is widening daily, and with it, the window of opportunity to make any meaningful difference to our planet is shrinking.

Covid-19 presents a significant fork in that road for the UK Government. Do we continue on a path of limited decarbonisation, missed targets and missed opportunities to future-proof environmental legislation, or do we use this opportunity to take a bold approach to rebuilding a more sustainable, resilient world that transitions away from a fossil-fuel driven economy and embraces serious measures to tackling the climate crisis at all levels? We must step up and begin to put the mechanics in place that are needed to deliver on our binding targets, including the Paris climate agreement, our commitment to keep global warming to a maximum of 1.5°C and the UN sustainable development goals that were adopted by the UK in 2015. Action must start now, and the Bill provides an opportunity fundamentally to transform our communities and do just that.

The Bill provides a way for co-operatives to raise private investment. The maximum threshold that can be raised through fixed term withdrawable shares is currently £100,000. Co-operatives UK said that that is the biggest practical limitation on societies seeking institutional investment, because as a result, co-operatives have less money to invest to innovate and grow their businesses. There is a need to facilitate new capital in co-operatives, without compromising their co-operative nature or members losing control. My Bill would remove the threshold that is holding co-operatives back, while enhancing the economic democracy and accountability that lies at the heart of co-operatives. The new green share would protect the economic democracy at the heart of co-operatives operating a one person, one vote system. The Bill would also safeguard co-operatives from individuals or businesses that seek to liberate—or asset-strip—a legacy asset by demutualising a society and taking over its business for private benefit; that threat would be nullified.

Some may ask about potential loopholes in the Bill. I accept that where there is risk, there are always those who are actively exploring ways to undermine financial law. That is why the Bill protects against tax and fraud loopholes by allowing the Treasury, by regulation, to address such concerns and establish a pilot scheme for the framework. In my correspondence with the Economic Secretary to the Treasury over the last six months, he has been enthusiastic about doing so.

Despite their value to customers and the community, mutuals and co-operatives in the UK are hugely underappreciated. Several barriers prevent co-operatives from growing to their full potential and place them at a disadvantage. Allowing my Bill to progress today would represent parliamentary acknowledgement of the value that co-operatives add to whole sectors and communities, and it would signal our intent to amend existing law, under which co-operatives have one arm tied behind their back. This House should champion, celebrate and recognise what co-operatives have done for the country.

I will provide a little bit of context for the Bill. The co-operative model is a truly British success story and a very successful Welsh story, and it was at the heart of economic renewal in the past. Robert Owen, a prominent Welsh textile manufacturer, was one of the founders of the co-operative movement, and he proposed the creation of "villages of co-operation" as a response to the economic crisis in 1815 at the end of the Napoleonic wars. The first co-operative societies were established in Wales in

the early 1840s, among them one started by the Chartists in Pontypridd. The strength of the movement in south Wales was in small valley villages such as Troedyrhiw, New Tredegar and Caerau, which reflected how the coal industry developed. In North Wales, they grew in coal and slate communities such as Leeswood and Llanberis. In mid-Wales, they developed in towns such as Newtown and Welshpool.

Co-operation was about much more than trading; it was a way of life for many. It became a central part of the culture of the local community, similar to that of the chapel. People identified with it and were loyal to their co-operative societies, which became an ingrained way of life. As was said of the Blaina Co-operative Society in 1922, it was

“undoubtedly the biggest thing in the valley outside of the coal industry itself”.

What started as a community model for pooling resources and working as a collective to provide low-priced flour, oatmeal, sugar and butter has grown and inspired the growth of co-operatives across the world. There are roughly 1 billion members of co-operatives worldwide, in more than 100 countries. That is something to be proud of.

In Wales, the feeling of co-operation and belonging has endured. The values of co-operation, fairness and social responsibility are still with us in our communities, and we need to harness and protect those values and strengths. A lesson that we can all learn from co-operatives, as the current health and climate crisis demonstrates, is the potential for renewal and transformation—for keeping up, adapting and tackling the challenging conditions that lie before us.

During this coronavirus crisis, we have seen the spirit of co-operation and community coming to the fore to provide resources to those who most need them. More than £4 million of food and other services have been donated by the Co-operative stores to FareShare for distribution to community food bank and for fundraising. Some 5,000 jobs have been created and targeted at those whose employment has fallen foul of the current crisis. That is just a fraction of the good work that co-operatives have done to support communities, businesses and people. As we face up to the scale of the economic damage caused by the virus, our society must look at the co-operative model as a model of sustainable and ethical economic and social regeneration.

This green share Bill is an acknowledgement of the crucial work that co-operatives do and a recognition of the unlimited possibilities that would be available for people and communities from Cardiff to Canterbury from Manchester to Middlesbrough by unleashing them from these archaic restrictions. Co-operatives can be part of the revival again, whether that is coming out of this covid crisis or addressing the catastrophic climate crisis before us, both of which continue to rage in tandem.

Co-operatives are already leading the way in sustainable business and green projects. The current crisis demonstrates the need for this Parliament to look again at the current restrictive rules and instead put in place legislation that allows them to flourish. We must have economic development, job creation and vital infrastructure built from the ground up, so that we can guarantee economic and social success that works for all.

The Government have been inconsistent in their commitments in England, scrapping a policy to power 1 million homes by community energy in 2017. That is in stark contrast to the Labour Government in Wales, who wholeheartedly support community energy projects and the development of clean energy generation. Since 2010, renewable electricity in Wales has trebled.

Housing associations would also benefit from the legislation in this Bill with capital to retrofit and to build new homes, which again is something that the Labour Government in Wales are spearheading. Millions has been announced for the Welsh innovative housing programme, the optimised retrofit programme and improved quality standards. We need to see that same commitment from this UK Government for England.

Despite the lack of commitment from the Government here, communities and co-operatives continue to press ahead undeterred, because they recognise the value such projects add, but those projects need to be valued and not neglected. Energy co-operatives in the form of renewable or low-carbon energy are now established in all corners of the British Isles.

In March, I visited Awel co-operative wind farm, a joint venture between Awel and Egni in Mynydd y Gwrhyd, south Wales. The wind farm was commissioned in 2017 and has a huge range of local members, including charities, sports clubs and the local arts centre. It really is a community project.

We have Egni Co-op, which was the first solar photovoltaic co-operative in Wales. It is now undertaking the biggest roll-out of rooftop solar in Welsh history. It develops rooftop solar on schools, businesses and community buildings to help reduce their carbon footprint. It has just completed the largest rooftop solar installation in Wales on the Geraint Thomas velodrome in Newport. It has a share offer that has raised £1.3 million so far.

Both projects have the best of co-operative values at their heart, combined with environmental sustainability. They demonstrate a new way of greening our energy network and local economies. Such projects strengthen communities and serve as educational facilities and tourist attractions. They show where community enterprise, private investment and co-operative governance can work together and lead the way.

Both the projects I have visited, alongside others I have spoken to, would really benefit from this green share Bill, but this Bill would also unlock vital finance and help these projects go from strength to strength. Dan McCallum, the director of Awel co-op, strongly supports the Bill. In his words:

“This Bill will really help in terms of unlocking other sources of finance, supporting and strengthening the co-op model. We’ve been amazed at the interest people have shown in renewable energy and co-ops, but any ways of expanding on that and strengthening the model can only be a good thing.”

We face the mammoth task of tackling climate change and transitioning our economy to net zero. It will be particularly challenging to effect climate action at local level, but it is my belief that by allowing co-operatives to expand and bringing the community with them, they can help us rise to that challenge.

**Kevin Hollinrake** (Thirsk and Malton) (Con): As the hon. Lady knows, I am a co-sponsor of the Bill. I am very supportive of the principle of co-operatives. On climate change, she said a few minutes ago that Wales

[Kevin Hollinrake]

had done better than the rest of the UK, citing how it has trebled its renewable electricity production since 2010. That is exactly what the whole of the UK has done as well—it has gone from 6.5% to 20%—so it would be good to recognise some of the achievements of the entire UK as well as those of the Welsh Government.

**Anna McMorrin:** The real point I was making is that the regulatory framework and legislation put in place by the Labour Welsh Government have allowed such projects to come to the fore, particularly community energy projects—and in fact onshore wind, which has not been the case in England—but I thank the hon. Gentleman for his comments.

My green share Bill unlocks an exciting market for external investment in co-operatives and mutuals, allowing them to grow, maintaining competitiveness and investing in green sustainable projects.

**Anthony Mangnall (Totnes) (Con):** I am fascinated by what the hon. Lady is saying, but could she clarify where she draws the line on green projects? Does carbon capturing come into it? There are myriad projects out there that have their pros and cons. Where does she, in this Bill, draw that line?

**Anna McMorrin:** Environmental sustainability needs to be defined. At the moment, co-operatives have very strong environmental sustainability values at their heart, but that would clearly need to be set out in the confines of this Bill.

Added to that, environmental and social governance, or ESG, is the buzzword of the City right now. Investors have flooded into the market looking to immunise their portfolios against climate risk and help promote a sustainable recovery from this pandemic. This Bill provides such an opportunity or pathway for investment, and it would be a travesty if this Government were to walk away from that opportunity.

My Bill is not just warm words on the environment. It would provide a genuine route towards greening our local communities for the benefit of all, creating green jobs, creating green skills, raising capital for the vital retrofitting of housing association stock, and strengthening sustainable and secure sources of good-quality British food and produce from British farms. The list is endless. My Bill is a bid to match co-operative values to the mission of climate action, with communities pooling resources collectively to install and generate energy; taking small steps with huge benefits, such as creating cheap renewable energy, so that no one in the community is left behind by rising energy costs and fuel poverty or priced out of green evolution.

Co-operatives UK expects there to be 1 million employee and worker owners in the UK co-operatives sector by 2030, but we can go one step further: we can ensure that co-operatives kickstart a local green economy and create local jobs and skills. There are Awel and Egni co-operatives and others across the country, such as Brixton energy and Bristol energy co-operatives and OrganicLea, a co-operative farm that trains local people. Initiatives such as these spark local imagination and creativity and put the power back into the hands of local people.

The Bill is about not just the co-operatives of today, but the ones of tomorrow that could be born out of the successes of this Bill—the co-operative bus and rail companies creating genuinely affordable and environmentally sustainable modes of transport as we decarbonise our roads, or seed capital for communities to take over local utilities. In Wales, we have Dwr Cymru, which is a prime example of a semi-mutual water company run on a not-for-profit basis, with profits invested and recycled solely for customer benefit. I am thinking of co-operative run social care, childcare and other communal services, as proposed by the Welsh Co-operative Centre in its “better, fairer, more co-operative Wales” report, or even co-operative agriculture, food production, or community zero-waste cafés and restaurants, such as SHRUB co-op in Edinburgh. Action is needed—not empty words and greenwash—and that is what my Bill aims to deliver.

**Julie Marson (Hertford and Stortford) (Con):** The hon. Lady mentions Co-operatives UK and action. Does she acknowledge that in June this year, Co-operatives UK, when reviewing and commenting on her Bill, called it “counterproductive” and “impractical”. We want positive action, for sure, but her Bill just does not deliver that.

**Anna McMorrin:** I thank the hon. Member, but she is being very selective in her comments. She fails to mention that Co-operatives UK also said that it fully supports the Bill and that what this needs is more detail in the Public Bill Committee. That is exactly what is needed. We are on Second Reading now. We need to take the values and strengths of the Bill through to the next stage to make this legislation able to really transform communities across the country. I hope that the hon. Member will be with me on that.

Legislation of this kind is, in fact, already in force around the world, from Australia to Canada, Italy and the Netherlands, demonstrating that this can be done. Back in 1844, the co-operative pioneers envisioned a community business model where shared values of sustainability, equality and fairness took priority. Co-operatives can play a major role in helping to rebuild our communities, end fuel poverty, create jobs and foster a sense of community pride in helping to tackle climate change.

Each one of us must play our part in the fight against climate change, but for so many people, the feeling of being able to physically effect change feels remote or expensive. Pundits, legislators and policy makers talk of climate change, quite rightly, as the greatest threat facing us, but many workers are focused only on making it to the end of the month. Climate action often feels distant, but it is our job to find ways of not only solving the crisis, but rooting the solution in the lives of workers and families. It must be viewed as a benefit to their health, wealth and happiness.

**Gareth Davies (Grantham and Stamford) (Con):** I applaud the hon. Lady’s championing of green issues. Will she describe to the House how she intends the capital raised through green shares to be ring-fenced so that there is not greenwashing?

**Anna McMorrin:** I thank the hon. Member for making a very good point. That is what needs to be avoided—greenwashing and big announcements and intentions that are not delivered on. But, as I think I have demonstrated

in my speech, what this does is deliver on the ground from the bottom up, transforming communities, changing lives and making sure that projects are actually delivered. That is needed by this finance.

**Gareth Davies:** I am grateful again to the hon. Member for giving way. I am curious about why the Bill proposes green shares and not green bonds, because the use of proceeds of such bonds can be ring-fenced. There is also an established international framework of green bond principles, whereas no such framework exists for green shares.

**Anna McMorrin:** Bonds can go only so far for co-operatives. They also undermine the very essence of the democracy of a co-operative, which makes them far more difficult. However, I thank the hon. Member for making an excellent point.

Climate action feels distant and we must find ways of resolving that, with people and communities viewing it as a benefit. I believe the Bill provides the opportunity to do just that, binding people together, and binding people and place together, in one common endeavour. There has never been a more important time to do just that. I hope that the Government will see that and work with me to progress these values and the Bill.

10.21 am

**Andrew Lewer** (Northampton South) (Con): I am glad to have the opportunity to contribute to the debate on this private Member's Bill and, indeed, to follow its promoter, whom I congratulate on a carefully crafted speech, with much passion in it. There are obviously some things one could take issue with, too, not least the Government's record on carbon in the economy. Indeed, concerns about the feasibility of current targets and their cost—especially for those on lower incomes—in an already coronavirus-battered economy are well worth raising.

As we have heard, the Bill in essence seeks to enable co-operative and community benefit societies to raise external investment capital for environmental and sustainable purposes. On the surface, that is a sensible suggestion, and in general terms I—and I am sure many colleagues—support some of the objectives that aims to achieve. I am sure that several of my colleagues will make further good and detailed points on the purpose and key provisions of the Bill, but I will give some thoughts as a starter.

I am standing in an unusual place for me, away from the customary 2017-2019 naughty corner, and speaking on this topic is out of my comfort zone as well, but, having looked into it, it is well worth unpacking in debate. Indeed, some interventions have already revealed that to be the case. Co-operatives and community benefit societies are great means of facilitating business with a mutual and social purpose, democratic ownership and governance. The Government have always been supportive of that ethos, changing the law in the Co-operative and Community Benefit Societies Act 2014 to reduce some of the legal complexities and cut red tape on how co-operatives operate. It is encouraging that, since then, the co-operative movement has continued to be successful, generating more than £130 billion of income each year for the UK economy and employing more than

230,000 individuals. I have a personal connection: my dad worked for the Co-op in Manchester and the family is a chapel and Methodist family.

It is important to point out that from day one the Government have had a major focus on climate change and encouraged support for many green industries and green initiatives. In fact, as many colleagues regularly mention, the UK was the first major economy to enshrine into law a commitment to hit net zero by 2050 and to introduce a landmark Environment Bill, which places environmental ambition and accountability at the heart of all Government policy and holds subsequent Governments to account if they fail to uphold their environmental duties. Just last year, the Government published a green finance strategy detailing how they intend to support green financial services, accelerate investments into the UK's clean growth and encourage a clean global finance market.

A 42% reduction in carbon emissions has been achieved while simultaneously growing the economy by two thirds to the end of 2019, which is the strongest record in that regard among the G7. That trend has the potential to continue, with recent announcements from the Chancellor that the Government intend their rebuilding of the economy after coronavirus to include releasing £3 billion into green investment programmes and to jointly fund a £40 million venture capital fund for green start-up companies, to encourage a new generation of a clean and low-carbon technologies.

**Jerome Mayhew** (Broadland) (Con): My hon. Friend mentions the very welcome reduction in carbon in the UK economy over the past 20 years. Some of that has been achieved by offshoring carbon emissions to third countries, which is then reimported. Does he agree that an effective way of dealing with that would be the introduction of carbon border adjustment payments?

**Andrew Lewer:** A more general answer to that extremely specific question is that it is important to have realistic goals and targets in country, so that those sorts of ways of trying to get around things are avoided. That is why commitment and passion need to be mixed with pragmatism and realism in seeking targets that are actually achievable.

**Steve Double** (St Austell and Newquay) (Con): Before my hon. Friend moves on from that point, does the conversation that just took place not highlight the fact that there is little value in the UK reducing our carbon emissions to zero if we do not take other developed countries around the world with us? This is a global problem, and the UK eradicating carbon emissions in isolation from everyone else will have little impact globally.

**Andrew Lewer:** That does indeed highlight the importance of leading by example, so long as that example is a significant carbon reduction coupled with a successful economy, rather than wholesale carbon reduction done in a way that leads to economic problems, which would lead to other countries deciding not to follow the example for obvious reasons.

**Anna McMorrin:** The hon. Gentleman is making a good speech, but does he not agree that the Bill actually does what he describes? It builds in the opportunity to build renewable or sustainable environmentally friendly projects across the board from the ground up. Sustainability covers a wide area in Wales, as defined by the Well-being of Future Generations (Wales) Act 2015.

**Andrew Lewer:** The hon. Lady will be pleased to hear that I will say several things in support of the principles underlined by her and which other colleagues have touched on.

While the Bill seeks to add to the track record of this Government and previous Governments, there are several issues within it that cannot be ignored. Some of those worry me, and although I see elements of merit in the Bill, I am hesitant about it for reasons that I will address, dealing with some of the specifics rather than only outlining problems overall for the sector, which may lead to the Minister's scribbling out too much of his speech.

As I mentioned, co-operatives and community benefit societies add to the diverse make-up of the UK economy and are in many cases successful, with more than 72% of co-ops still flourishing after a difficult first few years, in comparison to 43% of companies overall. Those businesses are therefore a cornerstone of the UK's economy, particularly its social economy, and have the benefit of helping to push sustainable economic development and investment in green sectors. That should be celebrated and encouraged. Many across the House will share their ambition.

**Kevin Hollinrake:** My hon. Friend outlines some of the benefits of co-operatives. Is he aware that in many countries the banking sector is largely provided through co-operatives, including Germany and the USA, and that those banks provide much more sustainable long-term thinking and patient capital to help small and medium-sized enterprises through financial crises? If the Government decide to lead us down that route in terms of diversifying our banking sector, would he support that?

**Andrew Lewer:** I think that business models that are rooted in their communities and have the wellbeing of those communities at their heart, while enabling individuals to be enterprising within them, are very beneficial, particularly in having the value of local knowledge of what will be a success, rather than simply a balance-sheet approach.

Investment in emerging green markets and technologies, in line with Government green investment strategies, can be beneficial and should be encouraged, but they are not without their own risks, and that is one of my worries. Investors must be aware that there are risks associated with green shares, as there are with any shares. My worry—and that, I believe, of some of my colleagues—is that the well-intentioned ethical ambitions attached to this instrument may expose them to risks that they may not have foreseen. I am concerned that the Bill exposes the co-operative sector to the unintended risks of being exploited as investment vehicles, rather than purpose-driven organisations. There is a balance to be struck there.

As with many of these societies and co-operatives, people have saved up for years to invest their savings in capital, and I want to ensure that they do not underestimate the associated risks of green shares proposed by the Bill. Just because it has the word “green” attached to it does not mean that it is a guaranteed way of making money or is a sensible investment. Although it is probably a slightly politically incorrect cross-reference in the context of this debate, I am reminded of the car industry. People often muse, “If only I'd invested massively in the

car industry in 1900, I'd have made a fortune.” Actually, nearly all the car companies that were founded in 1900 led to a loss for their founders, because only a few of them prevailed. Although the overall concept of investing in the automotive industry in 1900 was good, it actually led to a lot of people losing a lot of money.

**Chris Green (Bolton West) (Con):** Does my hon. Friend share my concern about the labelling of something as green? We might think particularly about electric cars. We have to be aware that when mining and other processes take place for the batteries and other components in an electric car they can in no way be seen as environmentally friendly or green, even though the car is labelled as such.

**Andrew Lewer:** That is absolutely true. Although, of course, there are some things that are labelled green in which I have complete confidence, others cause serious concern for the reasons outlined.

**Steve Double:** My hon. Friend is being very generous. I cannot miss this opportunity to highlight the potential of lithium extraction in Cornwall being linked to geothermal energy, which will in itself be totally sustainable and carbon neutral. These are the ways in which the UK is leading the world in green technologies, which will help the UK to be a world leader in these things.

**Andrew Lewer:** My hon. Friend's commitment to his constituency and to this particular area is well known, and that was a well-chosen opportunity.

Another of my worries is that the Bill does not achieve what it sets out to. There are concerns that it could reduce the ability of co-operatives and community benefit societies to invest in green sectors. In its current form, the Bill would restrict rather than extend societies' potential to take on mission-aligned investments for environmental purposes. If the intention is for more societies to raise more capital for environmentally beneficial activities, the legislation should provide capital-raising options that are useful for many societies in many contexts, rather than the limited number of circumstances to which the Bill limits it.

I am also aware of concerns that green shares—the main aim of the Bill—might unintentionally create a capital instrument with similarities to a mini bond, as has already been touched upon. That is something else that causes some difficulties. When Her Majesty's Treasury's review into regulatory arrangements, which includes mini bonds, is completed, the Government will need to carefully consider its findings before passing legislation that would in essence create capital instruments with similarities to those mini bonds.

Having been drawn in two Prime Minister's Question Times in a row—this week and last week—and been drawn first for both private Members' Bills today, I will not push my recent considerable luck any further, Madam Deputy Speaker, and will conclude. I am persuaded that the proper and right way to push towards the development of further green financial instruments is through a full consultation, which would give all parts of the sector a chance to put their views and the Government the chance to listen before considering introducing similar draft legislation. In some respects, I support the main ambition of the Bill, as do many of my colleagues, but



in its current form, without extensive engagement with the sector, and for the reasons outlined in my speech and in some of the interventions, there remain some unanswered questions.

10.36 am

**John Lamont** (Berwickshire, Roxburgh and Selkirk) (Con): First, I thank the hon. Member for Cardiff North (Anna McMorrin) for bringing this private Member's Bill to the Chamber today. As was apparent from her speech, she has a lot of experience of working on environmental issues, and I appreciate the work she has put into the Bill so far. It is not perfect, and I look forward to it being improved as it progresses through Parliament. I wish simply to highlight the issues where I think I can support the Bill, to flag up some issues from my own constituency and examples of the good work that co-operatives undertake, and to give a summary of what I see as the key aspects of the Bill.

Co-operatives and community benefit societies are long-standing in our communities. We are told that co-ops are democratically owned and controlled by their members and that they exist to meet common needs and aspirations, in contrast to companies that are arguably more focused on the payment of dividends to shareholders. We are also told that co-ops are more about sharing power and wealth. Clearly, there will be a divergence of views on some of those statements—some will agree, some will not—but I am in no doubt about the worth of co-ops to our economy and wider society. The contribution of co-ops is clear and their importance cannot be understated. Importantly, I believe that co-ops should be part of how we build back better after covid-19.

There are lessons to be learned from how co-ops do business. Last year, co-ops contributed £38 billion in turnover and provided work for almost a quarter of a million people. While only 43% of companies survive their first five years, more than 72% of co-op start-ups continue to flourish. In 2019, there were more than 7,200 co-ops operating across the United Kingdom in a range of sectors of the economy. The ownership of co-operatives is a hugely important consideration in this debate. It is argued that sharing ownership in co-ops gives people and communities a stake in the operation of the business and encourages greater engagement, interest and concern in the long-term interests of the business. This applies as much to customer or employee owners of large retail businesses as it does to local co-ops, which together own valued local enterprises such as pubs, football clubs and shops. I am sure we all have examples from our own constituencies of successfully operating co-operatives.

In rural areas such as my own, in the Scottish borders, the agricultural sector is particularly prominent and important. More than £7.9 billion of co-operative turnover comes from farming in the UK annually. There are lots of examples of successful co-operatives in my constituency. Growing up on a farm, I know that the cost of modern farm machinery can be significant. Organisations such as Progressive Agri near Coldstream help farmers to purchase machinery and equipment as part of a group. There are other agricultural co-ops, such as Scottish Borders Produce, which is a cross-border co-operative with members from across the Scottish Borders, East Lothian and Northumberland. It specialises

in the environmentally responsible growing and processing of top-quality vining peas for the retail frozen market. This green shares Bill would give them and others like them a means of generating external finance in order to make substantial and environmentally friendly investments and expand their operations. There is evidence to suggest that sharing ownership in such co-ops also boosts productivity, by making employees and suppliers more likely to work harder to support their business. Studies have shown that the commitment ownership brings boosts productivity, because people are invested emotionally and financially in the business.

Co-operatives offer a dynamic solution, rooting long-term social value within financial value. Their involvement in a successful and sustainable future UK economy is vital, but why are there not more of these co-operative-type models? In 2020, they make up less than 1% of the total number of businesses. As we look towards the post-covid world and consider how to make businesses more robust, more resilient and fairer, the answer could be a more co-operative economy. In addition to the clear economic importance and resilience of co-operatives and community benefit societies, their focus on localism and wider social benefits aligns with our goals for sustainable development. Advocates of co-operatives emphasise that these types of business models are a more sustainable form of business due to an evasion of the desire for immediate profits and, instead, a focus on longer-term goals. That is clearly a point for debate and discussion, but there is no doubt that co-ops and alternative models of business have a role to play in our economy.

The Committee on Climate Change emphasised the importance of an environmentally sustainable economy in its 2019 report, "Net Zero: the UK's contribution to stopping global warming". The report highlighted the importance of the UK providing an attractive green investment environment, noting that Government success in providing clear and stable mechanisms that attract sufficient volumes of low capital will be key to the overall success in reaching a net zero greenhouse gas target. The Committee concluded that the UK is well placed to lead globally on the development of products to finance low-carbon investment. Again, co-operatives and community benefit societies provide one mechanism to achieve that.

However, despite the clear possibility of co-operatives and community benefit societies enhancing the level of environmentally sustainable investment in this country, there are limitations on their ability to raise external capital in a way that is consistent with their founding principles, and thus their growth. The Bill seeks to address that. It would arguably allow co-operatives and community benefit societies to gain powers to raise finance by issuing redeemable green shares to external investors. In turn, any capital raised would be required to be invested in environmentally sustainable projects. We have heard from other Members during the debate about how we define environmentally sustainable projects. Where is the line between a green project and something that might be just more of a commercial initiative? The Bill will need to clarify that as it progresses.

Without the Bill, co-ops rely on their members' capital to fund their operations. Withdrawable shares are bought by members and shares are limited to a maximum of £100,000 for an individual stakeholder, with the aim of preventing co-operatives relying on only a small number

[John Lamont]

of their members or a single member having excessive financial clout. The introduction of redeemable green shares facilitated by the Bill might provide a solution, allowing co-operatives and community benefit societies to raise new sources of finance.

**Gareth Davies:** It is undeniable that the climate change agenda is critical to the investment landscape. Does he therefore agree that it is a little confusing that green shares will be limited to external investors and that they should also be available to members?

**John Lamont:** My hon. Friend makes an excellent point. I agree that there is some uncertainty around that. This is one of the issues that needs to be flushed out during parliamentary scrutiny of this Bill, so that we have as much clarity as possible on that point, but he is right. As I said, we need to be sure that any investment will be in the green environmental projects that we want to see promoted by the Bill.

**Anna McMorrin:** I want to clarify the point made by the hon. Member for Grantham and Stamford (Gareth Davies). Actually, members can invest in a project, which would be the green shares, because that is what co-operatives do—they are wholly owned by the members. This is unlocking investment from outside as a bigger investment called a green share. I just wanted to correct the hon. Member.

**John Lamont:** I am grateful for that point, but the fact that the hon. Lady had to make it suggests that it is not entirely clear in the Bill. Hopefully, during the Bill's progress, we can get clarity on the face of the Bill about how that will work in practice.

It is argued that these redeemable shares are important on two levels. The first is the important benefits of environmentally sustainable investment—for example, in the retrofitting of existing housing association homes or the expansion of renewable energy co-operatives. The second is the benefits to co-operatives themselves. Co-operatives UK is just one advocate of such redeemable shares, noting that they could be

“particularly useful for larger societies raising significant equity investment from individual and institutional non-user investor members.”

It notes that redeemable shares

“provide a straightforward and clear exit route for shareholders, just as withdrawal does, but would be fully under the control of the society.”

This Bill will not only allow co-ops and community associations to raise private investment capital for environmentally sustainable purposes, but it also has profound wider benefits. Locally, our communities and economies would benefit from the development of green jobs and skills, and the Bill might be part of that. In my constituency, there is clear evidence that that is happening already, but we need to do more to facilitate it. More widely, we could see benefits in the form of cheaper, greener energy; warmer, more energy-efficient homes; and cheaper, more sustainably and locally sourced food. For my constituents and the rural economy in the Scottish borders, the Bill could encourage such initiatives.

Equally important are the safeguards in the Bill. Such protections prevent the undermining of the co-ops' or societies' ethos or their conversion into commercial

companies through the issuing of green shares. Upholding the ethos of co-operatives and community benefit societies is crucial to the success of the Bill and the aims behind it and to sustain the longevity of these societies. I am confident that those objectives can be achieved through the provisions in the Bill, which include limiting voting rights to one vote, regardless of the value or number of shares held, limiting the rights of investors to the assets of the society in the event of its liquidation, limiting the ability of investors to de-mutualise and, lastly, enabling societies to remove the right to vote for their conversion into a company.

**Anthony Mangnall:** My hon. Friend spoke well about the importance of localism and of co-ops, which all our constituencies benefit from. Does he fear that if we open these organisations up to external investors, we will water down the focus of localism?

**John Lamont:** Yes, absolutely, that will be one of the challenges. In my experience, the benefits of these co-operatives and societies has been the local engagement, and the danger is that outside influence could change that ethos and approach.

As other Members have noted, the Bill's foundations are in using investment for wider good. This is an important step forward, in terms of shining a spotlight on this type of business model and highlighting the importance of environmentally sustainable investment, but more needs to be done.

Last year, a study commissioned by the Department for International Development examined public demand in the UK for sustainable development opportunities. That was the most comprehensive study of the UK public's demand for such opportunities, understanding whether people want the impact on people and the planet to be considered in investment decisions. Generally, the survey found that 68% of UK savers want their investments to consider the impact on people and the planet alongside financial performance.

Since 2012, sustainable investments have grown by 107% annually as an investment strategy. There is significant growth of individuals who invest sustainably in companies, organisations and funds with the purpose of generating measurable, social and environmental impact alongside financial return. Impacts are spread across various sectors from renewable energy and climate change, to health, safety and community development. The Bill arguably fulfils some of those desires and pivots towards a more sustainable future, unlocking new finance sources through the green shares, which must be invested in an environmentally sustainable way.

As investment trends change, policy such as this drives that change in our culture to adopting socially responsible practices in businesses and industry, and encourages adaptation towards a sustainable investment environment. I hope that this is a step towards changing the sustainability outlooks of other companies and business models. Although, of course, protecting lives and suppressing the coronavirus has been the priority for the Government over the past few months, as the virus has devastated many of our communities, that is not to say that we should put the climate crisis on the back burner; that must remain our priority.

As we heard earlier from my hon. Friend the Member for Northampton South (Andrew Lewer), the UK has played a world-leading role in tackling climate change. I

challenge some of the opening remarks of the hon. Member for Cardiff North, the sponsor of this Bill. The transition to clean growth for the UK has demonstrated that we are one of the pioneers in this area. We are the first country to legislate to eliminate our contribution to climate change by 2050, and the fastest in the G20 to cut emissions.

At the same time, the Environment Bill is being introduced to protect and improve the environment for future generations, enshrining in law environmental principles and legally binding targets. The first progress report of the Government's ambitious 25-year environment plan found that 90% of the priority actions have been delivered or are on track to be delivered. Coal power stations will be completely shut down by 2025, if not 2024. Glasgow will host COP26, coronavirus allowing, putting Britain at the heart of the world's efforts to combat climate change. We are currently on track to protect 4 million sq km of ocean across our overseas territories before the end of 2020. These are huge achievements in themselves, and I hope the hon. Lady will acknowledge that we are making significant progress, notwithstanding her comments earlier.

However, I am all too aware that there is a need to accelerate work to protect the environment. Innovative ideas to make it more affordable and more accessible to finance environmentally friendly investments are to be welcomed and studied closely, and this Bill gives us that opportunity. Through green shares, we can begin to allow local communities to rise to the climate change challenge and see more level playing fields between co-operatives, community benefit societies and their private competitors.

The Bill also presents itself as an opportunity to aid a recovery from the pandemic in a greener, more sustainable and more resilient way. There are extremely difficult times ahead, but we must look to the future and consider the green jobs and skills that we should be able to facilitate and create as part of our green recovery.

Just last week, in my own constituency, plans for 50 new jobs were approved in the coastal town of Eyemouth. These jobs will come from the new maintenance base for an offshore wind farm off the Fife coast. Providing skilled jobs or improving towns and villages in other ways, such as in Eyemouth, must be how we tackle climate change. Not only does that ensure that no one is left behind, but it helps to persuade those who are less convinced of the merits of such projects that that is the way forward. Co-ops have a huge opportunity here to play a big part in providing jobs and community benefits.

To conclude, I congratulate the hon. Member for Cardiff North again on bringing forward the green shares Bill. I look forward to seeing it progress, I look forward to seeing it improved, and I look forward to hearing the other contributions to the debate.

10.55 am

**Sarah Jones** (Croydon Central) (Lab): I am delighted to speak in this debate, and I congratulate my hon. Friend the Member for Cardiff North (Anna McMorrin) on her important work on the Bill. As someone who is half-Welsh, I was particularly interested to hear the history of the co-op movement in Wales. That was something I did not know a lot about, so I thank her for her contribution.

The green shares Bill would bring about key legislative changes, which I believe would enhance the contribution of co-operative and community benefit societies, to use investment to generate sustainable and inclusive economic development. We must all do our bit to tackle climate change. Every Member in this place will have visited schools, where our young people push us every day to do more and to be more ambitious on tackling climate change. To achieve that change, there must be provision for green investment and finance, as my hon. Friend says, from the bottom up in our communities.

My right hon. Friend the Member for Doncaster North (Edward Miliband) said yesterday:

“The government's warm words on climate change desperately need to be matched by deeds worthy of the scale of the challenge we're facing. We urgently need to transform how we power our homes, move around, and use our land. We also need to ensure that it is a just transition, in which no community is left behind, and we all enjoy the benefits of changing our economy and society for the better.”

We on the Labour Benches are clear that the UK needs a green new deal to kickstart a green recovery from coronavirus.

The UK's co-ops have a key role to play here, and they have a successful history. They are owned and controlled by 13.7 million members, the equivalent of more than a fifth of our population. As has already been mentioned, they also remain significant employers, with 233,000 people earning their livelihoods directly through co-ops. Co-operatives are resilient; almost three out of four co-op start-ups—72%—still flourish after the difficult first five years of existence. In stark contrast, more than half of all new companies—57%—go to the wall before they reach that milestone.

The co-operative movement has always focused on localism and looking at how to achieve wider societal benefit, and that goes hand in hand with the wider principles of sustainable development and environmental sustainability. We must ensure that the laws are in place for our communities to effect change and create secure green jobs and growth.

The Committee on Climate Change has underlined the importance of creating the conditions for an attractive environment for green investment to achieve net zero greenhouse gas emissions. Its 2019 report stated:

“Government success in providing clear and stable mechanisms that attract sufficient volumes of low-cost capital will be key to the overall success in reaching a net-zero” greenhouse gas target. The committee found that the UK was “well-placed to lead” internationally “on developing products to finance low-carbon investment”.

This green shares Bill is a rare opportunity to give co-operative and community benefit societies a first-class legal framework. It includes positive changes to society law that would significantly enhance those corporate forms as tools to build the more sustainable and inclusive economy we urgently need.

As my hon. Friend the Member for Cardiff North mentioned, the Bill would make important changes to allow co-operatives and community benefit societies to gain powers to raise finance by issuing shares. That new finance would have to be invested in environmentally sustainable projects. The Bill seeks to introduce safeguards to prevent any share issue from leading to a co-op's conversion into a commercial company. It also specifies arrangements about the distribution of capital in the event of winding up, again to protect the mutual purpose.

[Sarah Jones]

Ethstat Ethical Stationery in Croydon is a co-operative, run by the people who work for it and owned by the people who use it. It is a brilliant organisation, which is locally based and works at the cutting edge of sustainability. Its profits go to projects that help some of Croydon's most vulnerable people. All its projects sit alongside its core work of protecting the environment.

Such businesses are the cornerstones of the UK's social economy and have huge potential to deliver sustainable and inclusive economic development. Across south London, organisations such as South East London Community Energy and Repowering are playing a key role. We can go further and look to other parts of the country. For example, Plymouth has more than 30 energy co-ops, which are providing sustainable energy and local employment and using their surplus to generate community good.

The Bill would provide much-needed finance to help in our housing sector, where we know there are huge issues with our homes and, for example, retrofitting. Our homes are some of the most inefficient and therefore the most expensive to heat in Europe.

**Anthony Mangnall:** Surely, the hon. Lady will therefore recognise what the Government announced this year, which was the £2 billion to retrofit homes to make them more environmentally friendly. I listened to the points she made at the beginning, when she was somewhat critical of the Government's approach. We are forward-leaning in what we are trying to do in making sure that we can make all homes more environmentally friendly.

**Sarah Jones:** I thank the hon. Gentleman for putting it gently and saying I was somewhat critical of the Government's approach; I would go slightly further and suggest that we need to look at actions rather than words. In the past 10 years, under Conservative Governments, Labour's zero carbon homes scheme and many of the other schemes we had in place to retrofit our homes were entirely wiped out. Actions speak louder than words, and we must consider the amount of funding we need to retrofit the homes and deal with the scale of the problem. I give him the point that many of our homes are old and we have a particular problem in this country, but we have to invest in retrofitting. The £50 million for the social housing sector that was announced by the Government will cover only the very worst performing housing stock, as Inside Housing and any of the experts will tell us. We need substantially more investment, whether in our schools, homes or hospitals, to try to get to a point where our buildings are working for us in a carbon neutral way. We are nowhere near that point.

**Anthony Mangnall:** Surely, the benefit would then come from having a centralised system where we could invest from a UK Government point of view, rather than on an individual basis. If it is done through a co-operative measure, as the hon. Lady is suggesting, we will have an inadequate method whereby the distribution of retrofitted houses across the country is not even.

**Sarah Jones:** The solution is to enable a thousand flowers to bloom. We want local organisations to be able to provide solutions, as well as the Government,

who, at the moment, are woefully lacking in their climate action. We need both those things to happen, and the Bill is one part of that solution.

Many societies have clear purposes relating to environmental sustainability, including community energy schemes, e-car sharing co-ops, low-impact farming co-ops and low-impact community-led housing. Just to return to the housing issue, let me say that I was lucky enough to visit Berlin when I was shadow Housing Minister to see the quantity and very different nature of housing there. It is difficult to make comparisons, because there are large cultural differences between Germany and the UK. The English system is more centralised, top-down and market-orientated, with a lightly regulated private rented sector, whereas Germany has a federal system that supports local autonomy. It also has a much more public-facing housing policy, and it is much more rules-based. As we know, in Germany there is a preference for renting, but there is a huge quantity of housing co-ops there, particularly in the big cities. I believe that in the UK 0.5% of our homes are co-operative-owned, whereas the figure in Germany is about 10%. We can look to increase the number of our co-ops and of empowered residents who have more control over what happens in the buildings in which they live.

It is vital that we unlock green finance for our co-ops to invest in long-term sustainable projects, and this Bill would be an important step to help communities and investors to create a more sustainable living environment. Primary legislation is much-needed to provide societies with the legal tools that would enable co-operatives to thrive. As my hon. Friend the Member for Cardiff North said in her excellent speech, covid is a significant fork in the road when it comes to tackling climate change. I urge Members across the House to support the Bill, so that it can be discussed further and amended in Committee, and to empower our local communities to take action and save our climate.

11.4 am

**Simon Baynes** (Clwyd South) (Con): I, too, would like to acknowledge the hard work of the hon. Member for Cardiff North (Anna McMorrin) in securing this debate and bringing the Bill to the House. The excellent work of co-operatives and community benefit societies is felt very deeply in my constituency of Clwyd South and elsewhere in Wales and the UK. As the hon. Member mentioned, many people are very grateful for the help and support they have provided, particularly during the covid-19 pandemic. Often, they have been in a position to fill in the gaps in provision, which has been so important over the past few months.

I, too, pay tribute to Wales as the birthplace of the co-operative movement. I grew up just south of my constituency in Montgomeryshire, and Newtown, the centre of that county, is where Robert Owen was born in 1771. He is a much admired figure, although

in my opinion he should be better known to the outside world, as I am sure the hon. Member would agree. His progression through life was very interesting, in the sense that it was on a truly United Kingdom basis. He grew up in Newtown; then he went to work in England, where he ran a mill in Manchester; and then went to help his father-in-law run his mills at New Lanark, which became probably the most famous aspect of his work. He was therefore represented in three of the four

countries that make up the United Kingdom. I also agree with the hon. Member, however, that there is something in the culture and society of Wales that has a great affinity with the co-operative movement.

I welcome the intention of the Bill to introduce another mechanism by which to promote environmentally sustainable investment. I, too, agree that the bottom-up approach is extremely important in such environmental investment. I have seen that very much in my constituency—for instance, in Corwen, which has an interesting hydroelectric scheme that was developed by the community. That was one of the reasons why earlier this year I supported the Local Electricity Bill, a private Member's Bill that would make it easier for such projects to feed their electricity into the national grid.

I strongly support such a localised projects, and the Dee valley in my constituency is full of innovative environmental schemes. Heat pumps are an important part of that, and diversification through environmental projects is extremely important for the farming community, which often finds itself struggling in current circumstances. The co-operative movement is an important part of how the farming community operates, so building environmental projects from the ground up through the co-operative movement makes good sense.

I welcome the UK Government's record in this area and the progress that they continue to make in improving the environment for everyone's benefit. We have heard various statistics quoted this morning from both sides of the House, but we should be in no doubt that this Government and, to be fair, previous Governments have made considerable progress. For instance, carbon emissions fell by 42% between 1990 and 2017. There is plenty more to do, but we are on the right trajectory. I am pleased that the Government have renewed their commitment to environmental projects—for instance, by committing to plant 40 million more trees, restore peatland to capture carbon and create the community-led nature recovery network to create and enhance local habitats and by tripling the funding that helps to preserve the globally significant biodiversity in the UK overseas territories and their waters. These are just a few of the many examples of this Government's commitment to the environment.

As was touched on earlier, the Government have also sought to find the right conduits to promote the environment through the financial world. In July 2019, the Government published their "Green Finance Strategy", which details action in three areas: greening financial services, accelerating investment into the UK's clean growth and working to position the UK at the vanguard of the global green finance market. Progress has been made in environmentally sustainable investment, and it continues to be made. Like others, I pay tribute to the enormous contribution made by mutuals and co-operatives to our diverse UK economy, including in Clwyd South and across Wales and the UK. The importance of the sector is shown by the fact that the all-party group for mutuals found that mutuals generate more than £130 billion of income each year.

It is perhaps worth reminding ourselves of the precise wording of the Bill:

"A Bill to enable co-operative and community benefit societies to raise external share capital for the purpose of making environmentally sustainable investment; to make associated provisions about restricting conversion to company status and the distribution of capital on winding-up; and for connected purposes."

It is entirely admirable to consider ways to increase our ability to invest in co-operatives. Those are admirable aims, and I am pleased to hear about the close co-operation and consultation that has taken place between the hon. Member for Cardiff North and the Government, as that is crucial.

All Government Members greatly respect the Bill's aims and intentions. However, my professional background has given me experience of factors that might militate against the Bill's good intentions. For 25 years, I worked in the financial and business world and on solutions to help companies raise funds for a wide range of purposes, including environmental improvements. For the past 15 years, I have been on the other side of the fence, having set up two charities and served as a trustee in non-profit making enterprises, during which time I worked with co-operatives and community benefit societies.

From that experience, I learned—I accept that the Bill does not state that this should always be the case—that one size does not fit all with community investment. I have spent many hours, particularly in the past 15 years, working with community groups and considering ways to create a structure for them to gain membership and financial support. Co-operatives are an important part of that, but other structures also suit the circumstances, and we must bear that in mind.

That practical hands-on experience makes me concerned that the Bill may undermine the integrity of co-operatives and expose them to exploitation as investment vehicles, rather than socially beneficial institutions. I fully accept that the hon. Lady seeks to place safeguards in the Bill, but if external finance is brought in, there is a fundamental question of what the consequences will be on the co-operative. Like previous speakers, I have concerns that the green shares proposed in the Bill might unintentionally create a capital instrument with similar characteristics to a mini-bond.

I am pleased that the Treasury has conducted a review of the currently regulatory arrangements for the issuance and marketing of non-transferable debt securities such as these mini-bonds, and I am pleased that process is ongoing. It is important to consider the outcome of that review before consideration is given to the creation of any capital instrument similar to a mini-bond.

A further consideration—again, this has been touched on previously—is that investors may underestimate the risks that green shares expose them to, because of the ethical ambitions that are rightly attached to the instrument. Ethical investment ambitions are entirely laudable, but they have various aspects that can militate against them. The first is the long lead-in period for investment return, and the second is their sensitivity to changes in the regulatory environment, as we saw with the electricity feed-in tariffs a few years ago.

The hon. Lady may well be right that this is the right vehicle in which to place that ambition for green investments, but from my experience of working in the financial world, I know they are often quite difficult investments. My hon. Friend the Member for Northampton South (Andrew Lewer) mentioned how people who invested in the car industry in 1900 would have lost their money, and one of the key things in the investment world is the difficulty of being the pioneer. Often, not the pioneer but those who come later get the return. I am concerned that the vehicle created would be almost a hybrid

[Simon Baynes]

co-operative, given the external investment, and whatever we say about the good intentions of a co-operative, at the end of the day investments made through it need to have a return of some description, otherwise it will be a loss-making enterprise.

**Anna McMorrin:** The hon. Member is making some excellent points that need to be examined as the Bill progresses, but this form of legislation is in place in other countries, so we can take the evidence of what has worked, for example, in Australia.

**Simon Baynes:** I thank the hon. Lady for her comments. I cannot claim to be an expert on the legislation in all the different countries around the world, but I would assume that it operates in different contexts. I am just trying to make a general point, from my own experience of investment options, that they can sometimes be a very complicated way of putting money into the green environment. That is the simple point I make.

The other point I would like to touch on is the exit from the co-operatives. To go back to the precise wording of the Bill, it is also

“to make associated provisions about restricting conversion to company status and the distribution of capital on winding-up”.

I totally understand where the hon. Member for Cardiff North is coming from on demutualisation, and we have all seen examples of demutualisation in the past that have perhaps not turned out as well as everybody expected, but one of the problems in the financial world—at the end of the day, if people are to invest in green shares, it is in a sense a financial investment—is that we have to leave an escape route for people. If something goes wrong—as we saw in the Co-op itself when it had huge financial problems in its lending arm which, I believe, has now been hived off—removing the ability to exit those problems is a very big ask. While the intentions are very admirable, that is not necessarily wise for the long-term health of the co-operative institution.

In the 2020 Budget, the Chancellor announced that the Government would bring forward legislation to allow credit unions—obviously, a form of financial mutual—to offer a wider range of products and services. That will support credit unions to continue to grow sustainably over the longer term and will allow them to continue to play a pivotal role in financial inclusion. This also needs to be taken into consideration in the preparation of this Bill.

I agree with the hon. Member for Cardiff North that locally based financial support is crucial. I became increasingly frustrated during the covid-19 crisis by the performance of the high street banks and the fact that they have vacated the local market for the provision of finance. I am sure that many Members on both sides of the House felt the same way. We have built up a series of contacts in those banks so that we can take our constituents’ concerns to them and say, “Please can you unblock this problem?” The fact that the big high street banks no longer know their customers on the ground in the regions is a major issue. The intention behind the Bill, and indeed behind the credit union proposals, is to fill the gap in the market for locally based co-operative vehicles—rather like those in Germany—that provide finance to local businesses.

I strongly commend the hon. Member for Cardiff North for her excellent speech and for introducing this Bill, but I hope that I have highlighted effectively some of the difficulties that it presents, despite the fact that it was created with the very best of intentions.

11.21 am

**Gareth Davies** (Grantham and Stamford) (Con): I join other colleagues in saying what a pleasure it is to be part of this debate, and I congratulate the hon. Member for Cardiff North (Anna McMorrin) on bringing the Bill before the House. As someone with possibly one of the most Welsh names ever and a grandfather from Mumbles, I enjoyed her speech very much. I really enjoyed the history of the Welsh co-operative movement—far more than I enjoyed the Maoist quotes from the hon. Member for Croydon Central (Sarah Jones), I have to say.

I entirely agree with the spirit of this Bill and the support for co-operatives. The Conservatives have a good track record on co-operatives, which form an important part of our economy. As my hon. Friend the Member for Clwyd South (Simon Baynes) has said, the Conservatives enacted the Co-operative and Community Benefit Societies Act 2014, which reduced legal complexity for co-operatives. We have made it easier to register co-operatives digitally, and in 2014 we increased from £20,000 to £100,000 the amount of share capital that members can put into a co-operative. We are, therefore, strongly supportive of the co-operative structure.

I also welcome the spirit of the Bill as it relates to climate change, which is close to my heart and something that the Conservative party take very seriously. As hon. Members know, we have reduced emissions faster than any country in the G7; we have announced the £2 billion green homes grant scheme; we were the first major economy to legislate to achieve net zero by 2050; and we have generated more electricity from offshore wind than any other country in the world. I strongly support the green focus of the Bill, and I acknowledge that the hon. Member for Cardiff North had a long career in the service of this cause before her election to the House. We need more people with her expertise in the House.

Finally, I support the spirit of this Bill as it relates to private capital markets as a source for good. Just like my hon. Friend the Member for Clwyd South, I spent many years in capital markets. I have seen their power, and they can be the solution to many problems, not the cause. I have brought my own experience to this House and, as many colleagues know, I have sought to advance the benefits of green bonds as an effective tool for moving private capital towards environmental causes. I believe the case for green bonds is extremely strong, and there is great potential for the UK Government to issue a green gilt, following behind many other developed countries.

**Ben Everitt** (Milton Keynes North) (Con): This is in the spirit of my hon. Friend’s interventions on the hon. Member for Cardiff North (Anna McMorrin). Does my hon. Friend agree that green gilts and green bonds are a much more precise way of targeting the interventions that are so clearly the intention behind the hon. Lady’s policy?

**Gareth Davies:** I entirely agree with my hon. Friend that bonds as an instrument of capital markets are a more precise way of targeting private capital towards green projects, which is what the hon. Member for Cardiff North is aiming to do. I entirely agree that the sovereign level, as we have seen recently with the German €6 billion bond issuance, has been a very effective way of moving private capital into green infrastructure investments. Indeed, of that bond issue, 22% came from British investors. I would like British investors to be investing in British renewable infrastructure. I therefore suggest to her that bonds may be a more effective security than shares to help co-operatives move and raise capital towards environmental purposes.

Last year, the Co-op, the second-largest co-operative, issued a £300 million sustainability bond funding its Fairtrade work. It was a real flagship, and I would like to see more. I hope that the hon. Lady will join me in encouraging co-ops to issue more green and sustainable bonds.

As I have just mentioned, bonds provide several advantages over equities. They are more targeted. We can ring-fence the capital and the use of proceeds in a much more effective and accountable way. Green bond principles, which are now an international standard for what we mean by “green”, are a clear benefit of bonds. Again, one of my criticisms of this Bill is that it is not clear or specific enough. I know that the hon. Lady talked about dealing with that in Committee, but I would like to see more detail at this stage on what we mean by “green” so that we avoid greenwashing. Finally, green bonds are a huge market. They are a proven way of raising private capital towards green benefits. It is a trillion-dollar market globally, yet only 2% of green bond issuance is denominated in pounds sterling.

**Anthony Mangnall:** On that point, I am a fastidious follower of my hon. Friend’s career and a peruser of his reports. I am particularly interested in what he has said about sovereign green debt and what other countries have done and the value that has had not only in raising capital, but in delivering on those projects.

**Gareth Davies:** I thank my hon. Friend for his intervention. I will not repeat what I said to my hon. Friend the Member for Milton Keynes North (Ben Everitt), but to take an example, the French Government under the leadership of President Emmanuel Macron have now issued more than €22 billion of sovereign green debt. Of their first issuance, I believe that 28% was funded by British investors. So again, I would like to see British investors investing in British renewable infrastructure.

There is an opportunity for co-operatives to issue green debt and bring in private capital, which is exactly what the hon. Member for Cardiff North intends to achieve, but it would also increase the level of pounds sterling issuance in the green bond market, so perhaps that is an idea for her next private Member’s Bill.

As I said, I support the spirit very much of what the hon. Lady is seeking to achieve. However, I do not believe that the Bill is the right tool to help co-operatives and to help us move them forward and address climate change.

**Angela Richardson (Guildford) (Con):** In the spirit of talking about the climate and all the things we want to do, and building on the excellent point made by my

hon. Friend the Member for Clwyd South (Simon Baynes) about the hybrid nature of this Bill, does my hon. Friend agree that by bringing in this outside investment, we are potentially creating a risk for co-operative members?

**Gareth Davies:** I thank my hon. Friend for her intervention. I will comment on the protection of members’ rights shortly. It is not just me who is critical of the detail of this Bill. As my hon. Friend the Member for Hertford and Stortford (Julie Marson) noted, Co-operatives UK said that the Bill is “impracticable and counter-productive”. The hon. Member for Cardiff North did intervene on my hon. Friend to note that Co-operatives UK said that detail should be filled in at a later stage, but I would have liked to have seen the detail at this stage.

**Anna McMorrin:** Co-operatives UK has firmly supported this Bill, so I think the hon. Gentleman is being a little disingenuous in forgetting that point. He is absolutely right that we need to build on those safeguards and protections and make sure they are in place for consumers and the local community, but the co-operative movement and Co-operatives UK are firmly behind the Bill and want it to move to the next level.

**Gareth Davies:** I thank the hon. Lady for her intervention. She is right that Co-operatives UK is supportive of the Bill, its principles and its spirit, as am I, but it did say that it was “impractical and counterproductive” and that the detail needed to be filled in at a later stage. My point is that this is lacking in detail and is not clear.

I will give her an example. In proposed new section 27A(3) of the Co-operative and Community Benefit Societies Act 2014, the Bill states:

“A green share may be transferable but is not withdrawable”.

However, proposed new section 27B discusses the detail of withdrawing and redeeming shares. This is clearly contradictory. I suspect that the Bill should have said that the green shares are non-transferable but are withdrawable, which would have made it consistent with shares currently issued by other co-operatives and their members. My point is that the Bill we are debating today is just not clear enough and the detail is lacking, as I will mention in a moment.

**Alex Cunningham (Stockton North) (Lab):** I am grateful to the hon. Gentleman for giving way. Government Members have been very kind to my hon. Friend the Member for Cardiff North (Anna McMorrin), saying how great her intentions are and coming up with some excellent ideas to improve her Bill, so why do they not take their good ideas into Committee, discuss them there and bring back a Bill that is fit for purpose?

**Gareth Davies:** I thank the hon. Gentleman for his intervention. As I will go on to explain, I think the issues are deeper and more multivarious than I have sought to describe.

If the Bill raises questions, the substantive issues raise even more. I have five issues with the Bill. First, it does not allow co-operatives to issue shares to non-members unless they are a group. The distinction leaves co-operatives without the right tools to raise capital for non-green ends.

**Anna McMorrin:** The hon. Member is fundamentally wrong on that point. The Bill allows that for environmentally sustainable purposes. That provision can then be defined in Committee. I went on to talk

[Anna McMorrin]

about the governance models that are used within the City and investors. That is what we want to see and it covers a whole array of areas to invest in. It is not narrow. It is wide enough to cover the whole co-operative movement.

**Gareth Davies:** I am very grateful to the hon. Lady for the intervention. I do not know where to start. Limiting this to green-only is great and fine, but why not broaden it to other causes, not just green issues? She mentioned the example of Australia to my hon. Friend the Member for Clwyd South, but she will know that Australia has implemented a similar law, but not around green shares. I simply ask why she has limited it to just green shares. Why are we trying to run before we can walk? If she is going to cite Australia, why not copy Australia?

**Anna McMorrin:** I thank the hon. Member for giving way yet again. Does he understand the definition of sustainability, and has he looked at the law in Wales, for example, where we have the Well-being of Future Generations (Wales) Act 2015, which covers a whole array of sustainable development that is ensuring that projects are about long-term sustainability? Yes, that is something that we need to properly define, but it can come under the ESG model that is currently being talked about by investors. He is completely wrong when he talks about this being limited to just so-called green projects.

**Gareth Davies:** I am grateful again for the intervention. I am not sure how the hon. Lady can make the comment, “Does he understand the definition of sustainability?” and then go on to say, “Obviously, we need to define what sustainability means.” That is exactly my point. The Bill is well-intentioned but not clear enough in its definition of sustainability—[*Interruption.*] She can protest all she likes but it is there in black and white, and I urge every colleague in this place to read the text.

The second issue I have is that the Bill allows green shares to be issued to external investors but not to co-operative members, as I mentioned in an earlier intervention. By limiting the issuance of green shares to non-members, it would limit the co-operative’s ability to raise capital for green causes. If green causes are so important, why not make the ability to buy green shares available to all members? The hon. Lady intervened earlier to say that members could do so, but that is not true. She says that because when an external investor buys a green share, they become a member. That is the only way in which members can buy a green share.

Thirdly, the new powers for co-operatives apply only if they issue green shares. If the new powers are so beneficial, why not provide them for all co-operatives without the requirement to issue green shares? The Bill says, if a co-operative issues a green share, it will get additional powers essentially to prevent it from becoming a company. If that is such a good idea, why limit it to green shares?

Fourthly, the power permanently to prevent a co-operative from becoming a business is against members’ interests. Currently, the decision to become a company is left with members. Why take that power away from them? Whether a firm is better run as a company or as a co-operative is beside the point. We should let members

decide. It is unclear who in the co-operative gets to decide on such matters. Perhaps she will clarify that in her closing remarks. The real purpose of the Bill would be to sustain the co-operative model at the expense of members’ and workers’ interests.

Finally, the Bill lacks sufficient detail, as I have outlined before. The framework for deciding whether shares are green is vague and requires the Treasury to fill in the detail. Likewise, rules to ensure that the shares are not abused for tax avoidance are left out of the Bill again for the Treasury to decide the detail. I am getting déjà vu from Wednesday, when the Opposition called for an extension to the furlough but could not say what was to be extended, for how long, or how much it would cost.

I can only conclude that this idea is nice in principle and right in spirit, but it is merely an idea and not a substantive, workable piece of legislation. For that reason, I cannot support it.

11.36 am

**Sir Christopher Chope** (Christchurch) (Con): It is a pleasure to follow my hon. Friend the Member for Grantham and Stamford (Gareth Davies). I lack his knowledge about capital markets as indeed I lack the knowledge exemplified by my hon. Friend the Member for Clwyd South (Simon Baynes) on financial instruments, of which this might be one. I will nevertheless try to contribute to the debate by encouraging the hon. Member for Cardiff North (Anna McMorrin) to have another go next Session. The Bill has a lot in it that is worthwhile, but, as many of my hon. Friends have pointed out, it is not there quite yet.

I have been a regular attender on Fridays for many years and participated in the debates around the 2014 Act, steered through with a lot of skill by the hon. Member for Harrow West (Gareth Thomas). My recollection is that that Bill was an iterative process: it did not get through in the first Session in which it was put forward because there were difficulties in definition and all the rest of it. The hon. Member for Cardiff North should recognise that, for example, one of the most famous private Members’ Bills ever, the Abortion Act 1967, was on its fifth or sixth iteration before it actually got on to the statute book because it was gradually amended and lobbied about so that, when it came to a final decision, everybody felt confident that they were doing the right thing. I congratulate the hon. Lady on bringing forward the Bill and on the way in which she opened the debate.

One of the things I looked up in preparation was what James Wright, the policy officer at Co-operatives UK, said in a press release—I think in February—soon after the hon. Lady announced her intention of bringing forward a private Member’s Bill with this subject matter. Speaking for the co-operatives, he said:

“When it comes to legal reform, our top priority is for co-operative societies to have the option of legally guaranteeing that their ‘common capital’ will remain ‘indivisible’, over the life of the business and after. Right now, they can’t do this and it’s becoming a problem.”

He goes on to say that

“having some kind of statutory ‘asset lock’ which commits capital surplus to mutual and social purpose is increasingly a must in many parts of our social economy. So it’s a damaging anomaly that co-operative societies can’t give their common capital statutory status.”



Nowhere in those remarks did Mr Wright say anything about limiting this problem to environmentally sustainable investment issues. I suspect that the hon. Lady, because of her passion for environmental issues, has decided that it would be better to work the two ideas together. I suggest to her that the case put at that early stage by the Co-operatives UK policy officer was obviously a very strong case for one thing—she referred earlier to the limit on being able to raise capital of more than £100,000 and the way this was inhibiting the expansion of the co-operative movement—but if the main aim of the Bill is to remedy the problem identified by Mr Wright in the quote I have just used, there is no need for the Bill to go into issues of environmentally sustainable investment.

I would ask the hon. Lady to think about why she has narrowed the Bill in such a way. She said in answer to an intervention that the Bill was wide enough to cover the whole co-operative movement, but that is not what it says in the long title of the Bill, which, to remind her, says:

“A Bill to enable co-operative and community benefit societies to raise external share capital for the purpose of making environmentally sustainable investment”.

**Anna McMorris:** The hon. Member is making some important points that we have discussed throughout the development of the Bill. Environmentally sustainable projects are just that—it needs that definition—but can he point to any projects within the co-operative movement that do not meet a sustainable objective? It is in the very values of the co-operative movement. Also, does he not see that we are facing a climate emergency and that unless we take drastic action now, on the ground, and radically transform our economies, we will not succeed?

**Sir Christopher Chope:** I will not engage with the hon. Lady on the climate crisis, because I think there is far too much scaremongering going on in relation to that and a lack of realism about the ability of our country, individually, to change the course of the global climate. That is apparent now. We have heard this week that despite the substantial reduction in the global economy the global CO<sup>2</sup> emissions continue to increase and climate change is not being remedied as a result.

**Anthony Mangnall:** The hon. Member for Cardiff North (Anna McMorris) does not need me to come to her rescue, but the Bill does clearly refer to sustainable development goals, which covers a broad spectrum of issues that could be addressed on this point.

**Sir Christopher Chope:** I accept that. Interestingly, proposed new section 27A(5)(b) talks about “the capacity to adapt to change”.

That is where I am very much with the hon. Member for Cardiff North, because I think we should be concentrating our resources in this country on adapting to climate change, rather than trying to put our heads in the sand and say, “We’re going to make it go away.”

On the issue of the definition, if environmentally sustainable investment is basically the be-all and end-all of everything that the co-operative movement is involved in, why do we need to use language about green shares? Why do we not make it much more general? If the hon. Lady is so confident about her definition of

“environmentally sustainable investment”, why has she included a Henry VIII clause in proposed new section 27A(6)? It states that

“The Treasury may by regulations revise subsections (4) and (5)”.

which contain the definitions. Why do we need to do that? Surely, if it is so obvious, it should be on the face of the Bill and we do not need to give the Treasury even more power than it already has. I am sure that when my hon. Friend the Economic Secretary replies, he will say how eagerly he looks forward to being able to exercise these additional powers.

I ask that as a slightly rhetorical question. However, sometimes Members are tempted to make their Bills complicated, and whenever they encounter a bit of difficulty with the Government, they say, “We’ll appease the Government by giving them a power to amend the Bill”—thereby, in a sense, negating the whole purpose of the Bill. If the hon. Lady ever redrafts the Bill in a way that gets the support of the House on Second Reading, I suggest that she leaves out the Henry VIII clause and has the confidence to say, “That’s what I’m putting in the Bill. That’s what we’re going to keep in the Bill, and that’s what it means.”

I looked at the explanatory notes. I am grateful to the hon. Lady for producing explanatory notes on the Bill, which often does not happen with private Members’ Bills. She says in those explanatory notes that the environmental goals in the Bill are based upon those in the Well-being of Future Generations (Wales) Act 2015, to which she referred earlier. In that case, why do the environmental sustainability goals set out in proposed new section 27A(5)(a) not include the whole wording of those in the 2015 Act? It states that the goals are:

“to create an innovative, productive and low carbon society which recognises the limits of the global environment and therefore uses resources efficiently and proportionately (including acting on climate change)”.

If she looks at the relevant section of the 2015 Act, she will find that it goes on to say:

“and which develops a skilled and well-educated population in an economy which generates wealth and provides employment opportunities”.

She is nodding, but why is that not included? Why was that excluded? Why did the explanatory notes imply that everything set out in this Bill came word for word from the 2015 Act?

I think that the whole issue about the greenness of this may have been included in order to seduce members of co-ops into signing up to changes in their rules that they would not otherwise wish to do, were they aware of the full implications of so doing. This echoes one of the points that some of my hon. Friends have made. A non-green co-op—the hon. Lady seems to say that all co-ops are green—can only become a green co-op under the Bill, and thereby issue green shares, if authorised to do so by its rules. It is obviously possible for a co-operative to change its rules. One can see how easy it would be for a co-operative to say to its members, “Look, we are planning to change our rules so we can issue green shares and do all these wonderful environmental things.” Who would be bold enough to cause a problem in that co-operative society, I don’t know, but would the people who were being seduced into supporting that be aware of the fact that by enabling the society to have a green share, it was then triggering clause 29A(1), which requires that

[*Sir Christopher Chope*]

“The Treasury must by regulations make provision—enabling the rules of a society with a green share to permanently prohibit the distribution of a capital surplus”?”

That would mean that people who had invested in a co-operative society in which the normal investment rules applied—where they would be able to withdraw their investment, but not trade it—would find themselves in a completely different regime where the shares would be transferable but not withdrawable; not only that, they would also find they were prohibited from being able to benefit from the success of that co-op by perhaps wanting to make it into a corporate body, thereby redeeming the additional value which had accrued to their shares as a result of its activities, going back to the point about the 2015 Act in Wales, so that people in the co-op could generate wealth and prosperity, and with it employment opportunities.

So why, as soon as the co-op became green in name as well as in substance, should it result in those restrictions on members of the co-op? They might perhaps, by definition, be in a minority in opposing the change in the rules of the co-op, but why should they be penalised by that change in the rules so that a completely different regime applies retrospectively? Is the hon. Lady not concerned about minority rights being ridden over? I suspect that that is one of the problems that has come to light in the co-operative movement and that is why it has turned out to be a lot more controversial than she thought it would be at the beginning.

As will be apparent, I have some quite serious issues with the Bill. I would like to see a much more concise Bill, without all this stuff about green shares, which is a distraction from the core. What the hon. Lady really wants is to change the fundamental structure of co-ops so that they can attract investments greater than £100,000, and so that members of those co-ops cannot de-mutualise. Those are very serious issues. If that is what she thinks the whole of the co-operative movement should be doing, so be it.

I suspect that what the hon. Lady really wants to do is to enable a different sort of co-op with those objectives to be established. In so doing, however, instead of saying, “From now on you can start a completely new green co-op,” she is enabling existing co-ops to be changed, against the wishes of a minority of their members, into a different vehicle from that in which they made their original investment, thereby preventing them from withdrawing that investment, as they can at present. That is a very serious issue that goes to the root of it. It may be an attractive notion, and we heard that there are precedents for it elsewhere in the world, but because of the importance of the co-operative and community benefit movement, it is absolutely imperative that, if we are to change the rules, we do so in a clear, unambiguous way, and certainly do not allow the spectre of further changes by stealth through Government regulations that are not subject to proper consultation.

I fear that, when the hon. Member for Cardiff North responded to an intervention on the fact that the objectives could be changed but already covered all co-operatives, she was showing the lack of—how can I put it?—intellectual rigour applied to these principles.

**Anna McMorrin** *indicated dissent.*

**Sir Christopher Chope:** Clearly, the hon. Lady disagrees that there is a lack of intellectual rigour. Although we may disagree, it is incumbent upon Members to ensure that this is subject to rigorous scrutiny.

In this extraordinary world in which somebody can have 150 proxy votes in their back pocket, anything could happen if it came to a vote. Perhaps the hon. Lady has a very large number of proxy votes in her back pocket, in which case I congratulate her in advance on her preparedness. Who knows what will happen and whether the Bill will get a Second Reading. It is clear from the debate that, were the Bill to get a Second Reading and go into Committee, it would have to be completely rewritten, taking up hours of valuable and scarce Committee time. As the hon. Lady will know, normally, unless the Government say otherwise, there can be only one private Member’s Bill in Committee at a time, so a Committee that went on for a very long time would deprive other Bills of the opportunity of being subject to scrutiny. That is another reason why a more tightly worded Bill is the solution, rather than struggling on with this one. The hon. Member for Stockton North (Alex Cunningham), who is sitting behind the hon. Lady, said that the Bill may not be fit for purpose currently but that it will be after it has come out of Committee. Frankly, Bills need to be fit for purpose before they go into Committee.

I will not say much more now, because I have other business on the Order Paper that I hope we will be able to reach. I congratulate the hon. Member for Cardiff North on having excited such interest in her Bill among Government Members, even if relatively few Opposition Members seem to be that interested.

11.58 am

**Ruth Edwards** (Rushcliffe) (Con): It is a pleasure to follow my hon. Friend the Member for Christchurch (Sir Christopher Chope)—a veteran, as he says, of sitting Fridays—on this, my first sitting Friday. I congratulate the hon. Member for Cardiff North (Anna McMorrin) on securing this Bill and on choosing this issue. Her clear concern for the environment and for strengthening the UK’s economy after the coronavirus pandemic is truly commendable.

As I have mentioned to the House before, now is the time for promoting green investments. Their performance, quality and potential are widely documented. The environment is an issue that the whole House and indeed both Houses stand firmly behind, and I am grateful to be a part of the debate on the Bill. As colleagues have said, Members will be aware of the benefits that co-operatives bring to productivity, innovation and entrepreneurialism across the economy. The Government are in no doubt about the added value they bring. Indeed, I know that previous Governments have legislated to make the setting up and running of our co-operatives simpler, cutting red tape and promoting parity between co-operatives and companies when it comes to areas such as registration and audit.

Across the UK, membership of co-operatives has remained firm in recent years, with more than 7,000 independent co-operatives employing nearly a quarter of a million people and serving more than 14 million members. Clearly, co-operative values are popular among a significant cross-section of society: values of democratic

ownership; autonomy; independence; promoting common economic, social and cultural interests of their members; and concern for the community. Without this shared ownership, many people may feel that they have less of a stake in society, in their community and in the economy.

Co-operatives have historically proven their mettle. This year's annual assessment of the sector by the industry network, Co-operatives UK, indicates that a staggering 76% of co-operative start-ups are still running after the first five years, compared with less than half of all new companies. At a time when we are embracing innovation and entrepreneurship, co-operatives have demonstrated that they remain a productive part of the UK's competitive spirit going forward.

**Ben Everitt:** Perhaps my hon. Friend will agree with me—I think she will, given what she might be implying here—that co-operatives are an absolutely fantastic addition to the corporate landscape of the UK, but that is so because they are part of a diverse landscape of corporate structures. We must recognise that it is within the system that they are most precious to us and that we cannot push things too far.

**Ruth Edwards:** I completely agree with my hon. Friend. In fact, protecting the integrity of the co-operative model is one of the issues that I have with this Bill.

Returning to my opening remarks about the strength of green investments, I have made the case in the past that such investments should lead the way in helping us to recover from this pandemic. There is no point in building back to what we had before. Studies have shown the strength and resilience of these sorts of investments following from times of crisis and uncertainty, such as after the 2008 financial crisis.

The Bill outlines that the capital gained from green bonds is to be invested in a way that can maintain and enhance a biodiverse natural environment with healthy functioning ecosystems that support social, economic and ecological resilience. This entails the invested capital being centred around the green economy and climate action, including in new and emerging technologies, renewable energy, transport, housing and waste management. I remind the House that those are areas of considerable Government attention and investment in recent spending rounds, contrary to some of the opinions that we have heard today from those on the Opposition Benches. There are too many achievements to list today, but I am going to name a few relevant examples.

We have reduced emissions faster than any other G7 nation, while also leading the G7 countries in economic growth and providing £3 billion for contracts to help develop less established renewable technologies by 2022 to 2023. We have put funding into hydrogen fuel research and established the Hydrogen Advisory Council. The Chancellor recently announced a £2 billion green homes grant, which is going live this month, to support the retrofitting of houses across the country, benefiting communities and reducing fuel poverty. For electric vehicle markets, a round of private capital was raised in 2018, backed by the Treasury, bringing the private sector on board and directing significant and meaningful investment to the electric vehicle supply chain. Many of these plans will bring the added bonus of generating sustainable, high-quality jobs for the green economy.

Our landmark reforms in agriculture, the first of their kind in 30 years, will promote sustainable and productive livelihoods for UK farmers.

Data show that co-operatives do great work in many areas of the country. The Government are doing a lot to remedy geographical imbalances in our economy, and I join them in supporting the UK-wide levelling up agenda. Although we seek to support the continued growth of co-operatives, we should remain mindful of the core and foundation principles by which co-operatives operate. I acknowledge the intention of the Bill to protect the mutual status of co-operatives while allowing access to new routes of capital, with environmental parameters as to how that capital is used; however, the autonomy and democracy contained within a co-operative is one of its core strengths and appeals, and I feel that much more detail is required to explain how, in practice, many of the Bill's ideals will function without undermining those values. To me, there remain questions of compatibility between the ability of members to vote and the demands of investors parting with their money.

First, I believe that co-operatives would need to state in the clearest of terms how they intend to use the capital to attract the right mission-minded investors in the first place. That is especially important when considering that the Government have already increased the capital limit that can be raised from members from £20,000 to £100,000, as several hon. Members mentioned earlier. If we are talking about an ambition to attract investments greater than £100,000, investors will almost certainly demand a high level of detail in advance. In practice, it could be difficult for co-operatives to reach a democratic consensus on that detail. I worry that the uncertainty might be off-putting for some types of investors, and indeed the amount of money that the Bill intends to attract.

I also wonder about the autonomy of a co-operative after receiving such substantial levels of investment. One reason for the £100,000 limit on individual membership capital is so that no single member can command undue influence as a result of their financial contribution. I think it is naive to believe that investors will have no demands or will not lobby the membership to vote in certain directions, and would be satisfied paying into a co-operative—even a community benefit society—that they were otherwise not previously a member of, even with the other benefits that membership brings. That last point is especially true when shareholders only entitlement is, to quote the Bill,

“the general level of compensation”

otherwise afforded to members.

I also fail to see how investors will be enticed by the ability to redeem their shares for only the nominal value of the investment, as set out in the Bill. If individual retail investors or existing co-operative members seek to buy green shares, there is the potential that the risk of the instruments could be underestimated or understated. It appears from the Bill that there is no ability to withdraw their capital, counter to the usual way membership capital is treated in a co-operative.

That sort of risk, even generated from a well-intended scheme, resonates strongly with me because in Nottinghamshire we have recently had a huge eye-opener to how schemes set up with the greatest of intentions can go horribly wrong if the right risk management and

[Ruth Edwards]

governance is not put in place. I am referring to the, now failed, Robin Hood Energy company, which was set up by Nottingham City Council as a not-for-profit company to deliver affordable energy in a sustainable way to people living in fuel poverty.

That is a highly commendable aim, but the company's structure meant that it did not have to pay dividends to shareholders, and it could use its savings to universally reduce the cost of energy to its customers. It promised average annual savings of £237— all very good aims, but throughout its operation the firm was reported to have admitted that the scheme did not provide value for money, and that dozens of cheaper tariffs existed elsewhere in the private sector.

**Tom Randall** (Gedling) (Con): My hon. Friend is completely right to highlight the failure of Robin Hood Energy. She might be aware that it did not just have customers in Nottingham and Nottinghamshire; it had customers beyond that. I believe it was quite popular in Islington, particular in northern Islington, including with the local Member of Parliament. Does she agree that it was wholly unfair that the working-class taxpayers of St Ann's, Sneinton or the Meadows in the city of Nottingham should subsidise the fuel bills of leafy Islingtonians?

**Ruth Edwards:** I certainly agree with my hon. Friend on that point, but they are subsidising those bills no more because, as he knows, the company has collapsed and is having to be rescued by British Gas. It has collapsed in financial ruin, and the result has been a huge economic and human toll, with tens of millions of taxpayers' pounds lost—the current estimate is about £38 million—and 230 people will lose their jobs.

**Anthony Browne** (South Cambridgeshire) (Con): Another example, which hon. Members might not be aware of, is the Co-operative Bank, which was one of my members when I ran the British Bankers Association. It collapsed amid huge financial and governance problems and ended up being bought by hedge funds. In fact, the Co-operative Bank is no longer a co-operative at all, and its debt is issued on the London stock exchange. That is another example of where good intentions do not lead to good results if there is bad governance.

**Ruth Edwards:** I thank my hon. Friend for that example, which highlights why good intentions have to be underpinned by practical and well-thought-through proposals.

Finally, in January the Financial Conduct Authority put in place regulations prohibiting the promotion of functionally similar financial instruments—speculative versions of so-called mini-bonds—to public consumers. The reason for that was the collapse of several providers of such mini-bonds, in particular London Capital and Finance, for example, which ended up leaving 11,600 members of the public at risk of losing nearly £240 million in total.

In conclusion, although I completely back the concept of green investments and have backed strengthening the co-operative sector, I cannot back this Bill today because there are too many fundamental problems and uncertainties within it. The green and sustainable elements of it are not defined, and there are massive areas of risk for

investors that have not been properly guarded against. As hon. Friend the Member for Milton Keynes North (Ben Everitt) pointed out, the Bill also risks undermining the integrity of the co-operative model. These are not details that I feel can be ironed out in Committee, but fundamental problems, which is why I cannot support the Bill today.

12.13 pm

**Chris Green** (Bolton West) (Con): It is an absolute pleasure to follow my hon. Friend the Member for Rushcliffe (Ruth Edwards), who made the important point that we need to have more than just good intentions in what we are doing. I think that the hon. Member for Cardiff North (Anna McMorrin), who secured this debate on this Co-operative and Community Benefit Societies (Environmentally Sustainable Investment) Bill, is going way beyond good intentions. However, I also reflect on the words of my hon. Friend the Member for Christchurch (Sir Christopher Chope), who is still in the Chamber. I think there is significant scope for a coalition, or for work to be taken forward, to bring this back in another form. Much that has been said, by so many colleagues, captures the spirit, intent, ideas and values of the co-operative and community benefit societies. These are values that I think we all share right across the House.

There is a significant focus in the Bill on dealing with the global warming and climate change agenda, which is incredibly important. We only have to see the protests outside to realise how many people are engaged in that, both here in London and across the country. This is therefore an important area that we need to look at, to see how we can support funding and investment in the sector, as well as supporting societies and co-operatives.

One of my concerns with the Bill at present is how we define and understand environmentally sustainable investment. No doubt guidance will be provided at the beginning, but many organisations around the country will draw their own conclusions, think their own way and draw up their own plans. In many ways that is what we would want to happen, because that is the nature of those organisations, but an incredibly broad range of organisations could be included or excluded. For example, I would generally expect many environmental organisations to be 100% against the nuclear industry. However, nuclear is a zero-carbon source of energy, so excluding this important sector from such investment would be problematic.

Let me touch on a couple of other issues. One of the things we want in these mutual organisations—these societies—is cohesion. They ought to be able to work together. What divisions will we create if we bring too many difficult and contentious issues into them?

I reflect on an issue from the United States of America. The US has seen a significant reduction in its carbon emissions. At the same time, because of the reduction in the cost of energy, we have seen significant reshoring of industry from countries around the world to the United States, creating manufacturing jobs there. We would all want more of that here in the United Kingdom, but that was achieved in the US in part because of the fracking industry.

Fracking is a very controversial technology—a very controversial source of energy—in the United Kingdom. In fact, it is very controversial in the United States of

America, where it is happening and it has achieved those results. We ought to be very careful about that, or we could see arguments in mutual societies, with some saying, “We ought to be investing in hydraulic fracturing,” and others making robust arguments against it. We must be very careful about how we define and understand the motivation in this area and on this agenda.

Let me take another example. I quote from the Bill itself:

“The environmental sustainability goals are—

(a) to create an innovative, productive and low carbon society which recognises the limits of the global environment and therefore uses resources efficiently and proportionately (including acting on climate change); and

(b) to maintain and enhance a biodiverse natural environment with healthy functioning ecosystems that support social, economic and ecological resilience and the capacity to adapt to change”.

I think that we can all agree with the values behind that. There is so much agreement in society and industry more broadly; we have only to look at BP, or pretty much any corporate organisation with a corporate responsibility statement. I have here one such statement from BP. No doubt, there are many other things that BP would say, but it states:

“Our purpose is reimagining energy for people and our planet. We want to help the world reach net zero and improve people’s lives.

We will aim to dramatically reduce carbon in our operations and in our production, and grow new low carbon businesses, products and services.

We will advocate for fundamental and rapid progress towards Paris and strive to be a leader in transparency.

We know we don’t have all the answers and will listen and work with others.

We want to be an energy company with purpose; one that is trusted by society, valued by shareholders and motivating for everyone who works at bp.

We believe we have the experience and expertise, the relationships and the reach, the skill and the will, to do this.”

On my reading of what is in the Bill and of where BP and many other organisations stand, I see significant compatibility between the two. I therefore look for clarification on whether the nuclear industry, the fracking industry and big oil ought to be included in the scope of the mutual organisations and societies covered by the Bill. At the moment, on my reading, all those organisations would be included, but I feel that that is not the intention.

**Marco Longhi** (Dudley North) (Con): Does my hon. Friend agree that some of the plethora of green investment opportunities may have unintended consequences and that the Bill does not contain a strategic framework for risk-assessing these investments and therefore informing investment decision making?

**Chris Green:** That is an excellent point. This debate has been very well informed on both sides of the House; we have heard my hon. Friend the Member for Clwyd South (Simon Baynes) and others use their expertise in highlighting their concerns. I think that means that the Bill ought to come back in one form or another. I think that so many people want it to come back because there is so much progress that we can make in this area.

Let me touch on a second aspect. As we see climate change and the activism that goes with it reach the peak of our political agenda—it has been there for a long

time and we have no expectation that it will leave the agenda in the near future—we must be concerned to some degree about how political activism can impact mutual societies, co-ops and other membership organisations. I was alerted by what my hon. Friend the Member for Berwickshire, Roxburgh and Selkirk (John Lamont) said. In fact, he was highlighting a point about the protection of these organisations, because he would not want an outside player to invest a significant sum and have a proportionate voice according to how much they are investing in the organisation.

This is about keeping the community voice just as relevant. The flip side of that is that if there is one-vote per investment, that lends itself to political activism. With a small investment, someone can have a significantly disproportionate say in the organisation. We all appreciate that many people involved in different organisations, of all sorts, are not politically active or politically engaged all the time; they make an investment and they want to leave it alone, and they want other people to make these decisions. So where an activist organisation is engaging and making these investments, they might be able to skew the views and values of the mutual organisation. We ought to be cautious about this and very much aware of it.

**Ben Everitt:** I wish just to underline the point my hon. Friend is making about shareholder activism. Does he agree that the mechanism in respect of the demutualisation of any funds, should it be subject to shareholder activism, is dangerous in this context?

**Chris Green:** I agree entirely; if this were a mechanism or route to demutualisation, that would be fundamentally against the views of these organisations as they are at the moment—they could change in the future—and against the views and values of the hon. Member for Cardiff North.

We have heard really positive contributions from colleagues from right across the House. When I look at the Members who are supporting the Bill, I see that it is a distinguished group, which includes someone who is now a Minister. I am sure that the hon. Lady will therefore get a great deal of support in the future in her aims.

12.22 pm

**Paul Howell** (Sedgefield) (Con): It is a pleasure to speak in this debate on the Bill put forward by the hon. Member for Cardiff North (Anna McMorrin). As an accountant by profession, having spent my previous career in manufacturing businesses in and around Sedgefield, I am still in awe of the detailed discussion that has been brought to this debate, particularly by my hon. Friends the Members for Grantham and Stamford (Gareth Davies) and for Clwyd South (Simon Baynes), and I shall pick up later on one of the points made by the latter.

Before looking to speak on this Bill, I had to clarify for myself what a “co-operative and community benefit society” is and what an “environmentally sustainable investment” is. A co-operative society is run for the mutual benefit of members who use its services. This is based on the common economic, social and cultural needs, or interests, of the members. A community benefit society is run primarily for the benefit of the community at large, rather than just for the members of the society,

[Paul Howell]

which means it must have an overarching community purpose that reaches beyond its membership. One type of co-operative is a credit union, and I am concerned about the unintended impact of this measure on the users of these credit unions.

A credit union is a co-operative bank that is owned and managed by its members, all of whom have accounts in the bank. Like banks, credit unions accept deposits and make loans, but, as member-owned institutions, credit unions focus on providing a safe place to save and borrow, at reasonable rates. I have visited a number of them, including the NE First Credit Union service point at the leisure centre at Newton Aycliffe, in the north-east, and I strongly encourage people to use its services before buying on any high-interest hire purchase scheme, as that normally results in substantially higher costs being paid. Such services are a real alternative to the exploitative payday loans and high-interest rent-to-own payment systems most commonly used for household good such as fridges and washing machines.

With a rent-to-own scheme people get the product straightaway, and then make weekly, fortnightly or monthly payments, plus interest; insurance or warranty policies are often included in with the item. The interest to be paid on rent-to-own agreements will now be limited to no more than the cost of the product. Therefore, someone who buys a fridge from an RTO company for £250 will pay no more than £500 in total, and interest and other RTO charges will be benchmarked against mainstream retailers and the cost of living. That still means, however, that someone's fridge that costs £250 will cost them another £250 in interest. With a credit union, the interest is more likely to be around £50. We want opportunities for credit unions to develop, but they must be safe havens with little risk, because the people who save with them are likely to have little alternate capital.

**Chris Green:** I learned recently from a local credit union that although many people know they are there to borrow money from, if more people recognised that they could also deposit money there safely and securely, that would provide far more opportunity for people to borrow products.

**Paul Howell:** I agree with my hon. Friend. Credit unions are also the place where people first start saving, and they are regularly a first step for people getting out of high-finance debt traps. Security is paramount, because people must have confidence that when they put their money in, it will not be at any risk. It would be particularly concerning for those investing if the laudable aims of ethical ambitions resulted in those ambitions overriding the security of the investment.

In the 2020 Budget, the Chancellor announced that the Government would bring forward legislation to allow credit unions to offer a wider range of products and services. That will support credit unions to continue to grow sustainably in the longer term and to play a pivotal role in financial inclusion. In a speech to the Association of British Credit Unions in March this year, the Economic Secretary to the Treasury said:

“I am delighted to confirm that this week's Budget included the announcement that the Government is to bring forward legislation to amend the Credit Unions Act. This will permit credit unions to offer a wider range of products and services than ever before...helping you better meet the needs of existing members.”

**Kevin Hollinrake:** My hon. Friend is putting forward a good case for credit unions. Is he aware that credit unions in the UK have collective assets of around £4 billion, compared with mutual banks and co-operatives in the United States that have £4.7 trillion—a thousand times as much? We need to invest more in credit unions and co-operatives and make it easier for them to establish and grow in the UK. Does my hon. Friend agree with that sentiment?

**Paul Howell:** I absolutely agree, and it is important to create an environment in which that can grow and that that extension is done in a way that retains the safety and confidence of the investors.

The Economic Secretary to the Treasury concluded his speech by saying:

“This might include helping people who aren't insured secure the protection they need. Or it could involve helping people buy goods on hire purchase at more affordable rates.”

I understand that environmentally sustainable investments are defined by their support for the creation of an innovative, productive and low-carbon economy, and the maintenance and enhancement of a biodiverse natural environment with healthy functioning ecosystems and ecological resilience. As with any innovation, these can be more risky investments. I believe they can also include what are referred to as “impact investments”, where the primary purpose is the impact as opposed to the return, or even the security of the capital. For investors, credit unions, and many other small investors, capital is not something they want to be placed at risk.

**Gareth Davies:** I take issue with one point made by my hon. Friend. In my view, impact investment is in addition to financial return. It goes further than financial return and achieves something additional, whether environmental or social. Therefore, it can be beneficial to investors, which is why such investments are growing in the billions in our country. I just caution my hon. Friend on his description of the riskiness of impact investing, because more often than not they are not more risky; they are just different to receiving only a financial return.

**Paul Howell:** I bow to my hon. Friend's greater knowledge. My concern, from my reading and my understanding of this, was that the impact could sometimes be addressed in such a focused manner that it put the capital at risk, and in this particular circumstance that concern needs to be evaluated.

**Gareth Davies:** My hon. Friend is not wrong; it is simply that every investment carries risk. Investments can go up as well as down, as I know personally. Again, I merely caution him that the impact of sustainable, green or social investments does not always mean downside risk. It can mean upside potential as much as it means downside risk.

**Paul Howell:** I endorse the fact that investments can go up and can go down. My concern here is more about the degree of innovation as opposed to the impact itself: the more we are at the innovative end or at the cutting edge of any procedure, the more risk there is, and particularly for credit unions I am not sure that such risk is the right thing.

The point is that it would be beyond disappointing should a Bill promoting environmentally sustainable investment resulted in the creation of a hidden inappropriate risk profile for the small saver in a credit union. Such savers could be misled into believing, just because their investment was environmentally sustainable—however positive that is—that it was not more risky than normal, and they might therefore prefer it. I am concerned that that could happen.

Credit unions are an incredibly important facility supporting members of our society, and it is critical that nothing is done that would undermine their credibility. I hope this could be fully explored should the Bill make further progress, and I commend the hon. Member for Cardiff North for bringing it forward.

12.31 pm

**Peter Gibson** (Darlington) (Con): It is a pleasure to follow my neighbour and dear friend, my hon. Friend the Member for Sedgefield (Paul Howell).

I am grateful to be given the chance to speak in this debate. I share the passion of the hon. Member for Cardiff North (Anna McMorrin) and her commitment to ensuring that our green development is beneficial to our society, communities and constituents. Redeemable green shares to external investors are certainly an interesting prospect. In principle, I share the hon. Lady's desire to support the mutual sector in the development of new green finance initiatives.

However, I remain unpersuaded about the merits of redeemable shares, and I am concerned that this Bill could open up risks for consumer protection and the integrity of the co-operative model. As we have heard from many on the Conservative Benches, green bonds have a tried and tested track record, and I pay tribute to the excellent insight provided my hon. Friend the Member for Grantham and Stamford (Gareth Davies). I cannot in good conscience support a Bill that risks undermining the phenomenal work that co-operatives and mutuals do in my constituency and in the north-east.

I want to reassure the House that I support the work of the co-operatives, which have a strong track record on delivering across the UK. I understand the all-party parliamentary group on mutuals has found that they generate over £130 billion of income each year, supporting community-owned pubs, high street retail and fan-owned football clubs, which is a truly phenomenal achievement.

If you will allow me, Mr Deputy Speaker, I will first focus on the financial aspects of the Bill, before moving on to its environmental concerns. It is wholly necessary for companies and co-operatives to have access to capital and credit as the lifeblood of their entity, but green bonds would provide a much better model. In my constituency of Darlington, many co-operatives are run on a mutual ethos that in part came through the town's Quaker heritage. From the Harrogate Club in the north to the Hummersknott Allotment Association in the south, the benefits of local co-operatives are clear locally.

Recently, I have engaged with many of my constituents from Darlington FC supporters' group, who have lobbied me on behalf of their much-loved fan-owned mutual club. I am glad that in that case I was able to work constructively on their behalf with the National League to assist the club with the uncertainty ahead of the new season, and I wish them well for this Saturday's friendly away game in Scarborough.

Across the north-east, clubs and pubs remain at the heart of communities. With the unprecedented challenges the hospitality sector has faced over the past few months, I am all too aware that co-operative clubs in Darlington need support now more than ever. The phenomenal eat out to help out scheme and the unprecedented level of government support have allowed many of these clubs and pubs in Darlington to bounce back from the impact of the lockdown. It is vital that the Government do not take drastic action at this point that risks undermining the position of these clubs at the heart of my Darlington community.

I am concerned that, if the Bill were to pass, businesses in the mutual sector might unwittingly enter into a situation where they are exploited as investment businesses. Beyond this, many co-operatives might be lured into exploitative schemes where they are put at great risk because of the ethical implications attached to these complex shares. I am aware that the Bill intends to include safeguards to prevent such issues by amending the Co-operative and Community Benefit Societies Act 2014; by introducing limits on the voting rights of investors in the event of liquidation; by limiting the ability to vote for demutualisation; and by enabling societies to remove the right to vote for conversion into a company. While I acknowledge these safeguards, introduced following the hon. Lady's work with Co-operatives UK, I believe that the risk remains too high.

I am confident that the Government have already provided a firm, pragmatic approach to tackling climate change while protecting businesses, jobs and communities, as outlined in the Government's green finance strategy 2019. In my short time in Parliament, I have had the privilege to support this Government as they have taken steps to support sustainable, community-led green economic growth, including by granting greater power to local authorities in this matter.

**Marco Longhi:** Does my hon. Friend agree that the green bonds that my hon. Friend the Member for Grantham and Stamford (Gareth Davies) described would be a more targeted and risk-averse approach? Does he also agree that as we come out of this pandemic the House's priority should be to do so in an inclusive and green way and that the plan that Andy Street, for example, has set out for the west Midlands for inclusive growth with a green agenda is an example of that?

**Peter Gibson:** My hon. Friend raises an important point about the strength of communities represented by Conservative directly elected Mayors. I, too, represent a constituency that falls within a combined authority area that has an excellent Conservative Mayor leading the way on green initiatives.

**Ben Everitt:** The House recognises, of course, that risk needs to be carefully considered and avoided, but as my hon. Friend has so eloquently pointed out in what I think today is a home game for him, risk often has potential upsides and benefits, not only for investors but for wider society.

**Peter Gibson:** My hon. Friend, too, highlights the excellent contributions this morning from our hon. Friend the Member for Grantham and Stamford.

[Peter Gibson]

The Conservative manifesto that I and my right hon. and hon. Friends stood on made ambitious commitments on the environment, many of which placed the emphasis on community-driven initiatives. It is right that this Government, and any future Government, be held to account over their environmental duties. These will include meeting the net-zero target by 2050 and the long-term, legally binding targets on biodiversity, air quality, water resources, and waste and efficiency that will be established under the Environment Bill.

In the 25-year environment plan, the Government committed to developing a nature recovery network, and in the long term, to creating and restoring 500,000 hectares of wildlife-rich habitat outside existing protected sites. A new framework for community-led nature recovery strategies will also be legislated for in the Environment Bill, to support the nature recovery network and better direct investment into the environment and green infrastructure, creating places that are richer in wildlife and provide wider benefits for local communities. The Government will also establish the £640 million nature for climate fund, which will be used to dramatically increase community-led tree planting schemes in England. Indeed, more than 40 million trees will be planted to bolster carbon capture. More research is currently being undertaken into the most appropriate species to plant across the country.

In the 2020 Budget, the Government's record of supporting green business was made clear. I am grateful to the Chancellor for outlining a £552 million fund for consumer incentives for ultra-low emission vehicles and a reduction in taxes on zero-emission vehicles. In the Tees Valley, our excellent Conservative Mayor, Ben Houchen, has led on hydrogen-powered vehicles—from cars, buses, trains and lorries to e-scooters—and sustainable, community-driven economic growth. It is clear that, over the coming years, the Tees Valley will become a shining beacon of how businesses can sustainably grow, with the right legislative backing, to pursue local policy for local people. Teesside is also leading the way in carbon capture and storage through Net Zero Teesside, a huge intervention, with global companies coming together to address the green agenda.

I understand that the Government have already responded to the concerns of those in the mutual sector by taking steps to review our current regulatory arrangements. The Treasury is reviewing the regulatory arrangements that are in place for the issuance and marketing of non-transferable debt securities such as some mini-bonds. I look forward to the outcome of the review, and I am assured that Ministers will give appropriate consideration to the creation of any capital instrument with similar characteristics to mini-bonds.

Similarly, I welcomed the Chancellor's announcement in the 2020 Budget that the Government would bring forward legislation to allow credit unions the opportunity to offer a wide range of products and services. Credit unions are a form of financial mutual, and I am proud to support the fantastic work of the Darlington Credit Union. I hope that the hon. Member for Cardiff North welcomes that news, as I am assured that it will help us to continue to grow sustainably over the longer term, while providing a pivotal role in financial inclusion over the coming years for the mutual sector.

**Dehenna Davison** (Bishop Auckland) (Con): Co-operatives UK produced a report in 2019 which said that the north-east has the highest number of co-operatives per head of population. Does my hon. Friend agree that getting the policy on co-operatives right is even more vital for the north-east and the areas that he and I represent?

**Peter Gibson:** I am grateful to my hon. Friend for her intervention. She is a strong champion for all that is great about the north-east, and I welcome her contribution.

I recognise the phenomenal contribution of co-operatives to our diverse economy. However, I cannot support this Bill. My hon. Friend the Member for Christchurch (Sir Christopher Chope) got to the nub of the issue—this is not a green Bill; it is a Bill to change the laws around co-ops to the detriment of their members.

12.43 pm

**Tom Randall** (Gedling) (Con): I am grateful for the opportunity to speak in this debate. I appreciate the contributions of colleagues, who have spoken with great erudition and insight into these issues, and I congratulate the hon. Member for Cardiff North (Anna McMorrin) on bringing this Bill before the House and on her passionate remarks in favour of it.

This is a bold Bill and, I believe, a well-intentioned one, but it is not entirely original. Similar legislation has been passed in other jurisdictions, including Australia. The Treasury Laws Amendment (Mutual Reforms) Bill 2019 was passed by the Australian Parliament last year. In the debate in the House of Representatives, Dr Andrew Leigh, the Member of Parliament for Fenner, said:

“Mutuals build trust and reciprocity. They are an essential part of an inclusive society helping to foster empathy for our fellow human beings. Cooperatives and mutuals, as member-owned enterprises... are voluntary associations of people, democratically run for their members, for the pursuit of a common social, cultural or economic goal.”

If I might be forgiven for quoting not only a Labour Member but an Australian Labour Member with approval, I think that is a noble aim that we can all support. We see that very much in our local communities. There are many examples of local co-operatives in our society, and particularly on the high street, where we see Co-op shops, of which there are many in Gedling. I particularly enjoy my local Co-op, and I am grateful to the staff there for their friendly service. Every Co-op that I have ever visited has always offered a range of high-quality food in a well laid-out store. That is perhaps one of the most visible examples of co-ops; we have heard many other good examples in the debate.

**Ben Everitt:** I wonder whether my hon. Friend is aware that the birth of the futures market—one of the most important financial parts of our economy—was the inadvertent result of a co-op of French nuns putting together the sale of a harvest that had not yet been sown.

**Tom Randall:** I was unaware of the enterprise of French nuns, but I am in awe of what they can achieve. I am grateful for that fascinating intervention.

The Bill has laudable aims, allowing co-operatives and community benefit societies to gain powers to raise finance by issuing redeemable green shares to external investors and investing the capital raised in an



environmentally friendly, sustainable manner. I also appreciate the intention for there to be safeguards in the Bill to prevent the issuing of shares leading to the undermining of a society's conversion into a commercial company, though I heard the criticisms of that made eloquently earlier.

It is perhaps worth noting, as my hon. Friend the Member for Rushcliffe (Ruth Edwards) alluded to in her speech, that sometimes when things go wrong, they do so quite badly. As my hon. Friends the Members for Northampton South (Andrew Lewer) and for Clwyd South (Simon Baynes) said, sometimes investments do go down as well as up, and it is possible to lose money in a new scheme.

The hon. Member for Cardiff North spoke a lot about community energy. As my hon. Friend the Member for Rushcliffe outlined, in Nottinghamshire we are scarred by the failure of Robin Hood Energy, which recently collapsed with the loss of over 200 jobs. The setting up of Robin Hood Energy was laudable: it was designed to create a wholly owned subsidiary of Nottingham City Council to create a not-for-profit subsidiary to tackle fuel poverty in Nottingham and provide a real alternative to the big six energy suppliers. As I said in an intervention, it had customers way beyond the city of Nottingham, and it did provide energy, but it has now failed at a cost of tens of millions of pounds to an inner-city local authority.

The rather damning report by Grant Thornton into the reasons for the failure of Robin Hood Energy centred around many of the governance arrangements. It said that the arrangements put in place by Nottingham city council for setting up and operating an energy company—a highly ambitious project in a complex, competitive and highly regulated market—were not strong enough, particularly given the nature of the company and the markets. It has been pointed out that there was insufficient appreciation within the council of the huge risks involved in owning and investing in an energy company such as Robin Hood Energy. There was insufficient understanding within the council of Robin Hood Energy's financial position due to delays in the provision of information by the company, the quality and accuracy of that information and a general lack of expertise at the non-executive board level.

It perhaps would be unfair to judge the entire co-operative movement on the inept leadership of Labour-controlled Nottingham City Council, but it does help to raise the kind of concerns that might arise over the operation of these companies. My hon. and right hon. Friends have outlined those concerns in more detail. I look forward to seeing how the legislation and the ideas develop.

**Sally-Ann Hart** (Hastings and Rye) (Con): Given the nature, aims and objectives of co-operatives and community benefit societies, does my hon. Friend agree that our concern is that the Bill will undermine the integrity of these organisations and expose them to exploitation as investment vehicles, rather than socially beneficial institutions?

**Tom Randall:** I entirely agree with that concern. Certainly, as things become more complex, bigger and more ambitious, one risks losing sight of what one originally set out to be and create. That is a valid concern, which we should think carefully about when considering the matter.

I am grateful to have listened to the erudite and insightful arguments critiquing the Bill and its shortcomings. I do not feel that I can support the Bill, unfortunately, but I look forward to seeing how the arguments and the beliefs that underpin it develop in the time to come.

12.52 pm

**Mr Pat McFadden** (Wolverhampton South East) (Lab): I am grateful to be able to make a short contribution to this debate. In the midst of the coronavirus crisis that we are going through, there is an active debate about how we should come out of it and recover from it economically. On that note, I congratulate my hon. Friend the Member for Cardiff North (Anna McMorrin) on bringing forward a Bill that creates a platform for an important contribution to that debate.

Many people would argue—I include myself among them—that it is not enough just to try to recreate the economy as it was in February; we should aim to come out of this crisis with a more sustainable economy and a better funded public space. If we have learned anything during this crisis, it is that good public services can help protect us and guarantee the safety and security of our whole society in such situations. Any society is only as strong as its weakest parts when fighting a pandemic. Co-operatives have a big part to play in that.

Scarcely a conversation with investors or financial institutions can go by these days without hearing the letters ESG. Environmental, social and governance considerations are being put forward as greater priorities in investment decisions, and it is in that context that the Bill put forward by my hon. Friend is highly relevant to the debates about what investment should seek to achieve.

As we have heard in the debate, co-operatives have been part of our society and economy since 1844, when the Rochdale Society of Equitable Pioneers was established. The principle that a business can be run and owned by its members for the benefit of the community it serves has become a much cherished and valuable part of British life. The co-operative movement was part of the foundation of the Labour party, and we have always had a close relationship with it. As we have heard, there are some 7,000 co-operatives operating in the UK, with a combined turnover of around £38 billion. Perhaps I should declare my interest, in that I am a member of the Co-operative party and a member of the Revolver World co-operative in my constituency, which sells excellent Fairtrade tea and coffee—so, Mr Deputy Speaker, if you want a good cup of tea or coffee after this debate, you know who to ask.

Let me turn to the Bill, which seeks to deal with an essential and important question of financing. It tries to deal with the question of how co-operatives can raise equity finance without compromising the mutual nature of their ownership and governance model. At the moment, co-ops can raise finance either from their members' resources or they can borrow to invest, but they cannot issue conventional shares, as other enterprises can, without threatening the mutual status of the organisation. The reason for that, of course, is that anyone who invests in an enterprise by buying shares gets the rights—those ownership and voting rights—that share ownership brings. The Bill tries to deal with that essential problem for co-operatives, which does not affect other enterprises that can issue shares freely.

[Mr Pat McFadden]

The other distinguishing feature of the Bill is that clause 1(3) envisages that these shares are for environmentally sustainable investment—that they are green shares. As we have heard throughout the debate, the desirability of restricting this new class of shares for green purposes has been the subject of some disagreement and discussion. It is fair to say that some in the co-operative movement regard the scope as too narrow and point to the much broader range of social and economic benefits of co-operatives. They would rather see a more generic share-issuing power with the emphasis on the form of investment and the protection of the mutual model, rather than trying to be too focused on the purpose of the investment. However, even those in the co-operative movement who have doubts about the purely green criteria set out in the Bill still want to see it receive a Second Reading and to deal with the issues about the scope of the shares in Committee.

I think that a couple of straw people have been set up in the debate. One is that if we issue such green shares, it will somehow stop the Government doing green investment. There is no reason why the Government should not invest in retrofitting housing, for example, just because we make a change in how co-operatives can raise financing, so that need not detain us.

There has also been the issue of green bonds. Of course they can play a role, but again, why should one crowd out the other? We already operate in a world of capital markets where there are bonds and equities, and no one has ever suggested that because we have equities, we cannot have bonds, so why should that be the case here? I accept that there is some debate about the scope of these green shares, but I do not accept that somehow, as a consequence, they will run against the issue of green bonds or inhibit the Government from doing what they want to on such investments.

There are not too many opportunities to legislate on co-operatives, and this one is still a potentially valuable way to facilitate equity investment in the co-operative sector. The co-operative movement has wanted to do that for some time and the Bill seeks to address that long-standing problem by creating this new class of share, which would not only facilitate equity investment, but safeguard co-ops from the risk of demutualisation as a result. Similar provisions are already in place for building societies in the UK through core capital deferred shares, and legislation like this has, as we have heard, recently been passed in Australia—a country that I believe our Prime Minister is increasingly looking to for inspiration, so I am somewhat surprised to hear Government Members not wanting to follow the Australian model when it seems to have such influence in other parts of our public life at the moment.

The Bill allows the issuance of these shares, but restricts the voting rights of investors holding them to one vote, and creates other safeguards to stop that investment resulting in a move to turn the Co-op into a conventional private company. As many Members have said in the debate, there is no point in creating this new financial instrument if the result of it is to destroy the co-operative essence of the enterprise, so the Bill seeks to safeguard against that danger. It also envisages that the shares are permanent capital—not withdrawn by the holder but tradeable to other holders if the original holder so wishes.

We believe that legislating for this new type of share could open up a new and important channel for investment in co-operatives in the future. Acting on that basis is in keeping with the new emphasis on ESG goals in financial services and markets. If investors really are becoming more interested in things other than quarterly returns and if the quality of supply chains, the sustainability of investment, the broader contribution to the good society really are going up the agenda for investment decisions, then this Bill is one way to make more of that kind of investing a reality. We want to see it done in a way that does not threaten the mutual model or the essential membership ownership that gives co-operatives their distinctive character.

I make no predictions about the fate of the Bill today, but we do believe that there is merit in the kind of financial instrument that it envisages and, for that reason, the creation of this financial instrument deserves the support of the House.

**Mr Deputy Speaker (Mr Nigel Evans):** Let me just explain what is happening, because it has been a while since we have had a Friday sitting. When I call the Minister, the debate will continue as long as people who are on the call list are trying to catch my eye. At the end of that, I will then call Anna McMorris to end that debate. If anybody wishes to withdraw from the call list, please come and see me in the Chair.

1.2 pm

**The Economic Secretary to the Treasury (John Glen):** I congratulate the hon. Member for Cardiff North (Anna McMorris) both on securing this private Member's Bill and on highlighting the important issue to the House. I acknowledge the many significant contributions so far: from my hon. Friends the Members for Northampton South (Andrew Lewer), for Berwickshire, Roxburgh and Selkirk (John Lamont), the hon. Member for Croydon Central (Sarah Jones), my hon. Friends the Members for Clwyd South (Simon Baynes), for Grantham and Stamford (Gareth Davies), for Christchurch (Sir Christopher Chope), for Rushcliffe (Ruth Edwards), for Bolton West (Chris Green), for Sedgefield (Paul Howell), for Darlington (Peter Gibson) and for Gedling (Tom Randall). All of them have interrogated the Bill very carefully and thoughtfully with some interesting exchanges along the way.

I wish to put it on record that I fully agree with the ambitions of the hon. Lady's Bill to support the growth and development of the co-operative and mutual sector and to tackle climate change; I have enjoyed our dialogue during the preparation of the Bill to get to this point. They are two key drivers of my tenure as Economic Secretary. I also wish to put it on record that the Government have taken significant steps to support the co-operative and mutual sector to reach its potential, and I will continue to champion mutuals of all kinds. Just last week, I was pleased to attend a roundtable on the topic of regional mutual banks chaired by my hon. Friend the Member for Thirsk and Malton (Kevin Hollinrake) who has also made contributions again today. I will be taking some of those thoughts from that discussion forward.

Treasury officials who work with me also hosted an innovative mutuals workshop with representatives from across the sector last year to drive practical changes to help co-operatives. In 2014, as has been mentioned, we

passed the Co-operative and Community Benefit Societies Act to reduce legal complexity and, at the same time, we increased the amount of capital a member could invest in a society from £20,000 to £100,000.

**Kevin Hollinrake:** The Minister refers to the roundtable we held on mutual banks. One of the astounding figures in that roundtable was the SME lending by mutual banks in other countries throughout the financial crisis. In Japan, there was no reduction in lending to SMEs. In Germany, there was a 20% increase. In Switzerland, there was a 30% increase over that five-year period. In the UK, there was a 25% decrease in lending to SMEs. Does that not show the power of mutual banks as a solution to SME lending?

**John Glen:** It does show the considerable potential, but we must be clear about the different legal traditions and frameworks that exist in those different jurisdictions. Right now, we are looking at where we can examine ways of moving forward constructively from the basis that we have in this country.

I would like to move on and examine some of the other elements where the Treasury has made contributions to assist this broad agenda. Where we have identified barriers holding mutuals back, we have acted to remove them. This year, we worked with Her Majesty's Revenue and Customs to ensure that companies converting to co-operatives are treated on a level playing field. At the Budget, the Government announced that the tax burden on housing co-operatives would be reduced. Most recently, the Treasury has worked closely with the Department for Business, Energy and Industrial Strategy to ensure that co-operatives can benefit from the Government's covid-19 business support offer, including through the Corporate Insolvency and Governance Act 2020.

I am conscious that the interest of the hon. Member for Cardiff North is not just about the development of the co-operative sector. In our discussions, her passion for taking action to address climate change and her considerable experience in Wales prior to coming to this place have been abundantly clear to me. The Government share that ambition. As the House will be aware, we legislated to reduce emissions to net zero by 2050, becoming the first major economy to do so. In the Budget earlier this year, the Chancellor also announced a series of real, tangible measures to support green growth and tackle climate change. They were wide-ranging and included: committing to the carbon capture and storage infrastructure fund; fulfilling the manifesto commitment to tree planting and peatland restoration through a £640 million Nature for Climate fund; delivering on our commitment to increase the proportion of green gas in the grid by consulting on introducing a Great Britain-wide green gas levy to support biomethane production, alongside other measures to decarbonise heat; doubling the size of our energy innovation programme; and, at the summer economic update in July, the Government announced a further ambitious £3.05 billion package for housing decarbonisation designed to cut carbon, save people money and create jobs.

In my own area of responsibility at the Treasury, green finance is a priority. We published our green finance strategy in July last year. It sets out very clear objectives to align private sector financial flows with clean environmentally sustainable and resilient growth, and to strengthen the competitiveness of the UK financial

sector. The tone of the debate and the content of colleagues' speeches today has shown that there has to be an almost limitless ambition in terms of the dimensions of interventions. A number of contributions focused on the issue of green bonds and mobilising green finance. That means accelerating investments to support clean growth and our environmental ambitions. I think I would want to say that the issuance of green bonds will be an important part of the pathway to delivering the transition to net zero by 2050. It is something that the Treasury keeps under active and ongoing review as we approach fiscal events in the future.

I would like to turn now to the reasons the Government cannot support this Bill, despite sharing the ambitions of the hon. Member for Cardiff North. For the benefit of the House, it may be worth restating that societies can currently issue shares to raise capital and may also issue debt in much the same way as companies, as the Opposition Front-Bench spokesman, the right hon. Member for Wolverhampton South East (Mr McFadden) correctly set out. The current arrangement allows for a considerable amount of flexibility for co-operatives seeking to raise capital, while safeguarding their status as genuinely mutual member-owned and controlled entities.

The Government believe that the UK should have a strong and robust regulatory system which provides strong protection for consumers. Investment in mutuals, like any other investment, is not risk-free—a point that has been made by several hon. Members. Although it is for investors to make their own choices about risk—as has been pointed out, investments can go up and down—it is crucial that the Government ensure that appropriate protections are in place, particularly where a new type of investment instrument or product is being created.

The recent public and regulatory attention, following the failure of London Capital and Finance, to retail investments such as those that are often referred to as mini bonds highlights that care is needed when developing investment products for retail investors. From the beginning of this year, the Financial Conduct Authority took action to limit the promotion of a certain type of mini bond to certain retail investors, citing concerns about the high risk that capital invested would not be repaid and the illiquid nature of the investment. The FCA is now consulting on making those temporary rules permanent and extending them to some similar securities.

Unfortunately, we believe that the type of share proposed in the Bill may unintentionally—I do accept that it would be unintentional—create a capital instrument with characteristics similar to those of a mini bond, without ensuring that adequate protections for consumers were in place. Some of the significant issues with mini bonds arose as a result of their illiquid nature—the fact that they cannot easily be transferred—limiting investors' ability to access their funds. Although the share proposed in the Bill is transferable, we believe that, in practice, it is likely that it would be highly illiquid. Mutual shares can ordinarily only be transferred at par value, which in turn limits the potential for the emergence of any secondary market for the shares, because the incentive to purchase existing shares is limited. In the case of the share proposed in the Bill, the opportunities for retail investors to recover their funds before the term attached to the share has expired, should they need to do so, may be extremely limited. That limitation could pose risks to retail investors with relatively low net worth who may need to access their capital.

[John Glen]

Investment in mutuals is not risk-free. Many investors in mini bonds were motivated by the opportunity to support a brand or product that they had some relationship with, so they may not have fully considered the risks posed to their capital. That issue should be considered carefully in this case, because it is likely that individual socially minded investors may see investment in a green co-operative as an ethical use of their funds and may underestimate the associated risk.

That issue may be compounded by two further considerations. First, although the FCA is the registering authority for co-operatives, where they are not undertaking regulated activity they are not supervised by the FCA in the manner in which financial services firms are. We believe, therefore, that there is a significant risk of mistaking registration with the FCA to suggest a level of scrutiny that does not exist, and that may cause investors to underestimate the risk. Furthermore, as the investments are unlikely to be covered by the Financial Services Compensation Scheme, there would be no compensation available to consumers if the issuing co-operative were unable to repay the original investment. That has been a particularly contentious area with mini bonds.

More broadly, the Treasury's review of the current regulatory arrangements for the issuance and marketing of non-transferable debt securities, such as some mini bonds, is ongoing. It is right that we consider carefully the outcome of that review before consideration is given to the creation of any capital instrument with similar characteristics. We do not want to have to do another review when we have not concluded this one yet. I hope I have made it clear to the House that the Government have significant concerns about the potential consumer detriment that may unintentionally arise as a result of the type of share proposed in this Bill.

**Kevin Hollinrake:** Does the Minister agree that the issue with mini bonds, and particularly with London Capital and Finance, was the misunderstanding around what was regulated? In that case, the product itself was not regulated, but the marketing of it was. That was very confusing for consumers, many of whom thought they were buying regulated products when they were not. Would it not be more straightforward to simplify and widen the regulatory framework to bring those kinds of products into it?

**John Glen:** My hon. Friend shows his usual grasp of these matters. He is right to say that the lack of clarity about the promotions regime and the regulation of the underlying instruments poses some real challenges. Alongside Dame Elizabeth Gloster's review, which will report in November, we are looking carefully at the right joined-up response to deal with the risks that we have seen in the recent unfortunate situation arising from these mini-bonds.

Alongside protecting consumers, it is right that the Government consider the impact of any proposed changes to the shares issued by co-operatives on the sector. We have seen clear examples in other policy areas of legal forms being used to deliver investor benefits other than for the purpose they were intended, such as tax-advantaged venture capital schemes in energy generation. The FCA noted in response to its 2015 consultation that it had

taken the decision not to register a number of energy societies as co-operatives. Those decisions were taken on a case-by-case basis, when it was determined that the conditions for registration as a co-operative were not met. In those cases, the relevant condition for registration was that the society must be a bona fide co-operative society.

Key to what makes mutuals distinct from other legal forms is their purpose-driven nature—one that the hon. Member for Cardiff North set out clearly in her opening speech and to which others have referred. I am concerned that the type of share proposed in the Bill may incentivise investors to inappropriately use the co-operative legal form as a vehicle to attract investment rather than to act for the benefit of its members or community, as co-operatives are intended to. Let me be clear: we are not opposed to community energy schemes, or for that matter any other business seeking to incorporate in the mutual model. However, it is right for the Government to be cautious in proceeding without the possibility for appropriate consultation and consideration, because we have seen real examples of where the model has been used in the wrong way, to considerable consumer detriment.

Finally, I note that there does not appear to be a clear consensus from the co-operative sector in support of the Bill as it stands. I will set out the position plainly as I understand it. In a briefing to MPs, the trade body Co-operatives UK noted that the Bill would be “impractical and counterproductive” and

“would restrict rather than expand the scope for societies to take on mission-aligned investment for environmental and social purposes.”

Co-operatives UK's preferred approach, as the hon. Lady acknowledged, is to make amendments in Committee to remove the links to environmentally sustainable investment from most of the Bill. However, I believe that would fundamentally contradict the hon. Member's intentions in drawing the scope of the Bill and is therefore not a viable way forward.

To conclude, let me reiterate my sincere gratitude to the hon. Member for Cardiff North for bringing forward this Bill. There has been a constructive discussion today, and it is important to highlight the value of the co-operative and mutual sector, both to the House and the public. I thank her for the way that she has engaged with me and my officials in recent months. Her passion to support the sector and tackle climate change has been clear throughout. As I have indicated to her previously, I will be happy to continue to work with her and representatives from the sector, of which there are a number across the House, to understand what more can be done. I will continue to champion the work of the co-operative sector more generally and address some of the themes of today's debate, which have been very valid and worth while.

1.18 pm

**Angela Richardson (Guildford) (Con):** It is a privilege to follow so many amazing speeches and contributions today. It is also quite unusual to follow the Minister, so I shall get on with it.

I congratulate the hon. Member for Cardiff North (Anna McMorrin) on introducing the Bill. It is clear that she has invested considerable work and time in the process. It is also clear from their contributions today that other colleagues across the House have invested much time in this, too. The importance of environmental

considerations are becoming more widely acknowledged, which is welcome. There is no shortage of need—for example, refitting old housing stock and making for a greener future, as the hon. Lady mentioned in her opening speech.

There is also a growing interest in this area from investors, many of whom recognise that not everything that counts can be counted and that the environmental and social impact of their investments should also form part of the reckoning when assessing the returns they make. This creates an opportunity to bring the two together, but sustainable success will only happen if that is done responsibly, and I have reservations as to whether the Bill will do that.

The Bill raises more questions than it answers. The proposal suggests that these green shares are transferable, as is normally the case with shares, but how are they to be priced? How is a fair price to be determined in the absence of a deep and liquid market? What will shareholders have a share of exactly? What rights will these shares carry, and what governance structures will be in place to allow these shareholders to protect their rights? Who gets to govern the investment? The risk of the potential of this being a mini bond has been outlined. Calling something equity does not make it so. There are accounting regulations to be taken into consideration. If debt is bought back at less than its face value, as may happen here, a gain accrues to the issuer while the holder of the loan may nurse a loss that they can reclaim tax against—the Bill may open new ways for mutuals and co-operatives to recapitalise themselves at taxpayers' expense.

Finally, say that the money is raised and spent. What does success look like? The challenge and opportunity that this form of finance is designed to deal with—the big environmental problems—also has externalities, which by definition cannot be quantified, so how can co-operatives evidence the extra-financial component of the return? There is a risk that capital raises over-promises, which have been described by other Members as greenwashing, which we have to be careful of. I admire the aims of the Bill, but I cannot support it as it currently stands.

1.21 pm

**Nicola Richards** (West Bromwich East) (Con): I echo the comments of my hon. Friend the Member for Guildford (Angela Richardson). Within my own constituency we of course have the headquarters of West Bromwich Building Society, which was originally called the Co-operative Steelworkers' Society of West Bromwich. It was founded on St George's day in 1849 by 20 local citizens who appealed for people to "avail themselves of the advantages of the society, and thereby become their own landlords."

I must declare an interest: since I was a child, I have held a savings account with the society in its modern form.

The founding members first met at the former Paradise Street Methodist chapel. It was one of the earliest societies of its like to be set up. It comes as no surprise to me at all that the people of West Bromwich East, just like the wider black country, have a history of being innovators and respecting hard work, thrift and, of course, independence. The society aimed

"to enable its members to acquire property by the fruits of their own honest industry and frugality from a common fund raised by members' contributions paid fortnightly",

together with a facility to provide the

"safe deposit of money in large or small sums as either temporary or permanent investments."

Throughout the years, the West Bromwich continued to grow during stronger economic times and the need for housing in the Black Country. I think it impressive that in 1881, while there were only 946 building societies in the whole of England and Wales, with an average membership of 330 and receipts of just over £17,000, the West Bromwich had more than 2,500 members and an income of more than £60,000.

In 1923, former Conservative Prime Minister Neville Chamberlain brought in the Housing Act 1923, paying the private sector to build, build, build. This meant that because West Bromwich as a town did not suffer as much unemployment as neighbouring areas during the depression, building societies such as the West Bromwich were well supported.

The West Bromwich has moved around a few times since its inception, and moved to the new purpose-built headquarters at Providence Place in 2016, which I had the great pleasure of visiting just a few weeks back. Its headquarters are a little less busy than they would usually be, but it was great to meet chief executive Jonathan Westhoff and hear about the West Bromwich's focus, which remains that of a traditional building society—providing a safe home for savers' money, allowing people to buy their own homes. As the West Bromwich is a mutual, these principles have shaped the society since it was first formed. The driving force behind any decision making and direction since 1849 for the West Brom has been to look after the interests of its members. The West Brom has done so much to give back to our local community through its community grant scheme and tireless funding.

Finally, moving on to the Bill, perhaps a point of debate should be whether the Mutuals' Deferred Shares Act 2015 already gives co-operatives the means to issue redeemable shares, and so perhaps the Bill is not necessary in its current form. I thank the hon. Member for Cardiff North for bringing the Bill to the House today.

1.24 pm

**Steve Double** (St Austell and Newquay) (Con): It is a pleasure to make a short contribution to this debate. I pay tribute to the hon. Member for Cardiff North (Anna McMorrin) for bringing the Bill forward and for her clear passion and dedication and her knowledge of these matters.

There is no doubt about the vital and valuable role that co-operatives play in our country—they are just one of the many diverse models of ownership and governance that we have. It is one of the strengths of our economy that we have such a diverse array of ownership models. Clearly, co-ops, often being rooted in communities for mutual benefit, can play a really important role. There are many aspects of the Bill that I wholeheartedly applaud.

However, in the time that I have, I want to say a few words about the other aspect of this debate: the environment and sustainability. In opening the debate, the hon. Member fell into the trap, which so many of those who are passionate about the environment and sustainability fall into, of failing to recognise the significant progress that our nation and this Government are making on this matter. We are world leaders in so many ways.

[Steve Double]

When people refuse to acknowledge or just avoid acknowledging the progress we are making, and refuse to engage constructively with the debate, they undermine the argument. That is becoming counterproductive. Environmentalism is becoming seen by more and more reasonable, decent people in our country as an extreme thing—that is clearly represented by Extinction Rebellion—with an agenda that is not just about protecting the environment but about dismantling things that have been the very fabric of our society and our economy for too long.

That is polarising the debate just at the time when we need our country to come together around this issue. I think we are winning the argument on this. I think more people than ever before in our country recognise the importance of fighting climate change and protecting our environment. However, when we polarise it and fall into the trap of making it an extreme issue, we put people off.

We need to recognise that we have all been on a journey on this matter. The whole country has been on a journey. Different people are on different parts of that journey at this moment in time, but I believe that generally, as a nation, we are all moving in the same direction: towards being world leaders, perhaps even more than we are today, on fighting climate change.

**Anna McMorrin:** The hon. Member is right to say that climate change is a great threat to us, and we must be focused on tackling it right now in our communities and our economies. What he fails to say, though, is that this Government are set to miss every single international target on climate change. We need to make sure that the action is urgent. The action is needed now.

**Steve Double:** I understand and in some ways agree with the hon. Member's point of view, but the point I am making is that when we when we make this an extreme argument, we put off more people than we win over. That is what I am genuinely concerned about. I have been on this journey too, and I am more passionate now than I have ever been in my life about the need to protect our environment and fight the consequences of climate change.

**Anna McMorrin** *rose*—

**Steve Double:** I will not give way again. But I know from my postbag that the events of the last few weeks have actually put off people who were on this journey with us. I am just putting down a marker and saying that I am genuinely worried that unless we stop polarising this debate—unless we stop just attacking and engage constructively—it will be counterproductive to the cause, which I am sure the vast majority of us in this place wholeheartedly agree with.

We should start by acknowledging what our country is doing—what our Government have been doing and are going to continue to do—in a constructive way. Yes, absolutely, there is more to do—none of us would say there is not—but if we can start by acknowledging what has been achieved and the commitments in place, rather than adopting the approach that so often comes from Opposition Members, I believe we would get far more people onboard and make far more progress.

My plea is simply: yes, we want more investment in green technologies; yes, we want more sustainable investment, under whatever model we choose for our economy, but let us do it in a way that is collaborative, seeking the same outcome and stop polarising the debate and giving in to the extremists. That is my plea. There are many things in the Bill that I wholeheartedly support, but I share many of the concerns that the Minister outlined about the unanswered questions. If we are really going to fight climate change in this country, let us do it together and stop attacking each other over it.

1.31 pm

**Kevin Hollinrake** (Thirsk and Malton) (Con): It is great to follow my hon. Friend the Member for St Austell and Newquay (Steve Double); he always speaks with great passion, insight and common sense. I am delighted to be called in this heavily subscribed debate—though it is perhaps slightly less so than it was a few minutes ago. As the hon. Member for Cardiff North (Anna McMorrin) knows, I support the principle behind the Bill and co-operatives and agree that we need to do more on climate change, though I would echo my hon. Friend's words: we need more consensus. Everyone across the House wants to tackle climate change.

I do not accept the premise that this country is doing badly compared with other countries. It is not true. We are the leading nation among the G20. We can trade facts of course—Opposition Members can throw facts at me about the performance of the Welsh Government; Conservative Members could talk about the UK Government—but the best thing to look at is the international comparison. There is a research document produced every year by an organisation called Germanwatch—hon. Members can google it—called the climate change performance index. It indexes every single country around the world. It does not award the first three places, because it says none of us is doing a good enough job, which I think is absolutely right, but it does list every nation, and the UK is fourth. It is updated every year—the hon. Lady should definitely read it—and the only countries ahead of us are Sweden, Denmark and Morocco. Every other country we can name is doing worse than the UK. We should be proud of that.

Of course, we need to go further faster, but we should not belittle the UK's efforts. In the past year, the UK became one of the first countries to set that net-zero commitment by 2050 and brought forward the date for banning the sale of petrol and diesel vehicles. There is some very significant work going on. We should have a cross-party conversation. Of course, we should all be pushing the Government to go further and faster, but there have been many achievements.

As the hon. Lady knows, I agree that we should support co-operatives and sustainable investment, but I would question, as have one or two other people, whether the Bill should be limited to just environmental sustainable investment. There are other types of sustainable investment that this kind of Bill could enable. As she knows, and as the Minister knows, such a Bill could enable a big increase in the number of mutual banks in the UK. Such co-operatives are a feature of many economies around the world, and there are lots of reasons to adopt them in the UK.

As many here know, I am co-chair of the all-party group on fair business banking. We spend much of our time trying to resolve disputes between businesses and banks, and principally those disputes arise because of the huge imbalance of power between banks and businesses when things go wrong and because of the lack of competition in the sector: 80% of lending to small and medium-sized enterprises is concentrated in the four big banks. That is not a healthy state of affairs, which the Economic Secretary to the Treasury recognises, and he has done much work to try to expand competition in this sector. The co-operative and mutual movement could provide a huge solution to the problem we have, particularly in terms of SME banking.

As the hon. Member for Cardiff North pointed out, co-operatives and mutuals were pretty much invented in the UK, in the banking sector in the 18th century, yet we seem to have decided that they are not right for the UK. We got rid of our most of our mutuals, most of which were building societies, mostly through demutualisation. Members have made interesting comments about proposed new section 27B, which prevents demutualisation. I support that provision in principle.

The argument has been made that it should be up to members to decide the right structure for their organisation; that is the liberal view. However, financial incentives can get in the way of doing the right thing. We have seen that with the demutualisation of building societies. Bradford and Bingley, Woolwich and Northern Rock have not exactly been huge successes since they demutualised—in fact, quite the opposite; they have been total disasters. They demutualised because there was a financial incentive for people to become members of those organisations, put money into the building societies and then get a payday when they were demutualised. It was called carpetbagging at the time, and we all did it. We got a few quid out of those demutualisations, but it has been a complete disaster. So members do not always act in the interests of the organisation. My hon. Friend the Member for Grantham and Stamford (Gareth Davies), who made a fantastic speech, said that it should be up to members to decide because they always act in the best interests of the organisation. That is not always the case.

These mutual organisations that used to be a force for good in the UK have largely disappeared, yet they perform an important role in many other economies. We have a resurgence and a new initiative. The Economic Secretary took part in a roundtable that we organised recently with South West Mutual and the other mutuals leading the charge. There are 18 regional mutual banks being set up around the UK, and they could reverse this trend. They are a particularly important factor in levelling up, which the Government want to do.

These mutuals could perform a key role in a devolution settlement, for example. A regional mutual bank would support financial inclusion. We see more and more that some big banks are not particularly interested in some people, who are financially excluded. A regional mutual bank can play a benevolent role within a community, in terms of financial inclusion, SME lending and encouraging the establishment and scaling up of SMEs in their locality. They are full-service banks, so they do everything from taking deposits in current accounts to lending to small businesses. They are deposit-led—they take in deposits and lend money back out to businesses.

Regional mutual banks are hugely successful in other parts of the world. The United States has 12,000 of them. The state of Wisconsin, which is about the size of Yorkshire, with 5.9 million people living there, has 129 regional mutual banks. We do not have any. The total amount of assets under management by these banks in the US is £4.7 trillion. In Germany, there are 1,500 similar entities, with £2.4 trillion under management and being lent out to SMEs. In the UK, we only have around £4 billion, principally through credit unions.

As I said to the Minister when he kindly took an intervention, we saw in 2008 one of the problems in an inevitably cyclical economy when push comes to shove. When the banks got into financial trouble and had to have a bail-out from the Government, they wanted to restore the strength of their balance sheet, and almost inevitably, they did that at the expense of lots of SMEs in the UK. Funding was pulled from lots of SMEs, and lots of them went under or could not borrow and keep going. That had a devastating impact on many lives and livelihoods, but it also had a hugely damaging impact on UK plc.

It took us longer to recover from the economic crisis in the UK because of that issue, and the failure of those businesses due to the withdrawal of finance cost us around £40 billion. As I said, during that five-year period, between 2008 and 2013, Japanese mutuals did not reduce finance at all to those SMEs, the German mutuals actually increased the amount of lending to SMEs by 20% and Switzerland's did so by 30%, whereas in the UK we saw a 25% reduction in lending to SMEs. I can make no more powerful case to the Minister than that for putting the measures in place through this kind of legislation. We should work with the hon. Member for Cardiff North to try to find a way forward for this kind of legislation, which could enable the investments that she and I want to see, whereby the community is investing in renewable energy projects and we are potentially helping to capitalise some of these banks to get them going. I know the Minister has concerns about the regulatory framework and making sure these banks do not cause a systemic risk or endanger investments for deposit holders and the like. Of course we need to work those things through, but there is a powerful case for supporting these regional mutual banks, particularly in terms of SMEs.

I wish to finish by talking about proposed new section 27C, which deals with tax loopholes and which the hon. Lady is right to put in place. Clearly, there is no detail behind that and she is asking the Treasury to come with the detail on how we stop these things being used as tax loopholes. Members can have topics they return to again and again, and the Economic Secretary is probably sick of my returning to the ones on banking, but when you are a hammer everything is a nail. One tax loophole has been exploited in terms of co-operatives in the Netherlands, and this has been done by an organisation called Cerberus. It is a giant private equity house that bought up lots of assets in the UK, in particular by buying £16 billion-worth of assets from Northern Rock. Those were loans where there was a danger of default or loans that were seen as high-risk, where Northern Rock had over-lent or lent too generously prior to the financial crash. Cerberus uses complex vehicles to move all its profits from the UK, Ireland and many other jurisdictions into this little co-operative

[Kevin Hollinrake]

shell in the Netherlands to avoid paying any corporation tax on its investments. It bought lots of these assets in the UK where other banks did not because its regulatory framework is lighter and because it pays less tax, and so it can afford to pay more for these assets.

Many Members here today will have constituents who are mortgage prisoners. Cerberus owns many of these mortgages but it is not an active lender, and so it locks many of these borrowers into very expensive mortgages. It does not give them the option to switch to a new provider, because it is not an active lender. It becomes the only bidder for some of these books because it will pay more, because it does not pay tax and it has a lower regulatory framework. However, the people caught in the middle are some 200,000 mortgage prisoners, who simply cannot move from one lender to the other. They are often stuck on rates at 5% and above. I believe that 48% of those borrowers are on rates above 3.5%. I doubt that anybody in here with a mortgage is paying at that kind of rate on their mortgage, because most of us are on fixed-rate loans. We have been allowing these books to be sold to overseas entities that do not pay tax—or pay very little tax—and operate within a much less restrictive regulatory framework, and so they have a natural advantage, but it is to the big disadvantage of our UK borrowers.

The FCA has tried to put a solution in place to prevent this situation, but a simple solution would be simply to cap the standard variable rate for mortgages. We did this in energy. I am not a price fixer, by any stretch of the imagination, but it is simply wrong that when most of us are paying rates of 2% and below these people are paying rates of 6%—that is simply unfair. We could resolve this matter in one fell swoop by capping the standard variable rate.

With that I will happily conclude my remarks. I very much support the hon. Lady's efforts, and the many fine speeches we have heard today will help to move the debate forward. I would be happy to work with her and colleagues across the House in trying to develop thinking on this matter.

1.45 pm

**Mike Wood** (Dudley South) (Con): I shall keep my comments rather shorter than planned because I see how many Member still hope to speak, and I join those who have congratulated the hon. Member for Cardiff North (Anna McMorrin) on introducing this Bill. I introduced a private Member's Bill five years ago, shortly after I was elected, and I know that although Members quickly become among the most popular people on earth when their names are drawn from the ballot, that popularity, and so much of the glamour, suddenly wears off once the title of the Bill is published and non-governmental organisations, charities and campaigning groups no longer have quite so many reasons to phone, email, and make Members feel wanted.

I must declare an interest because I am a member of Midcounties Co-operative, although the House may not be entirely surprised to learn that, unlike the right hon. Member for Wolverhampton South East (Mr McFadden), I am not yet a member of the Co-operative party. Who knows? There is still time, but Members should not hold their breath quite yet. We can, however,

agree that co-operatives are a force for good in many communities up and down the country. I know that the Economic Secretary to the Treasury has put forward that view for many years, as has his colleague, the Financial Secretary to the Treasury.

As businesses that are owned and run by members, the decision-making process in co-operatives is important, and I am instinctively sympathetic to many principles that the hon. Member for Cardiff North seeks to advance in the Bill. The global challenge of climate change, and changes to our environment at global and local level, are some of the most pressing challenges of our time, and they must be addressed at all levels. As has been said, there is a clear need for action at Government level to support investment in environmentally sustainable and green schemes. Five years ago, the London Stock Exchange became the first stock exchange in the world to launch a green bond segment, which it followed last autumn with its green economy mark and sustainable bond market. That was to find channels, generally at larger company level, to support investment in businesses that are pursuing many of the environmentally sustainable goals that the hon. Lady sets out in proposed new section 29A.

There is a role for community vehicles, and co-operatives and community benefit societies are in a strong place to fulfil much of that, generally as lower-scale vehicles that conduct practical work at community level. It is therefore right to look at where legislative and regulatory restrictions prevent such work. Some ideas are raised in the Bill that I very much hope, if the Bill is not successful today, the Government will take away to see how they can be brought back in a form that can be progressed. There are some shortcomings in the Bill that would cause concern and that have, as was referred to earlier, attracted concern from much of the co-operative movement, while generally strongly supporting the need for legislative support.

Without repeating what the Minister said, much of it comes back to the wish both to advance a vehicle for green investment through co-operatives and to introduce some of the fundamental reforms of co-operatives, in measures on tax loopholes and the obstacles to conversion into companies. Clearly, those two issues are related, but they are quite distinct. In trying to tackle them both in the way set out in the Bill, there is a danger of not quite doing either well—of either being too restrictive or too extensive.

As a Midcounties Co-operative member, I am instinctively somebody who thinks that the best way of making decisions over a mutual organisation is for the members to have the power to take those decisions. I am not convinced of the pressing need to have legislative measures to prevent the conversion, but if there is evidence of high risk or severe harm it seems that it probably applies to co-operatives more generally, rather than simply those that could be taking advantage of these green share provisions. That needs to be addressed more broadly for co-operatives and community benefit societies, rather than as part of a measure that predominantly concerns financial vehicles.

Similarly, I share many of the views that have been set out on whether restricting the Bill to purely green shares—to environmentally sustainable investments, rather than other socially beneficial ones that co-operatives in particular, and other community benefit societies may



wish to facilitate—is potentially too restrictive. There is a danger from a consumer protection point of view that by confining it narrowly it almost acts as an accreditation scheme for the investment, in a way that neither the Government nor the Treasury is really in a position to be accrediting any such scheme more generally.

Hon. Members on both sides of the House will have plenty of experience of the anger of many of our constituents who may have been Lloyd's names, and who felt that the Government—or, rather, successive Governments—failed to intervene adequately. If we are legislating in such a narrow way to allow for a specific type of investment that we approve of, adding apparent Government backing to them carries real risk of financial losses, where the liabilities could be enormous.

Many years ago, while I was working for a sustainable energy membership organisation, I was involved in helping to conduct a very large piece of work on behalf of the then Government on green investment, particularly on household-generated energy, looking at incentives, attitude to energy and what might make the difference in consumer behaviour. While even then, more than a decade ago, there was clearly a lot of appetite among consumers to support the green agenda, it did come down to an expectation of a financial return in actually quite a short timeframe. I think that the majority of people who may be interested in investing through vehicles such as those the hon. Member for Cardiff North is looking to facilitate will have a similar expectation of a decent return on a relatively short-to-medium timescale. We would have to ensure that such vehicles were financially sound as well as pursuing a clear environmentally and socially beneficial agenda.

I will leave it there, because other hon. Members will wish to speak. I know my hon. Friend the Economic Secretary to the Treasury will have been listening to the support for co-operatives and vehicles to allow for such environmentally supportive investment, and I hope the Treasury will look at how we can take the agenda forward together.

1.55 pm

**Jo Gideon** (Stoke-on-Trent Central) (Con): I am privileged to be able to take part, even by making a short contribution, in this excellent debate, which has informed us all about all the aspects of the Bill. I commend the hon. Member for Cardiff North (Anna McMorrin) on her strong advocacy for the environment and climate change, which we share across the House. I also note her determination to support British farmers. We all celebrated Back British Farming Day on Wednesday. Stoke-on-Trent Central does not have a large farming community, but food security is a major issue that has come to the forefront in the pandemic.

We have heard a range of arguments about why the Bill needs more work, but I want to put on record how important co-operatives and community benefit societies are to the UK economy. Generally speaking, the hon. Member has the House's backing; the question is whether the Bill is the best way to achieve those aims. I believe, as has been outlined, the Bill's unintended consequences mean that it needs more work.

We need to be cutting red tape for co-operatives, not piling on yet more regulations. As a champion of small business, I have argued for many years for the removal of unnecessary red tape, which stifles entrepreneurial

spirit and costs the economy significantly in unproductive time. I agree with my hon. Friend the Member for Clwyd South (Simon Baynes) that when we look to support the environmental agenda and community activity, co-operatives are but one of a range of different legal structures.

I have personal experience of this area: the hon. Member for Cardiff North may know Myddfai in the Brecon Beacons, where I helped set up the new community hall using sustainable geothermal heating, photovoltaic tiles and those sustainable things. That was done with a limited company that was a social business with the help of the Welsh Government. I think we need to broaden the discussion on delivery because, as was said, we do not want only certain sections of society or the community or certain types of businesses to be mainly responsible for delivering sustainability on the climate change and environmental agenda. It is such an important agenda for all of us that we need to work together on it.

As other hon. Members have said, I support the spirit of the Bill and hope that the hon. Member can bring it back in some form. Co-operatives are a huge part of our economy, and we welcome them. I would like to see more credit unions, which would be great for areas such as mine. However, the Bill in its current form does not work for me.

**Mr Deputy Speaker (Mr Nigel Evans):** I see no further Members trying to catch my eye, so I call Anna McMorrin.

1.59 pm

**Anna McMorrin:** I want to thank Members on both sides of the House for their contributions to the debate today. Some really important points were made and I thank Members for the rigorous scrutiny that they provided. In creating legislation, it is so important that a Bill is properly scrutinised and improved upon.

I thank my hon. Friend the Member for Croydon Central (Sarah Jones) for her support for the Bill and her contribution on the vital need for legislation, and most importantly, green legislation that is inclusive, getting communities involved in renewables and retrofitting and ensuring that that helps our economy. My thanks also go to my right hon. Friend the Member for Wolverhampton South East (Mr McFadden), my Front-Bench colleague, who made very important points about making this Bill a reality.

I thank the hon. Member for Berwickshire, Roxburgh and Selkirk (John Lamont) for his warm words on the role of co-operatives and their ability to really help us to deliver sustainability. That goes for many colleagues across the House who echoed those words in their speeches, so I thank Members for that. I also thank the hon. Member for Thirsk and Malton (Kevin Hollinrake) for co-sponsoring the Bill and his warm words today. I thank as well Co-operatives UK, which wants this Bill and its values to go further.

It was really heartening to hear the overall support for the values and aims of the Bill, with one notable exception, the hon. Member for Christchurch (Sir Christopher Chope), who was clear, in his condescending tone and remarks, what he thought. I suppose that that should not come as a surprise from someone who labels climate change as “scaremongering”, but that was the exception, so I thank hon. Members.

[Anna McMorrin]

I do not attest that my Bill provides all the solutions that we need, but it does provide a legislative blueprint for how communities can work together towards creating a more sustainable green society. While the world's attention is rightly focused on the coronavirus crisis, the climate crisis rages on and it is my sincere hope that, from this current crisis, we will build a more secure, equal and sustainable future that has transformational change and environmental needs at its heart. That has been highlighted by the scale of the awful covid health crisis that we are currently going through.

We cannot go back to business as usual. That is why I thank the Minister and his officials for their support and all the discussions we have had over the last months, as well as for his words today and his overall support for the values and aims of this Bill. Although it is disappointing that he and the Government will not support it today, I hope that we can continue to work together to thrash something out, including with Members here today who have spoken about the broad general aims of the Bill, and see whether we can get something workable into legislation that can really make a difference.

As it is clear that the Government are not going to support the Bill, I will be withdrawing it. So with the leave of the House, Mr Deputy Speaker, I beg to ask leave to withdraw the motion.

*Motion, by leave, withdrawn.*

*Bill withdrawn.*

## **Unpaid Work Experience (Prohibition) (No. 2) Bill**

*Second Reading*

2.4 pm

**Alex Cunningham** (Stockton North) (Lab): I beg to move, That the Bill be now read a Second time.

I remember that the first time I had a Back-Bench Bill, it took three and a half years for the Government to adopt the measures that I wanted, to ban smoking in cars with children present, but we got there in the end, and I hope that we will get there much sooner with this Bill. The world in which we now live has changed significantly since this Bill was first postponed from 27 March last year. We have lived through difficult times in the past few months. Everybody had to change their way of life to ensure that we took on covid-19 and protected the most vulnerable from this deadly coronavirus. That has highlighted just how fragile and complex many of our systems and procedures are. I was personally inundated with inquiries from all corners of my constituency of Stockton North, from small business owners to zero-hours contract workers, from furloughed workers to those who have recently been made unemployed. It has been tough navigating this, and I commend everyone involved in the effort to respond to covid-19.

Enhancing workplace rights and how we value work now could not be more important. Young people in particular have faced difficulties and problems that they should not have had to face. On top of the world feeling upside down, the experiences of the young person during the coronavirus crisis have been significant: prevented from seeing their friends and family for months on end; half a school year missed, which is a huge part of their development; and fewer job and training opportunities due to the challenges that covid-19 is giving employers and providers.

Research conducted by the Sutton Trust found that almost half of current undergraduates believe that the pandemic has had a negative effect on their chances of finding a job. The pandemic has also led to 61% of employers offering work experience placements having to cancel those at short notice. Unfortunately, that is likely to push some people into undertaking unpaid work to try to get ahead and getting into debt before they receive their first wage.

This is not how we should envisage young people getting on to the employment ladder, yet 39% of graduate employers say that they expect to hire fewer graduates or none at all in the next 12 months. What a dire job market young people are entering into right now. This is even more reason why we should remove the ability for employers to exploit eager and desperate young people who feel that they have to work for free in order to secure a properly paid job.

**Stephanie Peacock** (Barnsley East) (Lab): I congratulate my hon. Friend on bringing forward this incredibly important Bill. Is it not simply the case that many middle-class families, or those with money, can afford for their kids to do unpaid work experience? It is completely unfair when we consider that many families across Barnsley and across the UK just do not have that opportunity. If the Government are serious about their levelling-up agenda, they should support his Bill today.

**Alex Cunningham:** Indeed, that is very much the case. I shall develop my argument as I go and I will cover many of the points that my hon. Friend has actually mentioned. She might be interested to know that I had an email overnight from a father who told me that, during Fashion Week, young people actually pay the fashion houses to get the experience of working with them at that time—so we are talking about not unpaid work, but paying for the privilege to have that experience.

Perhaps the Government should consider what additional action they need to take to encourage businesses to continue to offer more properly paid roles for those entering the job market, otherwise it will be the already wealthy and well-connected who continue to have that elite access to jobs and experience while their less affluent counterparts struggle with a lack of those connections. In any event, as my hon. Friend said, they cannot afford to do the work for nothing.

**Dehenna Davison** (Bishop Auckland) (Con): I hope that the hon. Gentleman and those on the Conservative Benches will welcome the Government's intervention on the kickstart scheme, which offers paid placements—paid jobs—for people right across our country to try to stop young people from going into long-term unemployment. I hope he will welcome that.

**Alex Cunningham:** I most certainly do welcome it, but, sadly, it has got off to such a chaotic start that I really worry about how those job creations will actually happen. Yes, let us make it happen, but the Government need to look very carefully at the very poor start that we have made with that particular programme.,

I am pleased to put forward this Bill to tackle one area of employment that can be exploitative and unjust. This Bill seeks to ban unpaid work experience that lasts more than four weeks. Before I continue, let me thank those who have helped me get this far with the Bill: the Sutton Trust for its insight and support in providing me with the guidance and information that I needed to confidently bring this Bill forward; the right hon. Member for Elmet and Rothwell (Alec Shelbrooke) for having brought an almost identical Bill to the Commons during an earlier Session; and, finally, the Conservative Lord Holmes, who currently has a parallel version of this Bill laid in the other place. Much work has been done on this issue in the past, and I am grateful for the support and perseverance of those who have been long-term campaigners for this cause.

We often hear today, from young people in particular, of those applying for jobs being told that they do not have enough experience, yet the opportunities to get that experience are often closed off. Jobs are either unadvertised, given to friends of the organisation, or somebody who knows somebody else's dad, or advertised as unpaid roles, which means that only those with existing wealth to pay for the cost of living can apply.

**Kevin Hollinrake** (Thirsk and Malton) (Con): The hon. Gentleman is outlining some circumstances that he is right to address, but there is another side of the coin. In our business, we have often advertised a job and had a number of applicants, some of whom, despite being unsuccessful, have then contacted us—not through their father or another contact—to ask whether they can do some work experience to understand more what

the job is about. We have done that, and those people have ended up getting jobs in our organisation. Are not some types of work experience a route into work?

**Alex Cunningham:** The hon. Member is totally correct, but people do not need to work for six months, 12 months or longer to get work experience. Four weeks will be sufficient in the organisation that he once ran to get that experience and build towards a new job.

Every party in this House claims to be the party of social mobility. Today Members have an opportunity to stand up and prove that theirs is the one that believes in that area of activity. If they are advocates for social mobility, I hope they will stand up to organisations that exclude those from poorer backgrounds from opportunities because they cannot afford to live without pay.

But this is not just about exclusive opportunities for those who can afford to take unpaid roles. Having people work for months on end without pay is exploitative, even when they are prepared to work for nothing. I am aware that some Members have argued that banning unpaid work experience would simply mean that organisations would stop offering opportunities altogether. First, for me, organisations not offering unpaid roles at all is preferable to them offering them exclusively to a distinct group of people. Secondly, if there is a real job to be done, organisations will find the money to pay someone to do it. Just because there are plenty of young and eager people, that does not mean that organisations should choose to save money by bringing in someone to do a job unpaid under the guise of work experience. Surely a young person does not need to work for six months or a year to get experience of a workplace or to learn a little of how a particular field operates.

But what does the employer or the organisation get out of it? It is quite clear: they get free labour, expecting a full day's work without a full day's pay. They save themselves a salary. They also save themselves national insurance and pension contributions. Surely it would be fairer for everyone if we limited such work experience placements to a month. Even the Exchequer could benefit. Such a move would ensure that living costs do not stack up, putting people further in debt, and would enable those opportunities to be offered to more people. A six-month unpaid placement could instead be offered to six people instead of one.

**Mike Wood** (Dudley South) (Con): I am pleased that the hon. Gentleman recognises the value of short work experience placements, but does he also recognise that sometimes such placements are better structured for both sides, perhaps on a part-time basis or even for one day a week? That means that, although they are probably still rather less than 20 days in total, they can last for significantly longer than four weeks. Is there not a danger of their being caught by his Bill?

**Alex Cunningham:** Maybe my Bill should limit the length to 20 days with one employer—it all amounts to the same thing—but the hon. Member is right: a young person could gain experience over a period of time. If he supports my Bill, perhaps we can amend it to take on exactly that point.

The only way that we will crack down on this practice is by limiting the amount of time that someone can do unpaid work experience for one organisation.

[Alex Cunningham]

Of course, there are already rules around the definition of a worker, but the Sutton Trust carried out some excellent research that found those rules are not as clear to organisations and those carrying out their work experience placements as we would hope. For example, it found that half of young graduates are unaware that unpaid internships are illegal—yes, they are already illegal—in most circumstances. This is a significant problem as the current system relies on young people to self-report any unpaid internships that they suspect are illegally not paying the minimum wage. That puts those young people in an incredibly difficult position.

**Ben Everitt** (Milton Keynes North) (Con): Will the hon. Gentleman give way?

**Alex Cunningham:** No, we are running out of time.

Information received through a parliamentary question in June shows that since 2007, Her Majesty's Revenue and Customs investigations have led to just 15 successful prosecutions of employers for national minimum wage-related offences, but there have been no prosecutions relating to internship cases despite more than 150 complaints received by HMRC from workers undertaking unpaid internships. And that is before we consider the large number of people who do not know they are illegal and are working for months on end under the illusion of it being work experience.

The Bill clarifies and tightens current legislation and ensures that those on unpaid work experience placements are not being exploited. One of the best ways to do that is to limit the length of time of a placement in law. A six-month unpaid internship will cost a single person living in London a minimum of £6,300, and in Manchester £5,300, just to fund their own placement. Not only are they not being paid, but their living expenses can put them into serious debt before they even get their first proper job. That is not a system that we should be advocating. One we could advocate is Mr Speaker's own intern scheme, which ensures that the young person taken on is paid the London minimum wage, or the local minimum wage. We should encourage organisations to replicate Mr Speaker's scheme. I would like to make it clear that the Bill does not apply to placements where a university course requires it. These are often unique circumstances in which the student is funded through other means, so it is not affected by my Bill.

Moving towards a conclusion, we in this place must first look to ourselves and recognise that Parliament needs to take a lead. It is a significant statistic that 31% of Westminster staffers have worked for an MP without being paid. How are we supposed to set the example when many MPs in this House think that having people work for us for months on end with no pay is even the slightest bit satisfactory? Out there, thousands of employers are offering such placements under the guise of work experience and most of them do not even know they are breaking the law.

The Sutton Trust found that up to 50% of employers thought most unpaid internships were perfectly legal. Many others were not so sure. We need to take the ambiguity out of this. We must make sure that the rules are not open to misinterpretation. We need to be firm and make it clear that long-term unpaid internships are not permitted. We need to ensure that those who can

afford to work for free are not given a step on the ladder ahead of their less affluent peers. We need to make sure that young people are not being exploited by organisations that should be paying them a wage. We need to make sure that social mobility is a reality in this country. Passing the Bill will help in all those areas. It is simple, it is straightforward, and it provides the clarity needed by both young people and employers.

I would like to end by reminding the Government about their prior commitments. The response of the Government to the Taylor review of modern working practices was that they would introduce new guidance and increase targeted enforcement activity to help to stamp out illegal and exploitative unpaid internships, but they have not. When he served as Mayor of London, the Prime Minister said that he wanted to tackle unpaid internships. The Prime Minister also said on 25 July last year that he backed this exact Bill in the name of the right hon. Member for Elmet and Rothwell. Now, however, it seems that instead of backing it, he has backed out.

Government Members have a choice today: back the Bill and work to thrash out the minor details, if necessary, in Committee. Take a stand today and acknowledge that we have not done enough to eradicate exploitative working practices and that the Bill makes the move to right the wrongs. All colleagues here should be aware and think of the teenager in their constituency who works hard but, because of a low socioeconomic background, cannot work for free. Help that teenager get on the ladder for a change. Many young people from poorer backgrounds face challenges that many of us in this House could not even imagine. Let us take down one more barrier in their way. Let us take one step further to improving access to the workplace. Let us end exploitative, unpaid work experience or internships once and for all. I commend the Bill to the House.

**The Parliamentary Under-Secretary of State for Business, Energy and Industrial Strategy (Paul Scully)** *rose*—

**Mr Deputy Speaker (Mr Nigel Evans):** The Minister has indicated that he would like to speak next. That does not end the debate. Should he sit down before 2.30 pm, other Members will be called.

2.20 pm

**The Parliamentary Under-Secretary of State for Business, Energy and Industrial Strategy (Paul Scully):** I congratulate the hon. Member for Stockton North (Alex Cunningham) on his success in the private Members' Bill ballot. Clearly, there is not a lot of time to respond to the detail, but I want to cover a couple of areas to show this issue the respect it deserves. I will mention one or two specific issues before I get on to the substance.

The hon. Gentleman talked about Members of this place taking on people and, as he rightly pointed out, the distinction that gets blurred between volunteers, interns and those on work experience. It is an uncomfortable truth, which we need to sort out ourselves. The W4MP—Working for an MP—website, from which some colleagues on both sides recruit their staff, states that, as a response to such campaigns in recent years, it does

“not generally accept adverts for work that does not pay at least the current rate of national minimum wage/national living wage”.

The exceptions include adverts for volunteers for political parties, including voluntary work for MPs, and any ad accepted for an unpaid role will include reference to its

being voluntary. When we did a search for interns on that website, it showed 11 jobs that were all paid. A search using the term “unpaid” found no results and, similarly, “voluntary” and “expenses only” found zero results. We cannot be complacent and we must make sure that we are leading from the front, as he said.

The hon. Gentleman talked about national minimum wage prosecutions, and I think he was specifically talking about this aspect. However, in general terms of prosecutions—to update the House—there are currently seven cases at various stages of the criminal investigation process involving not paying the national wage across the board, although not necessarily in the field that we are talking about. Her Majesty’s Revenue and Customs, which tackles this, has issued seven labour market enforcement undertakings this year. Since 2007, 15 employers have been successfully prosecuted for underpaying the national minimum wage. Prosecution tends to be reserved for the most egregious breaches of national minimum wage law. In most cases, it is not necessarily the best approach to help workers. Criminal sanctions against companies can mean that workers, the ultimate beneficiaries of enforcement, end up waiting considerably longer for their lost earnings to be paid back.

I agree wholeheartedly with the hon. Gentleman that it is wrong to exploit workers through unpaid work experience, including internships. The rights of workers to be paid at least the minimum wage must always be upheld. An individual’s entitlement to the minimum wage depends on whether they are deemed to be a worker for minimum wage purposes. If someone is deemed to be a worker, their employer must pay at least the relevant minimum wage rate from their first day of employment. I will come back to this if I have time, but I should like to provide reassurance that most internships or work experience placements are likely to constitute work, and therefore individuals are likely to be deemed to be workers who are entitled to be paid at least the minimum wage.

**Alex Cunningham:** I know we are short of time, but I would ask the Minister two things. First, will he work to raise awareness among employers that a lot of their activities are actually illegal through not paying the national minimum wage? Secondly, will he look at the fact that many complaints have been made but no prosecutions or action taken when students have objected to work experience being unpaid?

**Paul Scully:** Indeed, we do work on both enforcement and awareness, but it is right that we continue to look at how much more we can do, including in making sure that employees and workers themselves are aware of what they are entitled to. Each year, as we address and set the minimum wage, we always have a campaign about that. It is important that we contact, yes, employers to remind them of their legal duties, but also workers to make sure they are aware of their own rights. That is absolutely key.

**Stephanie Peacock:** Since 2013, it had been Government policy to name employers who break the national minimum wage law. The naming scheme was suspended by the Government last year. Can the Minister tell the House whether that is back up and running, and if it is not, when it will be?

**Paul Scully:** The naming scheme is something that we did bring in, and we are keen to reinstate it—it obviously has been postponed at the moment—up to its full potential. We are working with employers and sending out tens of thousands of letters to employers to remind them of their obligations, but we will certainly be returning to the naming scheme in due course.

It is important that we recognise that internships offer an important opportunity for young people to gain experience and improve their career prospects, and that is why young workers tend to be more likely to accept unpaid internships. Minimum wage legislation provides for a number of exemptions that recognise the importance of gaining work experience. Those clearly defined exemptions include: students on placement for up to one year as a required part of a UK course of further or higher education; pupils of compulsory school age; participants in certain Government programmes to provide training, work experience or temporary work; and, voluntary workers volunteering for a charity or voluntary organisation. All other internships are likely to constitute work for minimum wage purposes, with the individual entitled to be paid at least the minimum wage.

**Nickie Aiken** (Cities of London and Westminster) (Con): Does the Minister agree that it is important from a work experience point of view to consider younger children? When I was leader of Westminster City Council, I introduced the Westminster Lions scheme, which targeted 13 to 15-year-olds. That was about giving them experience not necessarily in the office, but of talking to employers and sectors about potential career opportunities for teenagers, ensuring that they could make the right career choices as they went to college and further education.

**Paul Scully:** I commend my hon. Friend for the work that she and Westminster City Council have done in this area, because it is so important to give opportunities. I will talk a little bit about social mobility, which is the point of what she did. Certainly on this side of the House, we like to remind ourselves that we are the party of opportunity. It is all about creating opportunities and making sure that everybody in this country—whatever their background, their family situation, their housing situation, their gender, creed or race—can grab hold of those opportunities and fulfil their potential.

That is why the Government share the concern expressed by organisations such as the Social Mobility Commission and the Sutton Trust, to which the hon. Member for Stockton North referred. Unpaid internships are a barrier to social mobility, for the reasons that he gave. I am also aware of the Sutton Trust report “Pay As You Go?”, which was published in November 2018. It recommended legislative changes to ensure that all internships longer than four weeks require payment of at least the national minimum wage.

In some sectors, such as the creative industries, unpaid internships have been seen as a key step to gaining experience in order to secure paid employment. However, the Government are clear that internships must not be used as a pretext to avoid paying qualifying workers the minimum wage, and that is why the Government’s focus has been on enforcing existing minimum wage legislation that protects workers’ rights to receive at least the minimum wage from day one.

[Paul Scully]

Matthew Taylor considered unpaid internships in his review of modern working practices published in July 2017. He agreed that exploitative unpaid internships that damage social mobility in the UK should be stamped out. However, he argued that should be done by clarifying the interpretation of the law and by encouraging enforcement action by HMRC. He also argued that a separate intern status in employment law was unnecessary as the law was clear as it stood.

When enforcing the national minimum wage regulations, HMRC inspectors will consider the precise details of each case, such as internships or work experience, including what the worker is being asked to do. As I have indicated, entitlement to the minimum wage depends on whether someone is a “worker” in defined terms. Being a worker depends essentially on whether there is a contract—written or oral and expressed or implied—to work or perform services for a reward.

Most internships or work experience placements are likely to constitute work, as there will be some form of legal consideration, in that the parties have each agreed to do something or to provide something. On the employer’s part, that could include expenses, the promise of an interview or the promise of future work. Where HMRC comes to the view that arrangements constitute work under the minimum wage regulations, it will require the employer to repay any arrears to the worker and it will impose a penalty for underpayment. Even though interns are not defined in minimum wage legislation, they are generally already protected as workers and therefore already entitled to be paid at least the minimum wage from day one. It does not matter whether an individual is described as an intern or as on work experience; they still have that entitlement from the day they start.

That leads me, in the two seconds I have left, to the Bill.

2.30 pm

*The debate stood adjourned (Standing Order No. 11(2)).*

*Ordered,* That the debate be resumed on Friday 25 September.

## Business without Debate

### HOSPITALS (PARKING CHARGES AND BUSINESS RATES) BILL

*Motion made,* That the Bill be now read a Second time.

**Hon. Members:** Object.

*Bill to be read a Second time on Friday 25 September.*

### PARLIAMENTARY CONSTITUENCIES (AMENDMENT) BILL

*Motion made,* That the Bill be now read a Second time.

**Hon. Members:** Object.

*Bill to be read a Second time on Friday 25 September.*

### PUBLIC ADVOCATE (NO. 2) BILL

*Motion made,* That the Bill be now read a Second time.

**Hon. Members:** Object.

*Bill to be read a Second time on Friday 16 October.*

### PEDICABS (LONDON) BILL

*Motion made,* That the Bill be now read a Second time.

**Hon. Members:** Object.

*Bill to be read a Second time on Friday 25 September.*

### EMPLOYMENT (DISMISSAL AND RE-EMPLOYMENT) BILL

*Motion made,* That the Bill be now read a Second time.

**Hon. Members:** Object.

*Bill to be read a Second time on Friday 30 October.*

### SEXUAL OFFENCES (SPORTS COACHES) BILL

*Motion made,* That the Bill be now read a Second time.

**Hon. Members:** Object.

*Bill to be read a Second time on Friday 23 October.*

### MAGISTRATES (RETIREMENT AGE) BILL

*Motion made,* That the Bill be now read a Second time.

**Hon. Members:** Object.

*Bill to be read a Second time on Friday 25 September.*

## Child Cruelty Offences: Sentencing

*Motion made, and Question proposed, That this House do now adjourn.—(Rebecca Harris.)*

**Mr Deputy Speaker (Mr Nigel Evans):** If Tom Tugendhat can get a seat, I can call him. Will Members leaving the Chamber do so carefully, observing social distancing? Please have a good weekend. I call Mr Tom Tugendhat.

2.33 pm

**Tom Tugendhat (Tonbridge and Malling) (Con):** Thank you, Mr Deputy Speaker. I am grateful to you for being in the Chair this afternoon, and I am grateful to be called to speak about what is a very important subject, not just for me in Kent but for many across our country and, as I know from the messages of support I have received, for many around the world.

Lockdown has brought home to many of us the stress of childcare, and we have all learned to respect teachers even more than we already did. Certainly, I know that I am not alone in being delighted that schools have reopened and that our children are able to expend the energy that they accumulate through the day in charging around a playground rather than charging around a sitting room.

We have spoken frequently about the importance of childhood and of protecting the most vulnerable in our society, because we understand that failing to care for children is not just wrong; it is a betrayal of the trust that they should be able to have in our community and in the adults around them. But few betrayals are worse—in fact, no betrayal is worse—than parental abuse. That has long been recognised: 700 years ago, Dante wrote about it, putting the betrayers of family into the lowest circle of hell. He was right to do so, because those who harm their own children are beneath contempt. Our society should reflect that in our laws, and that is why I have secured this debate.

Over the past few years, I have had the privilege of getting to know an extraordinary young man whose story has moved much of the nation. Tony Hudgell, from Kings Hill, has become a household name in recent months thanks to his exceptional fundraising efforts in June. This House has had the pleasure of his company before—indeed, were we not under the current regime, I have no doubt that he would be in the Gallery now. I am delighted to say that I am perfectly certain that he is watching from home as we speak. I know that Paula and Mark, Tony's parents, will be supporting him, and he will be picking out individuals he recognises, because he has followed politics for several years.

Tony's first visit to this House happened on 8 January 2019, when I presented a petition hand-signed by more than 12,000 people asking for tougher sentences for child cruelty offences. Tony, his parents and his supporters, who have come to be lovingly known as Bear's Army, spent the summer of 2018 heading across Kent in support of their campaign. It was not possible to travel very far without hearing about their petition, or to go into many shops without seeing it.

Tony made a further visit on 12 February 2019 when I introduced the Child Cruelty (Sentences) Bill to the House. Unfortunately, we were unable to have time for its Second Reading because of the general election that followed last year. The purpose of this debate is to ask the Government whether they will adopt the policies

that that Bill aimed to introduce. It sought to increase to imprisonment for life the maximum custodial sentence for the offences of child cruelty, and of causing or allowing a child or vulnerable adult to die or suffer serious physical harm. It is more commonly known as Tony's law, in honour of that extraordinary young man, Tony Hudgell himself.

It is worth remembering that Tony's story is pretty extraordinary and, sadly, horrific, but it is not unique. Shortly after Tony was born, he was attacked by his biological parents. His fingers and toes were broken and the ligaments in his legs damaged. Despite extensive surgery, Tony had to have both legs amputated. He was only admitted to hospital 10 days after the injuries were sustained. It is impossible for us to know the pain that Tony must have suffered in his first few weeks of life.

Tony was lucky, however—extraordinary to say after what I have just recounted—because he was adopted by a real and loving family. His real parents, Paula and Mark, who have loved him and cared for him like a real family does and should, have given him an extraordinary home. His brothers, sisters and parents are an inspiration to so many, and certainly to me. They have given Tony the best possible upbringing after the hardest start in life. They are rooted in the community, both in Kings Hill and in the great kingdom of Kent. They are forces to be reckoned with, and their campaigning on this issue has won the appreciation of so many.

For many years, I have worked with Paula and Mark for justice for Tony. We started back in 2016 when the Crown Prosecution Service initially failed to bring charges against Tony's biological parents. Eventually, charges were pressed, and in 2018 they each got 10 years in prison. Witnessing Tony's biological parents being charged and sentenced for the crimes that they had committed brought a sense of closure on Tony's first few difficult weeks alive. Unlike his birth parents, however, Tony got a life sentence.

Tony's law, as I shall refer to it throughout this debate, is not intended to help Tony. His biological parents got the maximum sentence available at the time, and—thank God—he has now found the home that we all wish he had had to start with. I hope that this law will sit on the statute book and never be used, but it is the very least this House can do to recognise the extraordinary efforts of this inspirational young man. Tony's law aims to send the message that we cannot and will not tolerate severe offences committed against the most vulnerable among us; that although they are not old enough to vote or stand for Parliament, still their life and safety matter as much as that of an adult.

Tony became a household name for many of us this year. Across the nation, he captured so many hearts. As part of his quest to improve his walking on his prosthetic legs, he set a goal of walking 10 km in 30 days to raise £500 for Evelina London Children's Hospital—just across the river at St Thomas—where he was treated and recovered from the horrendous injuries he had sustained. Tony, his family and his friends are hugely grateful to the hospital and I personally offer it my deepest thanks.

Tony, who always seems to achieve the impossible, despite anything put in front of him, has demonstrated that his courage and the love of his family can carry him anywhere. He did not raise £500: he raised £1 million, and more. Not only that but he smashed his target even further, and just last week he started walking into

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school for the very first time. In this debate, I am asking the Government to do what Tony has been doing for ages: helping those who need it most. I know they are already aware of the remarkable young man that Tony is.

**Kevin Hollinrake** (Thirsk and Malton) (Con): My hon. Friend is speaking so movingly about this case. I add my support for Tony and his family, and for my hon. Friend's campaign and for doing anything to bring about the changes that he wants. Would he support a wider look at sentencing for offences against children, which often seem to be unduly lenient in some of the most egregious cases?

**Tom Tugendhat:** I thank my hon. Friend for his words. He is absolutely right that a review of child sentencing is required, because we are really talking about demonstrating that our society and this country recognise that the most vulnerable require the most protection.

I am very pleased to say that in July Tony received a award, and I was very honoured to carry it to him. The Prime Minister himself asked me to present a Points of Light award to Tony. Only a few weeks later—completely by chance, I am sure—the Prime Minister visited Tony's school, the fantastic Discovery School in Kings Hill. I know the Prime Minister will be listening to this debate, and I am sure he remembers the conversation, because Tony was not exactly shy about putting his case. As anybody who knows him will attest, he has an amazing sense of life and passion and no lack of confidence. He would make a fantastic Member of Parliament one day. Tony has not forgotten meeting the Prime Minister, and I know that the photos take pride of place.

For those of us who have had the honour of knowing Tony for many years, and who share his drive, determination and commitment to the nation through his fundraising challenge, it is only right that we as parliamentarians show the support that the nation has already shown by introducing this law in his name.

I should like to focus much of this debate on how we can enshrine Tony's law in our legislation, having been unable to progress the Child Cruelty (Sentences) Bill in the last Parliament. That Bill sought to amend the Domestic Violence, Crime and Victims Act 2004 and the Children and Young Persons Act 1933 by extending the term of the relevant sentences. They are small amendments that would go a long way to ensuring adequate sentencing for the most extraordinary cases, such as Tony's.

Let us be clear: Tony's case is both unusual and extraordinary, and Tony's law only seeks to address sentencing of the most extreme cases. Figures from the Office for National Statistics reveal that for offences of cruelty to and neglect of children from 2014 to 2018 only 114 offenders received an immediate custodial sentence for those crimes. Each of these 114 cases is one too many and horrific for not only the victims but the whole community. The purpose of Tony's law is simply to increase to life imprisonment the maximum sentence possible for judges to resort to in the most serious cases. Not all those 114 offenders received the maximum sentence, and when a judge decides to give a more lenient sentence because of circumstances brought out in the trial, this legislation would make no difference; it would not change that.

In Tony's case, which is included in these figures, the judge was extremely clear when he sentenced Tony's birth parents. Indeed, at the sentencing hearing in February 2018 at Maidstone Crown court—a court I know well, having been put in the visitors' box as a form of childcare when my father was sitting as a Crown court judge—Judge Philip Statman painted a vivid description of the case. Understandably, he could not comment on the maximum sentence being 10 years—that is a matter for Parliament and the sentencing authorities—but he could say the following:

“I cannot envisage a worse case than the one I have had to deal with over the course of the last two weeks.”

That is quite something for a judge who has dealt with so many serious offences in his career. Following the two-week trial, the jury took less than an hour to return a unanimous verdict. Anyone who has even the slightest knowledge of our Crown court system will recognise that not much of a debate was needed on this case.

The courts are rightly separate, and sentencing is up to the judge, but it is up to us, as a Parliament, to reflect the views of our society and to legislate to ensure that judges are able to give sentences that reflect the crimes committed and the abhorrence that our society feels towards them. We can do our bit to support Tony's family by ensuring that the maximum sentence is appropriate for the crime. Under current law, the maximum sentence for this crime is 10 years, which is what Tony's biological parents received. However, if Tony were an adult, the perpetrators would most likely have been charged with grievous bodily harm with intent, which carries a maximum sentence of life. How is it right that our law treats the most serious abuse of children differently from the abuse of adults?

A child's life, as any parent will know, is the greatest responsibility that anyone can be trusted with. Children are, of course, particularly vulnerable. They are under the care of others, and unlike most groups in society, they do not have the ability to influence not just policy and law but the space around them. We have a duty to protect children where the system or those responsible for their care fail them. We have a moral obligation to ensure that the law, in no uncertain terms, spells out that a child's life matters just as much as that of an adult. To do this we need to empower the courts to give sentences to those who commit offences against children that match those for offences against adults. Whether it is an offence of child cruelty or grievous bodily harm with intent, sentences must be consistent, and we need to give judges the option of handing out longer sentences when needed, as Judge Statman could have done in Tony's case.

I understand the Government's argument. I have been told that the maximum sentence is capped because, in cases like this, it is impossible to be certain who committed the harm, because of the impossibility of such a young child bearing testimony. Of course I understand that that usually makes sense. There should be a limit on the sentences applicable when we cannot be certain and the charge is shared, but this is very different. This is not just about the violence committed against the child but about the very betrayal that the parents committed. This is a violation of the foundation of our society, the basics of family and the essence of community. It is not just a crime of violence.



**Kevin Hollinrake:** I do not understand the argument that, because of the lack of certainty around guilt, a sentence should be capped. Clearly the court can make a decision where there is doubt and can make a judgment on the length of the sentence accordingly. That capability should be left to the judge. Surely my hon. Friend is simply trying to give the judge more discretion to give a longer sentence in the most egregious cases.

**Tom Tugendhat:** My hon. Friend is absolutely right. This law—or rather, the law that I tried to introduce and am now arguing for—would not change the minimum sentence. If there were extenuating circumstances or reasons why the judge said that perhaps domestic abuse meant the situation was not the same for both parties, the judge would have the discretion, but would also have the ability, were it needed, to increase the sentence.

In Tony's case, it is true that I could not say whether one party or the other inflicted the blows that did the particular damage to baby Tony, but I can say that both failed. I can say for certain that, in not calling an ambulance for 10 days, in watching Tony suffer, they both failed. They both failed in the most egregious and horrific way a parent can, and unless there are mitigating circumstances, as my hon. Friend says, that could easily be reflected and easily come out in a court, the judge would have the discretion to impose a maximum sentence beyond the 10 years available.

I am sorry to say, because I wish it were not so, that this has become more urgent, not less. Coronavirus and the lockdown that we have all been through have increased the dangers faced by vulnerable children, not decreased them. New research by the National Society for the Prevention of Cruelty to Children found that Childline has seen a 22% increase in the number of counselling sessions about physical abuse and a 53% increase in contacts from people with concerns about children experiencing physical abuse since lockdown started. While clearly not all these will be criminal, and far fewer worthy of the maximum sentence, the justice system must be able to respond to the most serious offences committed.

The impact of physical abuse on children is not just severe but enduring. Both the Alberta Family Wellness Initiative and the Harvard Center on the Developing Child have published well-respected research showing that experiencing trauma of any kind at a very young age can have a sustained and devastating impact on brain development. This impacts the ability to form and maintain relationships, results in lower educational and employment outcomes and increases the chances of being victims once again. It can create extremely severe and long-term issues. Increasing the maximum sentence will not solve that, but parents must have a good understanding of developmental harm to children, and our court system must be able to set sentences to reflect that. Our judicial system already has the ability to determine which crimes should be classed as having aggravating circumstances, and it is essential that the legal maximum sentences address the impact of any crime on the victim and on our whole society.

Back in 2019, after the introduction of Child Cruelty (Sentences) Bill, I met the Minister responsible, the right hon. Rory Stewart, who presented me with Ministry of Justice data showing how few cases of this nature and gravity occur per year. That is something that I personally welcome, as I know does everyone in the

House. However, we also need to accept the need to ensure that those few who are victims of these crimes are given justice that reflects the severity of crimes committed. We cannot have a justice system that fails to amend the necessary legislation on the basis simply that only a few children will be impacted.

I consequently wrote to and met the Crown Prosecution Service on 4 July last year, and I am pleased to note that the Director of Public Prosecutions raised my concerns with the senior judge who chairs the Sentencing Council. Indeed, I have a letter from the director of legal services at the Crown Prosecution Service, dated 19 July 2019, which states that they

“still stand by to assist with any further work”

in relation to extending the statutory maximums for offences involving child cruelty. It is my firm belief following these meetings that, should this Government be willing to introduce Tony's law, the Sentencing Council would be able to update its guidance appropriately and the CPS would be able to lend its support to this.

As I mentioned at the start of this debate, in Tony's case we—I must emphasise that I played only a small part, because Paula and Mark are absolutely the heroes here and they led the way, with help from Kent police and the police and crime commissioner, Matthew Scott—were able to help persuade the CPS to re-evaluate its original decision on pushing charges against Tony's biological parents for the crimes which they had committed. It shows that much work yet remains to be done. Not all children have a Paula and Mark in their lives, and it falls on us in this House to ensure that those children are heard too. The introduction of Tony's law would be the best way to make this happen. I am not particularly bothered if the Government seek to amend either of the two Acts I mentioned earlier or find an alternative route to bring in legislation—that is a matter for them and for the Clerks. It really does not matter how it is done, so long as the aims contained in Tony's law can be implemented. What does matter is that those who have committed the most horrific crimes against vulnerable children serve the appropriate sentence.

As a parent, I know there is no guidebook on how to care for or raise a child; it is hard work, and all of us know how many mistakes we have made. But having a child and watching them grow is the greatest privilege I have ever had, and I am sure I speak for many in this House when I say that. Making the abuse of children the ultimate act of betrayal and the ultimate breach of trust is a duty that falls to us all. On average, about 700 people a year are convicted of cruelty to or neglect of children. They are rightly punished by our criminal justice system. This change seeks to focus only on those most serious cases, where the abuse suffered by the victim causes life-changing injuries, and it seeks only to give judges a wider set of tools and the discretion to use them—tools they would have if the victim were an adult.

Tony Hudgell will never be able to walk like me or you, Mr Speaker. Tony's first steps have been harder than anyone's. He has proved, not in private but in front of the whole nation, that he has the drive, determination and character to overcome any challenge or hardship placed in his way. He has won the nation's hearts and is one of the many heroes our country has cherished during this extraordinarily difficult time. He was won the appreciation and recognition of everyone from the

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Prime Minister to the Duchess of Cambridge and, probably most importantly for Tony, Chelsea football club.

I hope the Government are willing to recognise this extraordinary young man and his achievements, and introduce the law that is rightly in his name. Tony's law seeks to ensure that individuals who commit the most serious acts of cruelty against children face appropriate punishment when convicted of this crime. It would be a welcome and important step towards ensuring that our policies and our laws reflect the importance we place on our children's lives and wellbeing. I look forward to the Minister's response, and hope very much that we will be able to work together in days to come.

2.59 pm

**The Minister of State, Ministry of Justice (Lucy Frazer):** I thank my hon. Friend the Member for Tonbridge and Malling (Tom Tugendhat) for securing this important debate. I am conscious that I have only a few minutes to do justice to a very important subject, so I would like to offer him the opportunity to discuss the matter further with me or another Minister in the Department.

This story is horrific and tragic. No child should suffer what Tony sustained at the hands of his biological parents. Like my hon. Friend, as a parent I cannot begin to imagine the pain inflicted on Tony, and the physical and emotional impact that it has had on his

life. I pay credit to the work that his parents, Paula and Mark, have done in campaigning on this issue. I know that they have worked hard, along with my hon. Friend, to draw this matter to the attention of the authorities in a number of ways.

The offences of child cruelty under which Tony's parents were sentenced are not the only penalties available in such a case. A person can also be prosecuted for number of other offences—for example, an offender can be prosecuted for GBH or attempted murder, and both those offences carry the maximum penalty of life imprisonment. Additionally, if the victim of a serious assault is a child, that is clearly an aggravating factor and likely to lead to an increase in any sentence. It follows that the law and penalties for the most serious cases are the same for children as for adults. Indeed, sentences imposed for offences against children can often be higher.

Since my hon. Friend first brought this matter to our attention, my officials have been looking at sentences for child cruelty, and kept them under review. Statistics show that there is currently no pressure on the maximum penalty for the offence of child cruelty because, as my hon. Friend pointed out, fortunately there are not many of these cases—

**Mr Deputy Speaker (Mr Nigel Evans):** Order.

3.2 pm

*House adjourned without Question put (Standing Order No. 9(7)).*

## Members Eligible for a Proxy Vote

*The following is the list of Members currently certified as eligible for a proxy vote, and of the Members nominated as their proxy:*

Member eligible for proxy vote	Nominated proxy	Member eligible for proxy vote	Nominated proxy
Ms Diane Abbott (Hackney North and Stoke Newington)	Bell Ribeiro-Addy	Janet Daby (Lewisham East)	Chris Elmore
Tahir Ali (Birmingham, Hall Green)	Chris Elmore	Geraint Davies (Swansea West)	Chris Evans
Dr Rosena Allin-Khan (Tooting)	Chris Elmore	Martyn Day (Linlithgow and East Falkirk)	Patrick Grady
Tonia Antoniazzi (Gower)	Chris Elmore	Marsha De Cordova (Battersea)	Rachel Hopkins
Mr Richard Bacon (South Norfolk)	Stuart Andrew	Thangam Debbonaire (Bristol West)	Chris Elmore
Siobhan Baillie (Stroud)	Stuart Andrew	Allan Dorans (Ayr, Carrick and Cumnock)	Patrick Grady
Hannah Bardell (Livingston)	Patrick Grady	Nadine Dorries (Mid Bedfordshire)	Stuart Andrew
Mr John Baron (Basildon and Billericay)	Stuart Andrew	Jackie Doyle-Price (Thurrock)	Gagan Mohindra
Margaret Beckett (Derby South)	Clive Efford	Philip Dunne (Ludlow)	Jeremy Hunt
Sir Paul Beresford (Mole Valley)	Stuart Andrew	Mrs Natalie Elphicke (Dover)	Maria Caulfield
Jake Berry (Rossendale and Darwen)	Stuart Andrew	Florence Eshalomi (Vauxhall)	Chris Elmore
Mhairi Black (Paisley and Renfrewshire South)	Patrick Grady	Sir David Evennett (Bexleyheath and Crayford)	Stuart Andrew
Bob Blackman (Harrow East)	Stuart Andrew	Michael Fabricant (Lichfield)	Stuart Andrew
Kirsty Blackman (Aberdeen North)	Patrick Grady	Stephen Farry (North Down)	Wendy Chamberlain
Mr Peter Bone (Wellingborough)	Stuart Andrew	Marion Fellows (Motherwell and Wishaw)	Patrick Grady
Andrew Bridgen (North West Leicestershire)	Stuart Andrew	Stephen Flynn (Aberdeen South)	Patrick Grady
Ms Lyn Brown (West Ham)	Chris Elmore	Vicky Foxcroft (Lewisham, Deptford)	Chris Elmore
Richard Burgon (Leeds East)	Zarah Sultana	Mr Mark Francois (Rayleigh and Wickford)	Stuart Andrew
Conor Burns (Bournemouth West)	Stuart Andrew	George Freeman (Mid Norfolk)	Bim Afolami
Dan Carden (Liverpool, Walton)	Chris Elmore	Mike Freer (Finchley and Golders Green)	Stuart Andrew
Sarah Champion (Rotherham)	Chris Elmore	Marcus Fysh (Yeovil)	Stuart Andrew
Douglas Chapman (Dunfermline and West Fife)	Patrick Grady	Sir Roger Gale (North Thanet)	Caroline Nokes
Rehman Chishti (Gillingham and Rainham)	Stuart Andrew	Dame Cheryl Gillan (Chesham and Amersham)	Stuart Andrew
Feryal Clark (Enfield North)	Chris Elmore	Mary Glendon (North Tyneside)	Chris Elmore
Simon Clarke (Middlesbrough South and East Cleveland)	Stuart Andrew	Mrs Helen Grant (Maidstone and The Weald)	Stuart Andrew
Theo Clarke (Stafford)	Stuart Andrew	Peter Grant (Glenrothes)	Patrick Grady
Damian Collins (Folkestone and Hythe)	Stuart Andrew	Neil Gray (Airdrie and Shotts)	Patrick Grady
Rosie Cooper (West Lancashire)	Chris Elmore	Jonathan Gullis (Stoke-on-Trent North)	Mark Fletcher
Jeremy Corbyn (Islington North)	Bell Ribeiro-Addy	Andrew Gwynne (Denton and Reddish)	Chris Elmore
Ronnie Cowan (Inverclyde)	Patrick Grady	Fabian Hamilton (Leeds North East)	Chris Elmore
Mr Geoffrey Cox (Torridge and West Devon)	Alex Burghart	Ms Harriet Harman (Camberwell and Peckham)	Chris Elmore
Neil Coyle (Bermondsey and Old Southwark)	Chris Elmore	Sir Oliver Heald (North East Hertfordshire)	Stuart Andrew
Angela Crawley (Lanark and Hamilton East)	Patrick Grady	Sir Mark Hendrick (Preston)	Chris Elmore
Stella Creasy (Walthamstow)	Chris Elmore	Mike Hill (Hartlepool)	Chris Elmore
Tracey Crouch (Chatham and Aylesford)	Caroline Nokes	Simon Hoare (North Dorset)	Fay Jones
		Mrs Sharon Hodgson (Washington and Sunderland West)	Chris Elmore
		Adam Holloway (Gravesham)	Maria Caulfield
		Sir George Howarth (Knowsley)	Chris Elmore

Member eligible for proxy vote	Nominated proxy	Member eligible for proxy vote	Nominated proxy
Dr Neil Hudson (Penrith and The Border)	Stuart Andrew	Stephen Metcalfe (South Basildon and East Thurrock)	Stuart Andrew
Imran Hussain (Bradford East)	Judith Cummins	Edward Miliband (Doncaster North)	Chris Elmore
Christine Jardine (Edinburgh West)	Wendy Chamberlain	Carol Monaghan (Glasgow North West)	Patrick Grady
Dan Jarvis (Barnsley Central)	Chris Elmore	David Morris (Morecambe and Lunesdale)	Stuart Andrew
Dr Caroline Johnson (Sleaford and North Hykeham)	Stuart Andrew	James Murray (Ealing North)	Chris Elmore
Dame Diana Johnson (Kingston upon Hull North)	Chris Elmore	Ian Murray (Edinburgh South)	Chris Elmore
Alicia Kearns (Rutland and Melton)	Stuart Andrew	John Nicolson (Ochil and South Perthshire)	Patrick Grady
Barbara Keeley (Worsley and Eccles South)	Chris Elmore	Dr Matthew Offord (Hendon)	Rebecca Harris
Afzal Khan (Manchester, Gorton)	Chris Elmore	Guy Opperman (Hexham)	Stuart Andrew
Sir Greg Knight (East Yorkshire)	Stuart Andrew	Kate Osamor (Edmonton)	Nadia Whittome
Julian Knight (Solihull)	Stuart Andrew	Dr Dan Poulter (Central Suffolk and North Ipswich)	Peter Aldous
Ian Lavery (Wansbeck)	Kate Osborne	Lucy Powell (Manchester Central)	Chris Elmore
Chris Law (Dundee West)	Patrick Grady	Yasmin Qureshi (Bolton South East)	Chris Elmore
Clive Lewis (Norwich South)	Rosie Duffield	Christina Rees (Neath)	Chris Elmore
Mr Ian Liddell-Grainger (Bridgwater and West Somerset)	Stuart Andrew	Mr Jacob Rees-Mogg (North East Somerset)	Stuart Andrew
Tony Lloyd (Rochdale)	Chris Elmore	Naz Shah (Bradford West)	Chris Elmore
Julia Lopez (Hornchurch and Upminster)	Lee Rowley	Mr Virendra Sharma (Ealing, Southall)	Chris Elmore
Mr Jonathan Lord (Woking)	Stuart Andrew	Mr Barry Sheerman (Huddersfield)	Chris Elmore
Kenny MacAskill (East Lothian)	Patrick Grady	Jo Stevens (Cardiff Glasgow Central)	Chris Elmore
Angus Brendan MacNeil (Na h-Eileanan an Iar)	Patrick Grady	Sir Gary Streeter (South West Devon)	Stuart Andrew
Karl McCartney (Lincoln)	Stuart Andrew	Mel Stride (Central Devon)	Stuart Andrew
Stuart C. McDonald (Cumbernauld, Kilsyth and Kirkintilloch East)	Patrick Grady	Julian Sturdy (York Outer)	Stuart Andrew
John McDonnell (Hayes and Harlington)	Cat Smith	Gareth Thomas (Harrow West)	Chris Elmore
Anne McLaughlin (Glasgow North East)	Patrick Grady	Emily Thornberry (Islington South and Finsbury)	Charlotte Nichols
John Mc Nally (Falkirk)	Patrick Grady	Jon Trickett (Hemsworth)	Olivia Blake
Ian Mearns (Gateshead)	Chris Elmore	Karl Turner (Kingston upon Hull East)	Chris Elmore
Mark Menzies (Fylde)	Stuart Andrew	Dr Philippa Whitford (Central Ayrshire)	Patrick Grady

# Written Statements

Friday 11 September 2020

## CABINET OFFICE

### Withdrawal Agreement Joint Committee

**The Chancellor of the Duchy of Lancaster and Minister for the Cabinet Office (Michael Gove):** The withdrawal agreement Joint Committee met on 10 September at Lancaster House, London. The meeting was chaired by the Chancellor of the Duchy of Lancaster, and the European Commission vice-president, Maroš Šefčovič, alongside the alternate co-chairs of the Committee, the Paymaster General and Michel Barnier. Representatives from the Northern Ireland Executive and the EU 27 member states also joined by videolink.

The Committee discussed the UK Internal Market Bill and the Northern Ireland protocol. The UK made it clear that the legislative timetable for the Bill would continue as planned and reiterated its commitment to implementing the withdrawal agreement, including the Northern Ireland protocol, and the decisions of the Joint Committee.

The UK Government also stressed their obligations to the people of Northern Ireland, their determination to uphold the constitutional status of Northern Ireland, and their responsibility to provide good governance for the whole United Kingdom. As co-guarantor, along with Ireland, of the Belfast/Good Friday agreement, the Government's commitment to that agreement remains absolute.

The UK Government will continue to engage in Joint Committee discussions constructively, with the aim of finding a satisfactory outcome for both sides.

[HCWS449]

## TREASURY

### Office for Budget Responsibility: Economic and Fiscal Forecast

**The Chancellor of the Exchequer (Rishi Sunak):** Today I can inform the House that I have asked the Office for Budget Responsibility (OBR) to prepare an economic and fiscal forecast to be published in mid to late November.

[HCWS447]

### Excise Duty and VAT

**The Exchequer Secretary to the Treasury (Kemi Badenoch):** The UK has left the European Union and entered a transition period. In light of this new relationship the Government have reviewed the excise duty and VAT treatment of goods purchased by individuals for their own use and carried across borders in their luggage. The Government are today announcing the rules which will apply to goods carried across borders by passengers travelling to and from Great Britain to countries outside the United Kingdom. These changes will apply from 1 January 2021 when the transition period comes to an end.

Currently these reliefs are largely set out in EU legislation, with different rules for those travelling to or from the EU, and those travelling to or from non-EU countries. This will have to be aligned following the transition period so that EU and non-EU passengers are treated equally. At spring Budget, on 11 March 2020, the Government published a consultation on the potential approach to goods carried across borders by passengers. There were a range of views and evidence submitted in response to that consultation and the Government have had to balance competing policy objectives, while taking into account the views of stakeholders. A full summary of responses to the consultation has been published alongside this statement.

This announcement focuses primarily on the treatment in GB. The Government continue to work with the Joint Committee on the implementation of the Northern Ireland protocol. The Government are also committed to providing guidance on how the Northern Ireland protocol will work, including for duty-free and tax-free goods, ahead of the end of the transition period.

The Government will make and lay a statutory instrument subject to the negative procedure before the House of Commons in due course to give effect to these changes from 1 January 2021. The below summarises the final policy decisions.

#### *Duty-free sales and personal allowances*

The Government are taking advantage of the opportunity provided by the UK's new relationship with the EU to enable passengers travelling from GB to the EU to purchase duty-free excise goods once they have passed security controls at airports, ports, and train stations on international routes, on the same basis as currently applies to passengers travelling to non-EU destinations. This means passengers travelling from GB will not have to pay UK VAT and excise duty on these purchases of alcohol and tobacco products when they travel to an EU destination. They will also be able to purchase duty-free goods onboard planes on international routes, on international train journeys and ships sailing from GB to a destination outside the UK for consumption on-board and to take away. This is something that many businesses have raised as part of the consultation and the Government will implement this as soon as the transition period ends.

At the same time, passengers travelling to GB from the EU will no longer be able to bring back unlimited amounts of alcohol, tobacco, or other goods (for example, clothing and electronics) for personal use without making a declaration and paying the relevant taxes. Passengers will instead have the option to bring in defined amounts of alcohol, tobacco and other goods purchased from duty or tax-free shops, or with tax and duty paid on the high street, in the EU without paying the relevant taxes and duties on entry to GB. These personal allowances currently apply to non-EU countries and the Government are now ensuring that EU and non-EU passengers are treated equally. The Government are also using their new freedoms to significantly increase the current allowances for alcohol for passengers arriving from both EU and non-EU countries. This will allow a reasonable amount of alcohol to be brought into GB, for example three crates of beer, two cases of still wine and one case of sparkling wine, without the relevant taxes being due. The current levels of allowances will remain for tobacco products and all other goods.

*Tax-free sales under the airside extra-statutory concession*

Currently airside tax-free sales of non-excise goods are permitted under an extra-statutory concession for those travelling from the UK to non-EU countries. The Government made clear in the consultation that they had a number of concerns over how the benefit is passed on to passengers and that in some instances the relief is not consistent with international tax principles. As such, the Government are not extending tax-free sales to passengers travelling to the EU but are instead withdrawing tax-free sales across the UK for all passengers from 1 January 2021.

*The VAT retail export scheme*

Similarly, the VAT retail export scheme will not be extended to EU visitors and will be withdrawn for

non-EU visitors in GB from 1 January 2021. This means that overseas visitors will no longer be able to obtain a VAT refund on items they buy in GB and take home with them in their luggage. The VAT retail export scheme is a costly relief which does not benefit the whole of GB equally, with current use of the scheme largely centred in London. Retailers will instead continue to be able to offer VAT-free shopping, consistent with international principles of taxation, to non-EU visitors who purchase items in store and have them delivered direct to their overseas addresses. Following the end of transition period, this will also be available to EU visitors.

[HCWS448]









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