PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

Public Bill Committee

FINANCIAL SERVICES BILL

Tenth Sitting

Tuesday 1 December 2020

(Afternoon)

CONTENTS

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

not later than

Saturday 5 December 2020

The Committee consisted of the following Members:

Chairs: † Philip Davies, Dr Rupa Huq

† Baldwin, Harriett *(West Worcestershire)* (Con)
† Clarkson, Chris *(Heywood and Middleton)* (Con)
† Creasy, Stella *(Walthamstow)* (Lab/Co-op)
† Davies, Gareth *(Grantham and Stamford)* (Con)
† Eagle, Ms Angela *(Wallasey)* (Lab)
Flynn, Stephen *(Aberdeen South)* (SNP)
† Glen, John *(Economic Secretary to the Treasury)*
† Jones, Andrew *(Harrogate and Knaresborough)* (Con)
† McFadden, Mr Pat *(Wolverhampton South East)* (Lab)
† Marson, Julie *(Hertford and Stortford)* (Con)
† Millar, Robin *(Aberconwy)* (Con)
† Oppong-Asare, Abena *(Erith and Thamesmead)* (Lab)
† Richardson, Angela *(Guildford)* (Con)
† Rutley, David *(Lord Commissioner of Her Majesty's Treasury)*
† Smith, Jeff *(Manchester, Withington)* (Lab)
† Thewliss, Alison *(Glasgow Central)* (SNP)
† Williams, Craig *(Montgomeryshire)* (Con)

Kevin Maddison; Nicholas Taylor, *Committee Clerk*

† attended the Committee

Public Bill Committee

Tuesday 1 December 2020

(Afternoon)

[Philip Davies *in the Chair*]

Financial Services Bill

Clause 32

Debt respite scheme

2 pm

The Chair: Before I call Pat McFadden, it might be helpful if I give a bit of guidance so that we do not go off-piste from the scope of the clause.

To clarify, the scope of the clause takes in the debt respite scheme, similar schemes to assist individuals in debt, and measures to stop people getting into debt in the first place, where these are specifically connected to businesses regulated by the Financial Conduct Authority. Items outside the scope of the clause include: personal insolvency, including reforms to debt relief orders, and any other matter set out in the Insolvency Act 1986; the provision of advice to the public about personal finance decisions; corporate debt, and measures to stop people getting into debt in the first place that do not concern businesses regulated by the FCA. I hope that is helpful.

Mr Pat McFadden (Wolverhampton South East) (Lab): I beg to move amendment 29, in clause 32, page 38, line 22, leave out subsection (2) and insert—

"(2) Section 7 of that Act (debt respite scheme: regulations) is amended in accordance with subsections (2A), (3) and (4).

(2A) For subsection (2), substitute—

(2) After receiving advice from the single financial guidance body under section 6, the Secretary of State shall make regulations establishing a debt respite scheme within 12 months of this Act coming into force."

This amendment would require the debt respite scheme to come into force within 12 months of this Act being passed.

I cannot think that anyone on this Committee would try to push the boundaries of what it is legitimate to include in our debates, Mr Davies. That would be a truly shocking thing for anybody on a Public Bill Committee to do, so I hope that we will not see any of that in the next few hours.

I will not push amendment 29, which I am sure is in scope even if it is not perfect, to a vote; rather, I will use it to ask the Minister a question. The purpose of tabling the amendment was to make the point that we want to get a move on with this debt respite scheme, which has support on both sides of the House, because of the current pandemic situation and the difficult economic impact it is having on the household finances of a large number of people. Unfortunately, this will lead to increased problems of debt and to more people looking for the kind of help that is envisaged in the clause. People should have access to thr debt respite scheme, so I would be grateful if the Minister set out a little more about the timetable for introducing the scheme after Royal Assent.

The Economic Secretary to the Treasury (John Glen): Let me see if can get straight to the right hon. Gentleman's point. The statutory debt repayment plan is an option that will be available to people who go into the breathing space scheme. That will be up and running on 4 May next year, and the SDRP is an option that we would move the regulations for as soon as possible after this Bill is passed. After Royal Assent, we will consult on those regulations. Given the challenges and complexity involved, we need to work very closely—as we did on the breathing space scheme—with the debt advice sector, creditors and regulators to ensure that we deliver the policy successfully.

The regulations that come from this work will need to be developed and consulted on over a longer timetable, and we will consult on those draft regulations as soon as possible after the Bill receives Royal Assent. In the meantime, we are pushing ahead with the implementation of the breathing space scheme, which will come into force on 4 May next year. Other voluntary and statutory debt schemes will continue to be available to debtors in the meantime. This is an option to add to the list of options available to those who go into the breathing space scheme.

Amendment 29 would require the Government to make regulations establishing a debt respite scheme within one year of the Financial Guidance and Claims Act 2018 coming into force. As that Act has been in force since 1 October 2018, that would make it a retrospective requirement and I do not think that is quite what is intended. The regulations establishing the first half of the Government's debt respite scheme—the breathing space scheme—were made in November 2020, and the right hon. Gentleman participated in the debate on that statutory instrument. That part of the scheme will commence in May 21, as set out in those regulations.

Leaving aside the drafting issues, I understand that hon. Members are keen that the Government do not delay introducing the second part of the scheme, the statutory debt repayment plan. I assure the Committee that it is our intention to support those who are experiencing problem debt swiftly and effectively. The Government will consult on those regulations as soon as possible after the Bill receives Royal Assent. We set out our outline policy in the June 2019 consultation response, but there is significant ongoing work to be done. In the meantime, the breathing space scheme will be up and running from next May and all existing statutory and voluntary debt solutions remain available to those in problem debt. I respectfully ask that the amendment be withdrawn.

Mr McFadden: As I said, I do not intend to press the amendment today. I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Stella Creasy (Walthamstow) (Lab/Co-op): I beg to move amendment 34, in clause 32, page 38, line 23, at end insert—

"(2A) After subsection (3) insert—

(3A) Where, by virtue of subsection 2, the Secretary of State makes regulations establishing a debt respite scheme, the time period that the debtor protections provided for by virtue of section 6(2)(a) and section 6(2)(b) shall be no less than 120 days."

This amendment would require the breathing space to provide debtors with a minimum of 120 days protection from the accrual of further interest and charges and enforcement action.

The Chair: With this it will be convenient to discuss new clause 11—*Extension of the Breathing Space and Mental Health Crisis Moratorium*—

"(1) The Debt Respite Scheme (Breathing Space Moratorium and Mental Health Crisis Moratorium) (England and Wales) Regulations 2020 shall be amended as follows.

(2) In paragraph 1(2), for '4th May 2021' substitute '31st January 2021'.

(3) In paragraph 26(2), for '60 days' substitute '12 months'."

This new clause would bring forward the start date of the Debt Respite Scheme and extend the duration of the Breathing Space Moratorium from 60 days to 12 months.

Stella Creasy: It is, as ever, a pleasure to serve under your chairmanship, Mr Davies, and a pleasure to have this debate. I see the Minister is already smiling. I know he has been looking forward to this debate, because he and I have talked for some time now about how best to help our constituents with debt.

As a nation, we find it easier to talk about anything other than money; even our intimate relations tend to get more coverage in our national press now than the state of our bank balances. Each of us, as representatives in this place, will know from our surgeries how critical this issue is for our country and how important it is to get right the measures to help people with their financial position, because the honest truth is that this is a country not waving but drowning. We all see it in our constituencies.

Mindful of what you said about scope, Mr Davies, in speaking to the amendments I will first set out why I agree with the Government absolutely that we need a breathing space scheme. The amendments come from a desire to work with the Minister to get that scheme right. I know he shares my concern to get these policies right, because we see in our communities the damage—the financial damage, the social damage and the mental health damage—caused by problem debt.

I do not think we can start to have the conversation about whether the Bill needs amending until we define what we mean by problem debt, which is a term that we use interchangeably in debates and discussions. We know that when people do not talk about their debts, they can get into all sorts of debt without thinking that it is a problem until it is too late. All of us, whether we have been an MP for a year, 10 years or 20 years, will have encountered the person who comes to a surgery and says, "I'm going to be evicted next week. Can you help me save my house?" We know it is too late, because they have got into a level of debt they cannot get out of, but they did not see it as a problem.

One of the things that we must do in this place is to make it as popular to talk about our debts and the problems that debt can create, how people can be good with money and how we can help people be good with money—and, when it comes to the Financial Conduct Authority, how we make sure it is a fair fight—as it is to talk about people's intimate relations. Indeed, the sidebar of shame in the *Daily Mail* should be more about companies seeking to exploit our constituents by offering them poor levels of debt that we want the FCA to regulate than the size of Kim Kardashian's derrière. I put that out there as something we should be more concerned about.

Problem debt has been an issue for generations, and over the past decade it has got a lot worse. It is important that the Government are proposing a breathing space, because we can layer on top of that debt the Monty Python foot that is covid and the disruption to people's lives and livelihoods. I know that some Members would rather be in that debate today than in this one, but I hope I can convince them that this debate in Committee and getting these measures right is the most important place we can be.

As a country we do not talk about problem debt. We do not even see it as a problem, but the problems that will face our constituents and communities in the coming months will be horrific. Let us consider how almost half the UK adult population went into 2020 with debt already hanging over their head, with almost 5 million of our fellow citizens owing more than £10,000 in credit and loans alone. That is unsecured personal debt. This is not about mortgages and housing debt; it is about people having too much month at the end of their money, and people finding ways to deal with that that do not seem to them to be a problem because, if they can keep cycling things through the cards and keep borrowing and making repayments, they can probably keep going.

The nation went into coronavirus already in hock in ways that make people financially vulnerable, but without an awareness of what that might mean for their communities. When asked about their debts at the start of 2020, 40% of those polled said the debt was due to normal living expenses. One thing that we need to knock on the head is the fact in this country debt is not about people buying flash cars and tellies, much though that sidebar of shame might like to make us think it is. It is about people trying to put food on the table and keep the car going so they can get to work, and yes, there are people putting their mortgage on their credit cards.

When I talk about problem debt, I do not just mean the Wongas of this world. I mean the credit card companies that have a sort of respectability because they have helped to keep people going. I am not against borrowing or any form of credit at all, but when we know how the country and our constituents were leveraged at the start of this year, and we see what has happened this year, getting right our proposals to help them, because debt will be a problem, becomes all the more important.

Alison Thewliss (Glasgow Central) (SNP): Does the hon. Lady agree with me that there is a big problem around catalogues and debt for basics such as school clothes, trainers and jackets? People are building up debt for the essentials of life and are told they can pay it back in tiny amounts, but it is over a very long period, which means the debt is never really cleared.

Stella Creasy: I completely agree. Many a time have I had conversations with constituents about how they buy things, and they do not see it as a problem. They have no other option, so they use the catalogues and do not look at the interest rates. What they need is not more financial education, but more options. The brutal reality is that it is very expensive to be poor in this country. That is why it matters that the things we do to help them if they get into difficulty work.

Ms Angela Eagle (Wallasey) (Lab): Does my hon. Friend agree that when it comes to debt and interest payments incurred—the price of having that debt—the

[Ms Angela Eagle]

concept of an unfair contract is far too lax on those who lend the money and far too harsh on those whose circumstances often, as the hon. Lady just mentioned, mean that they have to borrow?

Stella Creasy: My hon. Friend knows that I completely agree with her. She also knows that she is tempting me to discuss other amendments that I have tabled about that fair fight, and I do not want to disrespect you, Mr Davies, or the Clerk in trying to keep us to the issue at hand. My point is that when we talk about a respite scheme to help people with problem debt, we have to be clear about what we mean by problem debt and whether people recognise that they have a problem. The point of a breathing space is to be able to address that problem.

The hon. Member for Edinburgh West (Christine Jardine) and I tabled the amendments because we recognise that people do not necessarily see things as a problem until it is too late, so when we construct measures to help people in these difficult places, we have to be able to work with them and where they are at, and how people deal with debt. We might look at something and say, "That is an unsustainable financial situation that you have got yourself into," but our constituents not see it that way.

I said at the start that it was worth thinking about where this country stood at the start of the year. There are conflicting figures, which I am sure the Minister has been looking at. I know he shares my concern about consumer debt and consumer credit. Bank of England data shows that during the coronavirus crisis people have actually been trying to pay down their debts—frankly, they have been stuck at home, so they have money and they think, "Well, I'll try to pay down my debts." Since March this year, £15.6 billion of household debt has been repaid, and credit card debt has fallen by 13% in the last year.

2.15 pm

The Minister might think that is a ground for optimism—that maybe our country can cope with its debt and it may not be as much of a problem; that when we are thinking about things like a breathing space process, there may not be that many people who need to use it. The worry I have is that we have to set that against the figures on unemployment and people already in debt with no savings, because that was how they coped with the cost of living. They are the people the Government expect to go out and spend money when all the shops reopen, to put money back into the economy and to eat out to help out. Those people will be in the position where they are going to drown, because that is how they put food on the table and they will have lost their jobs.

The conservative estimates of unemployment this year are about 3 million or 3.5 million; many people think it may rise to 4 million. It does not take a rocket scientist to recognise that if our country is dependent on people going out to spend again and credit is easily available—credit is a critical part of the FCA's role, and I have tabled further amendments on that—something has got to give, but it does take a Parliament that sees personal debt as a national priority. We know that it will be our constituents' pay packets. Those are the people who will need a breathing space. The concept of a breathing space is absolutely right, because it comes into play when people have a problem.

New clause 11 speaks to the same concern that I have, which is what happens when people finally ask for help. We know that many do not ask for help. They might talk to their friends or their friends might lend them money, but in this environment that is not going to happen. There are going to be double pressures, including the social pressure that comes from the shame of getting into a financial difficulty. Those of us who have been involved with our local food banks in the last seven months know that a new crowd is turning up, consisting of people who have never had to deal with financial disruption in the ways that we have. We have people who are on low incomes and always have been who are very good at budgeting, because they have always known that the catalogue is the only way to get things sorted and that that is the extra cost they have to pay. We have people who are self-employed, whose industries have completely collapsed, who are suddenly finding themselves in need of debt advice and help.

The amendments are about how to make the breathing space work for everyone. There may absolutely be people seeking help for whom 60 days is enough time to get things sorted and make some difficult decisions about what assets—if they have any—they can sell.

Mr McFadden: My hon. Friend has done a huge amount of work on this over the years. Amendment 34 seeks to extend the breathing space period to 120 days. Does she think that covid factors add to the case for having a longer period than was initially envisaged?

Stella Creasy: My right hon. Friend is right, and that was one of the points I was going to make. If we are dealing with a new group of people who have never been in financial difficulty before, one of the sources of help and support for them may well be our welfare system. Anybody who has ever dealt with people trying to make new claims in our welfare system knows that 60 days is an incredibly tight timeline for that to happen—to deal with any appeals and paperwork, and to even get a response to the claim that has been made. Yet experience tells us then when people do get into problem debt, sometimes they do not know what support they are entitled to.

The amendments speak both to the reality of people and to the practicality of making a breathing space work. I hope the Minister will see them in that way and recognise that that is why so many debt advice providers support the amendments and say, "Yes, actually, what's proposed does feel too tight to get things right." Some people's situations can be resolved in 60 days; others' will take longer. It is not right to close off the opportunity of a breathing space by setting a deadline or threshold that means that for some people who are waiting for information it will be too late. The amendments speak to how we can make the process work for everyone, giving debt advice providers the discretion to be able to work with people and to use the breathing space for its intended purpose, which is to give those who recognise they have a problem the chance to get it sorted before we go into some of the more serious options.

The brutal reality is that we know that, with jobs thin on the ground, debt already mounting up and the cost of living not reducing any time soon, not everybody who gets a breathing space is going to be able to breathe again. I know the Minister would be frustrated if, rather

than the financial position of the people involved, it was that timing, that threshold, that meant the breathing space did not work in the way in which it is intended.

The Minister will have seen that I have tabled other amendments on we make this breathing space work. I know he cares about getting this right. In these Committees, there is always pressure on Ministers to say no to amendments, but I hope he will acknowledge that this is about making the policy work, recognising the evidence on the ground about what works with people who are in problem debt and how long it takes them to see that they have a problem. If he does not accept the timescales, if he does not accept the intentions of myself and the hon. Member for Edinburgh West in acknowledging the distress people feel when they have to front up and talk to a stranger about the financial position they are in and their fears in an environment where unemployment is widespread. Goodness knows, getting people to take debt advice at the start of this year, when there seemed to be jobs in our economy, was difficult—anybody who tried to refer a constituent to Citizens Advice knows that. Getting people to a point where they have the chance to breathe again means making this process work.

If the Minister does not think the extension is right, I am keen to hear what he thinks we should do to make sure that that threshold is not a cliff edge over which people fall and cannot come back from. We are all going to be seeing a lot of people in financial difficulty in the coming months in our surgeries—people who have nowhere else to turn, people who are very frightened, and people whose families, homes and mental welfare depend on us getting this right.

Ms Eagle: I wish to spend a short amount of time congratulating my hon. Friend the Member for Walthamstow on the focus and experience she brings to this very important topic. As she said, debt is one of those taboo subjects. People feel ashamed if they have got into debt and tend not to discuss it—sometimes within their own relationships, let alone with other people—because it is a source of shame.

To some extent, it is a bit like the people who fall for scams or fraud. It is a uniquely difficult thing because if someone has got themselves into that situation, it makes them feel ashamed of their behaviour or that they have fallen for something. They feel isolated and unable to discuss it and go to get assistance. To some extent, even getting to what my hon. Friend is suggesting in her amendment means someone has gone a considerable distance: first, admitting there is a problem, and secondly, seeking help and trying to see what can be done to alleviate the problem.

I also feel that when people get into debt in this manner, they are uniquely judged by those looking on. The taboo is reinforced by the judgmental nature of onlookers who think, "I would never get into debt like that," or, "How on earth have they done that?" There are caricatures of how people who get into debt behave that are almost designed to blame them for their debts, suggesting that somehow they are incoherent with money, that they cannot manage, that they have inadequacies, or that they have gone on spending sprees all over the place and not thought about the future. I suppose in a minority of cases that might be true, but in the majority of cases, in my experience—certainly in my advice surgery—it is not. People get on a slippery slope.

We live in a consumer-oriented society where those who wish to sell us things, and the financial services companies that wish to provide us with the wherewithal to buy them immediately, are very sophisticated. We are in a culture very different from the one I grew up in. I will now reveal how old I am: when I was growing up, one had to put money away and pay for goods gradually before one could get them. Now there are all sorts of electronic currencies that can be used.

On Black Friday, I was shopping for deals from my room, but—uniquely—had no positive results because everything was out of stock. That demonstrates how easy it is to spend money to acquire things, and to get into debt. It is now instantaneous. With the shift to online, one does not even have to physically be in shops to buy things; one is two clicks away from having this kind of problem.

If ever there were something that made it easier for people to get into trouble, it is the speed and effectiveness with which they can click on things and spend money. We talk about that with regard to gambling, but buying goods can also be addictive. People are propagandised the whole time about how success comes with having goods, and that one has to have the right trainers and the right brands.

Alison Thewliss: The hon. Member makes an excellent point. In my constituency some years ago, a survey was carried out on how people felt in local communities about the pressure on them to have things. Does she agree that in many communities there is a huge amount of pressure put on people to fit in and to have those goods? Lots of shame is carried by families who feel they cannot afford things, which then puts pressure on them to go beyond their spending limits.

Ms Eagle: Absolutely. It is about success and belonging, and that is the kind of culture that the very sophisticated advertisers that push this kind of thing go for. They also advertise to children, so there is the pester element of it. Kids used to want the latest Cabbage Patch Kid; I do not know what it will be this year, but whatever it is will be extremely expensive and beyond the means of quite a lot of people.

The Chair: Can I gently interrupt the hon. Lady? I am happy to give a bit of latitude for people to set out the issue, but I do not want this to become a Second Reading debate on debt. If we could stick a bit more rigidly to the amendment, I would appreciate it.

Ms Eagle: Of course I will, Mr Davies. The amendment is about having breathing space when one has got into this situation. I accept your guidance, obviously; I was merely trying to set out how people can get into a situation of requiring breathing space, how judgmental people can be about debt, and how different the culture is now about getting into debt. It is so much easier to do it—just two clicks away.

To introduce breathing space and some of the issues that we will get on to in terms of trying to get people out of debt, we need to shed the taboos so that people can ask for help. We need to think about how we can put more warnings in between the two clicks it takes to spend. We also need, as a society, to stop being quite so

[Ms Angela Eagle]

judgmental about the situations that people find themselves in. If we can do that and foster more upfront and open discussions about how such situations happen, and if people can stop feeling so ashamed about it and so alone, we may find that there are better, more effective ways of tackling debt and preventing the necessity for the breathing space issue.

2.30 pm

I accept that we are not there yet. I am more than happy to support the amendment of my hon. Friend the Member for Walthamstow and I will be interested to hear what the Minister has to say about it.

John Glen: Forgive me, Mr Davies; I did not acknowledge what a pleasure it is to serve under your chairmanship in my previous remarks, so I do so now. I will address amendment 34 and new clause 11, but first I feel that I should respond to the general context that colleagues have raised. The hon. Member for Walthamstow is right that I share many of her perspectives, if not always her solutions.

High-cost credit will always be with us; the question is about the terms on which it is made available and what we can do to make available better alternative provision of credit. As the hon. Lady acknowledged, we have had conversations and debates about the issue many times. It will be useful for the Committee to know that Chris Woolard, the former interim chief executive of the FCA, is currently conducting a review into high-cost credit, particularly looking at the explosion of new models of payment—"buy now, pay later" in particular.

I have also been very focused on making more of the alternatives, by supporting the credit unions to allow them to lend more easily and by looking with the Association of British Credit Unions, one of their trade bodies, at what legislation we can bring forward. That is something we have committed to. I have also committed to working on pilots for the no-interest loan scheme, because that could be really useful; if we can establish where that can be used, it would provide a meaningful alternative.

Some of my most compelling experiences as an MP have come from working on the all-party parliamentary group on hunger and food poverty with the hon. Member for South Shields (Mrs Lewell-Buck) and the former Member for Birkenhead. On a visit to South Shields in 2014, I remember seeing first hand some of the really challenging situations that people get into with debt. That has been echoed in my own constituency in Salisbury, where the Trussell Trust was founded. That is why it is really important we have invigorated the support that the debt advice sector can have. We have allocated an extra £37.8 million in May, so that it has £100 million this year.

The main objective of the breathing space mechanism is to get people to a place where they can evaluate their situation and find the right option. The effect of amendment 34 is to require the Government to provide protections that last at least 120 days when making future regulations concerning breathing space or the statutory debt repayment plan. The amendment does not amend the existing breathing space regulations, which, I believe, was probably the intention. The aim of breathing space is to provide temporary debt relief, and extending the duration by that amount of time does not align with the policy intent.

In the 2017 manifesto, we committed, as an aspiring Government, to a six-week moratorium breathing space period. That is what we consulted on and it was, I think, through my direction as the Minister two and a half years ago that we committed to extend that to 60 days. That was the expectation and consensus among those who contributed to that. The Government consider those 60 days to be an appropriate period for a breathing space moratorium. I have not received any direct representations from charities, although StepChange believes that 60 days is the right period, although that could be changed in exceptional circumstances. I recognise that that charity may consider that as being met, but I am told by my officials that I have not received direct representation about that.

Stella Creasy: Apologies; I just want to clarify. Some 80 debt advisers have written to the Committee to support the measure on precisely the grounds that I have set out. Is the Minister saying he has not seen those representations or that he does not see them as a voice of the sector? There is a difference and I do not know whether that is an absence we need to address.

John Glen: The difference is that, as a Minister, I have not been written to by them. I recognise that there is a range of views out there, but I also recognise that a significant piece of work was done to consult on and to establish these measures and to secure cross-party support for them.

We believe that the time period will allow individuals to identify and access a debt solution, while the fixed period will provide certainty to creditors. It is important to reflect on that: this is in the interests of both the debtors—the individuals who have significant debt—and also creditors, often small businesses, who are owed money. There is a judgment to be made about how that balance is achieved.

Given the current circumstances, I understand why Members believe that a stronger moratorium would benefit those in problem debt who are struggling with their finances during this difficult time. The Government have put in place an unprecedented package of support to help people with their finances during the covid-19 pandemic. We have worked with mortgage lenders, credit providers and the FCA from the outset to help people manage their finances. A lot of work has been done and is still being done by financial services firms to make those measures work.

During the consultation period, the Government explained their position on the duration of the scheme and were supported, as I said, by many stakeholders. The regulations were approved by Parliament in October and by the Welsh Senedd in November and have subsequently been made.

The amendment would also apply to any regulations made in the future on the statutory debt repayment plan—the second part of the debt respite scheme, which the clause is focused on. It would set a new minimum duration for an SDRP of 120 days. Of course, in practice, most SDRPs are likely to last for a period of

years rather than months, allowing individuals to repay their debts to a manageable timetable. Introducing a minimum duration is not likely to be a necessary protection in this scheme.

New clause 11 would do two things. First, it would require the breathing space scheme to commence on 31 January 2021 instead of 4 May 2021, which was set out in regulations that we approved in October, as I said earlier. Secondly, the new clause would also extend the duration of a breathing space moratorium from 60 days to 12 months.

Increasing the duration of the scheme to 12 months would create much greater interference in creditor rights without increasing any of the corresponding safeguards. For example, the midway review process, which regulations stipulate must take place between days 25 and 35 of a breathing space moratorium, would need to be reconsidered and redesigned.

As the breathing space regulations have already been made and the proposed amendments would not achieve the policy intent, I ask, with some regret, the hon. Member to withdraw the amendment.

Stella Creasy: I thank the Minister for his response. I am sorry to hear that he did not see the document, which I know was sent to his office yesterday by the debt advice workers, because I think we all recognise that we are dealing with unusual circumstances. Covid is that Monty Python foot coming down on any of the plans that might have made the policy intent 60 days prior to our current situation.

Unless the Minister thinks that the Office for Budget Responsibility is wrong about the levels of redundancies, unemployment and financial contraction—we have not even mentioned the B-word, Brexit, on top of that—that will face the economy that we want to provide the jobs that allow people to earn the money to pay off their debts, he is having a bit of a tin ear to what people are saying. In this circumstance, we need to extend the breathing space for it to be a breathing space.

This is not just about high-cost credit; this is about the people who are stuck on credit cards as well—the people who will end up spending 25 years to pay back the credit card average debt at minimum repayments. He talks about small businesses. This is about people who have mortgages, for example—

John Glen: It is small businesses.

Stella Creasy: Well, but there are also major banks. If we push too quickly, problem debt will sink any possible financial recovery. We have never learned that lesson as a country. I really wish we would. With the greatest respect to the Minister and his talk about policy intent, he is in the wrong place on these measures at this point in time. I will press this to a vote because I think it is important that we set on the record the concern that we should listen to the debt advisers who say that we will need longer in the pandemic to sort the issues out.

Question put, That the amendment be made.

The Committee divided: Ayes 6, Noes 10.

Division No. 6]

AYES

Creasy, Stella	Smith, Jeff
Eagle, Ms Angela	
McFadden, rh Mr Pat	
Oppong-Asare, Abena	Thewliss, Alison

NOES

Baldwin, Harriett	Marson, Julie
Clarkson, Chris	Millar, Robin
Davies, Gareth	Richardson, Angela
Glen, John	Rutley, David
Jones, Andrew	Williams, Craig

Question accordingly negatived.

Stella Creasy: I beg to move amendment 35, in page 38, line 23, at end insert—

'( ) After subsection (3) insert—

( ) Where, by virtue of subsection 2, the Secretary of State makes regulations establishing a debt respite scheme, these regulations shall not extend to placing debt advice providers under any obligation to initiate a review of debtor eligibility for the protections provided by the scheme.'"

This amendment would remove the requirement in the current draft regulations for debt advice providers to conduct a 'mid-way review' of eligibility for breathing space.

This amendment follows in a similar vein to amendment 34 in trying to make the Government's policy work. It is about how we translate policy intent into the practical reality of dealing with people who are in problem debt. I said in the previous debate that problem debt might be when people realise that they have a problem with their debts and finally seek help. A breathing space in those circumstances would be useful.

Amendment 35 is about the midway review. I encourage the Minister to check his inbox because he will see the note from the 80 different debt advisers, who are the people we will be charging to deal with the debt respite scheme and make it work. They say that there are two very practical reasons why they would like the clause to be amended. Any good debt adviser will be in continual contact with their client and will try to make the breathing space a genuine one that leads somewhere rather than simply limbo. To those debt advisers, the requirement always to have a midway review does not work for two very simple, practical reasons. First and foremost, it moves them from being somebody who might be able, finally, to offer a helping hand and wise counsel to being someone who is policing their relationship with that debtor. We have all had someone come into our constituency surgery who is in financial difficulty and had them cry because they are embarrassed and ashamed. At that point, censure is not helpful; for someone in debt, practicality and kindness are the things that get them through. To ask debt advisers to police the breathing space could have a negative impact on the relationship with the debtor. We are simply suggesting that rather than making the midway review a requirement, we should give the debt advisers the discretion to decide.

The second reason that debt advisers support the amendment is entirely practical and refers again to the policy intent that the Minister set out. The brutal reality is that there will be a big increase in the numbers of people needing debt advice. The Minister has given more funding to the debt advice sector, but that is being done in an environment where millions of people are out of work, and millions already have debts and limited credit options. I wish that the expansion of the credit union movement could happen; as a Co-operative Member as well as a Labour Member, we have been talking about that since I was elected in 2010, but that has yet to materialise. The reality is that people will be looking for

[Stella Creasy]

credit and it is likely to be had at an expensive price; we can all debate what expensive is, and I know that later amendments refer to that. The reality is that there will be a lot of people who will need debt advice and to include the mandatory requirement of a midway review will limit how debt advisers can manage their caseload.

To put it into context, and I wager that I am not the only Member in this situation, in the last seven months, 42% of my constituents have come to be dependent on some form of Government support. People are in a completely new scenario; they have suddenly found themselves without the income on which they have always relied.

2.45 pm

Not all those people will seek help; some may just go under. Some will come to my surgery in tears. Think of that repeated across the country, and imagine the number of people who will need help. We must let our debt advice services help them. If our debt advice services, the citizens advice bureau or StepChange cannot get to them, we all know who will—the high-cost credit companies, and the doorstep lenders, who have been out there in this pandemic. I have seen in my constituency the leaflets offering people loans to get through covid. We may read the small print, but some of these leaflets do not even have small print. There is a direct trade-off there.

Charities such as StepChange worry that a personal debt crisis is emerging because of covid. The severe debt problem has almost doubled since the start of the outbreak, and affects 1.2 million people. What if, through the respite system, 1.2 million people get the help that we want them to? Imagine trying to organise the mandatory review for those 1.2 million people, instead of giving debt advisers the flexibility to be the advocates and the wise counsel that we want them to be.

The policy intent may not have changed, but the context has, as I hope the Minister recognises. It is therefore right to remove the mandatory review. Perhaps it could be put into statutory guidance or something as a good idea; StepChange was relatively flexible about that in its evidence to us. Mandating the review, though, and saying to debt advisers that they have to police people during a time of economic restriction, when we know the shame that comes with debt, is a retrograde step.

Mr McFadden: Is my hon. Friend's fear about the midway review that it is too onerous a burden on the debt advisers, or that it may exclude from the breathing space people who still need it, but who are pushed out halfway through?

Stella Creasy: My right hon. Friend raises a real concern. If we have a large influx of people needing to speak to a debt adviser, and there are no appointments, will they get access to help? One reason why they will not be able to get an appointment is because debt advisers will have to do a midway review with people. We should simply trust debt advisers. Anybody who has worked with them, as the Minister has, will know that they are part Martin Lewis, part Alison Hammond from "This Morning"—a kind person who makes jokes so that a person feels better about themselves. They are trying to help people in distress. Through the legislation, we are asking them to do a job; we should let them do it as they see fit.

I hope that the Minister will listen to the sector when it says, "Let us hold those reviews when we need to, rather than telling us that we have to hold them, because if we are overwhelmed by people, we can't do the job that you are asking us to do." I do not disagree on the policy intent, but the context is different, and if we do not react to the context, all this good work, and all the legislation, will be for nothing, because there will not be appointments. There will be a negative relationship between debt advisers and the people whom they are trying to help, which will affect whether people listen to what advisers are saying; debts will continue to rise; creditors will go unpaid; and for people, the breathing space will feel like holding their breath, rather than coming up for air.

Alison Thewliss: We should recognise the professionalism, expertise and qualifications of those giving debt advice to our constituents, and not try to put a provision in the Bill that prejudges what they do. Speaking from experience, they have worked incredibly well, over time, with my constituents, so I question whether the midway review is necessary.

Let me give a case from my constituency. A woman came to my office very upset, very much in the way that the hon. Member for Walthamstow described, because she was being evicted the next day. We had to swing into action and try to find ways around that, and spoke to the Glasgow Housing Association. It did take time to make that happen, but the GHA sat down with her, went through all her bills and outgoings and worked with her intensively over a period, to make sure it would get the rent money and that the other debts she had, that were also causing her problems, were taken care of.

I was struck by the professionalism of the GHA advisers and by the fact that they were experienced and were tough but compassionate with the woman. They made sure she could see a way through. If people see an arbitrary cut-off point halfway through, that will give them fear, not reassurance. There is a risk that the respite will be removed from people who are supposed to be helped by the midway review, if it is put at an arbitrary halfway point. The Minister should consider whether that is really the outcome that he wants to achieve. Yes, there should be some kind of review mechanism, but my experience is that it is done all the way through the process. There is no need for the midway review, because reviewing is already happening.

John Glen: Amendment 35, put forward by the hon. Member for Walthamstow, would restrict the Government's ability to require debt advisers to complete any review of debtor eligibility in any future regulations made concerning breathing space or the SDRP. As the Committee will be aware, breathing space regulations were approved by the House in October, and they state that a debt adviser must complete a midway review after day 25 and before day 35 of the moratorium.

The amendment would not amend the existing breathing space regulations, which I believe was the intention. In addition, it would apply to any regulations made in the future on the SDRP and the second part of the debt respite scheme, which the clause is focused on. That would restrict the Government's ability to require debt advisers to complete any review of debtor eligibility related to a plan. It is expected that SDRPs will be

reviewed annually, or when requested by a debtor, to ensure that payments are set at the right level and the plan remains appropriate. If those reviews could not consider a debtor's eligibility in any way, that could be a significant constraint on the design and effectiveness of the scheme in future, and would remove the safeguards put in place for creditors.

Stella Creasy: What the Minister has just said suggests he thinks there is a binary choice between debt advisers reviewing and being involved in seeing how the breathing space is working, and their being completely absent. Does he recognise that, in the words of a previous Prime Minister, there could be a third way? Debt advisers could be given the professional courtesy of having the responsibility of doing their job. As part of that there might, absolutely, be some people they would spend more time with, whereas they might know that others had got on the right course. It is not that debt advisers would be absent if not put under a requirement; sometimes red tape can be a burden, not a benefit.

John Glen: Absolutely; that is why we listened carefully to the sector in constructing the measure. For example, when we were designing the breathing space scheme, we worked with the Money and Mental Health charity to design a different pathway for different groups with chronic crisis in mental health, allowing them to re-enter the scheme on multiple occasions in a year, and giving an extra provision. It is not something where I am being prescriptive when, alongside the SDRP regulations, it is being consulted on. However, we are in danger of making arbitrary changes in a similar vein.

If I leave aside the question of drafting, which I think I have addressed, the Government consider that a midway review is necessary to the breathing space scheme, to assess whether the debtor continues to comply with the conditions of the moratorium. I see that not as a policing exercise but an appropriate step in reviewing the suitability of the mechanism. The breathing space mechanism will not work for everyone, and it is important for a review to take place.

During the consultation period the Government explained their position on the midway review and it was supported by many stakeholders. The regulations were approved by Parliament in October and by the Welsh Senedd in November, and were subsequently made. I respectfully ask the hon. Lady to withdraw the amendment.

Stella Creasy: Again, I am afraid that the Minister has a slightly tin ear to the reality of what people will be asked to do and what they are trying to do. We cannot have it both ways. It cannot be claimed that our amendments about how services should be run are too prescriptive but it is not prescriptive for the Government to specify that after 30 days there must be another meeting, something which puts at risk the ability of debt advice providers to manage their own diaries. That does feel like the dead cold hand of the state going overboard, and I am sure that many Conservative Members present who perhaps have pledged their lives to fighting such intervention would recognise that that requirement is rather prescriptive.

Above all, I am listening to the sector, and those debt advisers say that in the current environment, when they will be overwhelmed by so many people needing their help, they should be allowed to do it in the way that they know best. I do know that the Minister wants to get this right, but I think he is not listening, and I think it is important that Parliament does, so I will press the amendment to a vote. We can then say to the sector that we have tried to articulate its concerns about this particular prescriptive clause.

Question put, That the amendment be made.

The Committee divided: Ayes 6, Noes 10.

Division No. 7]

AYES

Creasy, Stella	Oppong-Asare, Abena
Eagle, Ms Angela	Smith, Jeff
McFadden, rh Mr Pat	Thewliss, Alison

NOES

Baldwin, Harriett	Marson, Julie
Clarkson, Chris	Millar, Robin
Davies, Gareth	Richardson, Angela
Glen, John	Rutley, David
Jones, Andrew	Williams, Craig

Question accordingly negatived.

Stella Creasy: I beg to move amendment 33, in page 38, line 38, after "applies." insert—

'(4B) The regulations must include provision for an assessment, before the introduction of any debt repayment plan, of the debtor's resources by a debt advice provider which must—

(a) disregard the value of the debtor's main residence, provided that this does not exceed the median house price reported by the Land Registry for the local authority in which the debtor resides;

(b) make a recommendation about the timetable under which the individual can repay the debt whilst maintaining a living standard at least equivalent to that of households in the second quintile of income distribution."

(4C) The regulations must require any debt repayment plan to take account of the assessment under subsection (4B) in determining the timetable over which the debt can be repaid.

(4D) The regulations must make provision for a revised assessment in the event that it is not possible for the debtor to repay their debts within three years and maintain the required living standard during this period, in which the debt advice provider must consider, and offer advice on, insolvency options available to the debtor."

This amendment requires any regulations for the Statutory Debt Repayment Plan to make provision for an assessment of a debtor's resources and, should the debtor be unable to pay their debts within three years, for a revised assessment to advise on insolvency options.

I am hoping for third time lucky in convincing the Minister that there are things that we need to address.

Amendment 33 is about maths. It is about how debts are calculated and how we understand whether someone is able to take advantage of the debt advice scheme—I am sure we always looked forward to double maths on a Tuesday afternoon at school. It is about how we make the scheme work while recognising that some of the guidelines and regulations on how to deal with those in problem debt have not kept pace with the times. I am not talking just about covid but about some of the calculations that have made been over a period of time.

I am incredibly mindful of what you said, Mr Davies, about insolvency and not straying into a discussion of the Insolvency Act 2020. When we are thinking about

[Stella Creasy]

debt advisers and what work they can do with people, however, it is relevant to consider the options, as the Minister said. That is what we have the debt adviser for—they may push people towards different statutory formats. The reality is that the cost of those options and the cost of living will, I believe, artificially restrict debt advisers' ability to give the best advice. The amendment is about giving clarity to how those calculations should be done, so that we do not see people pushed into further difficulties, or indeed fail to seek help because of those artificial thresholds.

What am I talking about? At the moment, it costs £680 to file for bankruptcy. If someone is broke, filing for bankruptcy is often beyond their reach. That means that they are stuck in limbo. The breathing space protections are designed to operate before someone reaches that point, so that they have space to sort out what they are able to do. If the calculations mean that none of the available options are open to someone, because they have no money, which is why they need a breathing space and why they turned up at a debt adviser, that is no choice at all. It is the Henry Ford choice—every option is the black car.

I started by talking about the average debt of £10,000—in those Tuesday afternoon maths lessons we will have studied the mean, the mode and the median. Households with the worst debt, who owe more than £20,000, will be excluded from some of the available options. The debt adviser will be unable to have that conversation with those people because those debts mean that they are too far gone. In fact, a debt relief order is open only to the very poorest because people have to be at the point where their monthly surplus income is less than £50 after accounting for their expenses. That £50 threshold was set in 2009. We all studied inflation in our Tuesday afternoon maths lesson, so we recognise that a £50 threshold in 2009 does not make any sense in 2020.

The amendment would help to set out the level of living expenses we should expect people to have before we start talking about their debts, so that we are not asking people to be in penury. That does matter, because we could be talking about people being in that financial position for a very long period of time.

3 pm

As the debt advisers who have written to the Minister say:

"The current calculation of essential expenditure is underpinned by the use of the Standard Financial Statement 'trigger figures', which have been agreed by the Money and Pensions Service and the credit industry. These figures are derived from the actual expenditure of very low-income households (those in the bottom income quintile). Where the expenditure of the debtor is higher than these 'trigger figures'"—

the 50 quid—

"or 'spending guidelines' then creditors are apt to object and to demand higher repayments."

Basically, only if someone is absolutely flat broke, but not too in debt, are these options open to them. That means that these options are not as open to people as we want them to be.

I have been looking at the figures. I am sure, as I say, that many hon. Members have started to see it in their constituencies—people who have never struggled with debt before and have previously had wealthy incomes or good incomes, but who work in industries that are collapsing. Those people might be taking some of the welfare assistance. As I say, that is now up to 42% in my constituency—a London borough that people might think of as a wealthy place. We can buy a chai latte, but we also have the ninth highest level of child poverty because of housing costs. These are some of the people that we are going to want to help make sense of their finances.

It does not make sense to have thresholds that were written 11 years ago that do not make any sense in the current financial context. It does make sense to start to ask, "What is a reasonable and fair level of income—people might be having to deal with this for some time in their lives—so that you can put food on your family's table and so that you are not tempted by those leaflets offering you a loan, no questions asked, to get through covid?". We will come on to whether the FCA is dealing with those companies. The reality is that they are already on people's doorsteps; they are in all our constituencies now. If we cut people off from sensible, pragmatic options for how they can deal with their debts, not just emotionally but practically, they will of course take the other option, because the alternative is to have no money at all and to be unable to feed their family. It is not even about the cost of Christmas—Christmas has gone for those people, and they cannot get respite from some of the other schemes.

The amendment sets out some very basic parameters for the kind of living that we would want for our constituents. It is not affluent and it is not exorbitant, but it is a sensible move to help make sure that people can get through being in a debt repayment plan without it being so onerous that they either take more borrowing and get themselves into more difficulty, so that they then have to resort to debt management—there will always be companies that will lend to people in difficulty, as the last 10 years have taught us and as we have all seen it in our constituencies—or they go hungry. They are the people who will end up at food banks, and none of us wants that. Wherever we land on the food bank debate, I think we all agree that we do not want people to have to rely on them. It is only when we get such cases in our constituencies that we will see where those thresholds come in and why people have to rely on food banks. It is therefore right that we act in this place to move the thresholds.

Amendment 33 says some very simple things about housing costs and about living standards, and it moves from the lowest quintile to the second lowest quintile, which is, as I say, not exorbitant. It is just about giving people a decent breathing space and making sure that they can eat while they start to repay their debts.

John Glen: Amendment 33, tabled by the hon. Member for Walthamstow, would dictate specific eligibility criteria for a statutory debt repayment plan, which would involve requiring debt advice providers to carry out a complex assessment of a debtor's resources against external data and benchmarks and, where a debtor is unable to repay their debts within three years, to conduct a revised assessment of the debtor's circumstances and advise on insolvency solutions.

I reassure the Committee that the Government are keen for any eligibility criteria to strike the right balance between allowing suitable debtors to enter the protections

of an SDRP and ensuring that creditors are repaid over a reasonable timeframe. The Government set out the proposed eligibility criteria in their consultation response of June 2019, and they expect the principles to remain the same.

Imposing an additional obligation on debt advice providers to conduct an assessment of a debtor's living standards, fixed by reference to income distribution and local house prices, could lead to inflexibility and inconsistency in the way the SDRP is provided. In any case, the appropriate mechanism for setting out that level of detail is the regulations, on which, I absolutely reassure the Committee, the Government will consult.

I turn to the suggestion that debt advice providers be required to conduct an assessment of a debtor's circumstances, and to consider insolvency solutions if the debtor is unable to repay the debt within three years. Again, let me reassure the Committee that it is absolutely the Government's intention for debtors' plans to be reviewed regularly. In fact, our consultation response proposes that debt advice providers complete an annual review to ensure that a debtor's plan continues to be the most suitable solution for them. This review can propose changes to the planned payments if the debtor has experienced a rise or fall in surplus income.

In line with the consultation response, we expect to include in the SDRP regulations provision for a debtor to request a review, and provision for payment breaks in the case of an income shock. The ability for an individual's plan to last longer than three years, and up to a maximum of 10 years in exceptional circumstances, is intended to support sustainable repayment plans over time. If, once the SDRP scheme is up and running, a debt adviser considered an insolvency solution more appropriate for an individual than their entering into an SDRP over a longer period, that option would remain available.

Stella Creasy: I thank the Minister for what he is saying, and I appreciate that he is setting out that he thinks the amendment is not needed because there will be earlier interventions. Does he understand that the £680 cost of going bankrupt can be a barrier to taking up the options that he is talking about? It could lead to people above these very low thresholds staying in the same position not for a couple of years, but for seven, eight, nine or 10 years—not because they want to live like that, but because they have not got enough money built up to take the alternative.

John Glen: I recognise that these are complex matters. There will sometimes be a need to pay fees over a much longer period, and that option exists. The consultation on how the regulations will work will engage very closely with the sector, and I anticipate that it would get to the right place. I do not think that I have reassured the hon. Lady, but I hope that I have reassured other members of the Committee about the Government's intentions. I ask her to withdraw the amendment.

Stella Creasy: I thank the Minister for what he said. If he is saying that he is prepared to engage on the subject of debt advice—perhaps the debt advisers' writings for the Committee on this point were lost in translation—I am happy to withdraw the amendment. It is about recognising that the thresholds have to change, and it sounds like the consultation is the right place to have that conversation. If the Minister nods and says that that is the sort of thing that the consultation will consider, that is perfect.

John Glen *indicated assent.*

Stella Creasy: I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Question proposed, That the clause stand part of the Bill.

The Chair: With this it will be convenient to discuss the following:

New clause 12—*Impact of COVID-19 on the Debt Respite Scheme: Ministerial report—*

"(1) The Treasury must prepare and publish a report on the impact of the COVID-19 pandemic on the implementation of the Debt Respite Scheme.

(2) The report must include—

(a) a statement on the extent to which changes to levels of household debt caused by the COVID-19 pandemic will affect the usage and operation of the Debt Respite Scheme;

(b) a statement on the resilience of UK households to future pandemics and other financial shocks, and how these would affect the usage and operation of the Debt Respite Scheme; and

(c) consideration of proposals for the incorporation of a no-interest loan scheme into the Debt Respite Scheme for financially vulnerable individuals affected by the COVID-19 pandemic.

(3) The report must be laid before Parliament no later than 28 February 2021."

This new clause would require the Treasury to publish a report on the impact of the COVID-19 pandemic on the implementation of the Debt Respite Scheme, including consideration of a proposal for the incorporation of a no-interest loan scheme into the Debt Respite Scheme.

New clause 19—*Report on functioning of debt respite scheme and compatibility with personal insolvency regime—*

"(1) The Treasury must prepare a report on—

(a) the functioning of the debt respite scheme under section 32;

(b) the extent to which it is achieving its objectives;

(c) its compatibility with personal insolvency legislation and policy.

(2) That report must be laid before Parliament no later than one year after this Act is passed."

New clause 25—*Debt Respite Scheme: review—*

"(1) The Chancellor of the Exchequer must review the impact on debt in parts of the United Kingdom and regions of England of the changes made by section 32 of this Act and lay a report of that review before the House of Commons within six months of the date on which this Act receives Royal Assent.

(2) A review under this section must consider the effects of the changes on debt held by—

(a) households,

(b) individuals with protected characteristic as defined by the Equality Act 2010,

(c) small companies as defined by the Companies Act 2006.

(3) In this section—

"parts of the United Kingdom" means—

(a) England,

(b) Scotland,

(c) Wales, and

(d) Northern Ireland; and

"regions of England" has the same meaning as that used by the Office for National Statistics."

This new clause would require a review of the impact on debt of the changes made to the Financial Guidance and Claims Act 2018 in section 32.

John Glen: Clause 32 builds on existing legislation, and will allow us to implement a statutory debt repayment plan that will help people who are in problem debt. The Government want to incentivise more people to access professional debt advice, and to do it sooner. To this end, we are introducing a debt respite scheme.

The first part of the scheme is a breathing space, which commences on 4 May 2021. The second part is the SDRP, which will be a new debt solution for people in problem debt. It will provide a revised, long-term agreement between the debtor and their creditors on the amount owed, and a manageable timetable over which those debts are to be repaid. It is intended that during the agreement, debtors will be protected from most creditor enforcement action, and from certain interest and charges on debts in the plan.

The clause amends sections 6 and 7 of the Financial Guidance and Claims Act 2018 to allow the Government to implement the SDRP effectively, as set out in their policy consultations on the debt respite scheme. The amendments will allow the Government to make regulations that can compel creditors to accept amended repayment terms and provide for a charging mechanism where creditors will contribute to the running of the scheme, ensuring it is fair and sustainable.

The clause will also allow the SDRP to include debts owed to central Government, which is crucial to helping people in problem debt. In time, I hope that will encourage more people to access debt advice sooner and enable them to repay their debts within a more manageable timeframe.

We are debating a number of new clauses alongside the clause, and I will allow hon. Members to speak to those before I respond to them. I recommend that the clause stand part of the Bill.

Stella Creasy: I will speak to new clauses 12 and 19. New clause 12 appears in the name of my friend, the hon. Member for Edinburgh West, but I recognise that she and I share a similar concern about seeing these measures in the round. As the Minister has spoken this afternoon, he has made the case for doing that, because he has talked very strongly about the policy intent and all the work that has been going on, but he has said limited amounts about the Monty Python foot of covid coming down on those best intentions.

Both of these new clauses speak to that Monty Python foot and the very different circumstances people face in terms of having a stable income to be able to repay any debt, problem or not, over the coming years. We know that there is already a problem brewing on top of a problem—a double problem, as it were. I am sure I could think of a better analogy if it was not a Tuesday afternoon.

One in three of those people reporting a fall in income over the past seven months has already borrowed to try to make ends meet. They are already on that carousel, going round and round, putting a bit of money here, hoping they can put another bit there and wondering when it will stop—hoping that schemes will come through. I am sure we will have heard about the economic impact in the debate in the main Chamber today, so I simply say to colleagues on the Government Benches: "You cannot be concerned about the economic impact of the tier system if you turn a blind eye to the debts in our communities and what happens to them." It is dangerous simply to presume that we can spend our way out of this, knowing that debt is not equally distributed in our country.

That is why the new clauses are about having that evidence in front of us. I am a big fan of evidence-based policy making—although it has not often been in vogue in the 10 years I have been an MP—particularly when it comes to debt. That is partly because the figures change. As I said in my first set of contributions, there is some evidence that people are paying down their debts and trying to be more financially resilient, but we know that a tsunami of unemployment and low incomes is coming our way, and we know it will hit people who have not had to deal with it before—people who have never had to budget in the way that they will have to budget in the coming months.

The new clauses are about having that information and understanding why people take up particular options. Again, I do not wish to prosecute the Insolvency Act 1986 and how it works, but I do wish to set out that, if people cannot access those mechanisms, the breathing space is no breathing space at all—it is just limbo. We will not know that unless we put those measures in the context that these new clauses create by asking to have that information and that detail. If we do not ask ourselves why it is that every six minutes a person is declared insolvent and bankrupt in the UK, is that going to change over the year ahead? If not, is the breathing space working, or is it that people are not able to access alternative support?

The Minister will need that information to be able to flex the policies, as he inevitably will have to because of the Monty Python foot of covid. The longer this place pretends that that is not going to be a problem—that debt is not going to be part of everyday life for millions of people who have never really had to deal with it before—the more the vultures will circle. I have tabled other amendments later on in the Bill, and I do not know whether we will get to them today, but I know we will get to them on Thursday. Those amendments are about how we protect consumers, but sunlight is the best disinfectant—knowing where the damage is being done.

These new clauses and this data are about recognising that we will not get everything right now. There may be all sorts of consequences. What happens if the implementation of the vaccine takes longer to do and more industries go bust? We have already seen Arcadia going into administration today. What happens if it comes in more quickly, but the jobs that are created or the jobs that are available to people pay a fraction of what they previously earned? There are huge uncertainties ahead in the policy context into which the policy intent is being put.

I hope the Minister will see the new clauses from myself and the hon. Member for Edinburgh West as they are intended, which is to be forewarned and forearmed so that we can take a muscular and proactive approach in this place to not just protecting consumers and our constituents, but preventing problem debt in the first place. We would then not have to have that conversation with people about whether it is a problem that they have put everything on the credit card, taken out a payday loan in one of its various forms, taken out an Amigo loan or gone to the buy-now-pay-later industry, which we are going to come on to.

3.15 pm

All of us would love to talk to our constituents about how they are going to get their businesses back up and running and how we are going to get our communities moving again. However, debt is the dark shadow that will be cast over any economic or social policy in this country for generations to come, unless we start talking about it and dealing with it.

Alison Thewliss: I rise to support new clause 25, which appears in my name and that of my hon. Friend the Member for Aberdeen South. I also want to speak in favour of new clause 12, because what it asks for would be quite useful.

Our new clause on the debt respite scheme review asks for the Government to take a wider look at the impact of debt and the effects of changes on debt held by households, individuals with protected characteristics and small companies, as defined by the Companies Act 2006. The Government should do so across different parts of the United Kingdom, because there may well be differential impacts in different parts of the country in terms of support schemes and what is happening on the ground. It is important to look at the matter in this wider context. It looks to the very complexity of people and their businesses, and how they organise their finances and their debt.

I will start by giving an example involving some of my constituents. They are a couple who live in socially rented accommodation. He is a taxi driver and she is a wedding and events planner. Covid has hit them incredibly hard because he cannot go out and earn the same way that he could. He was able to access some Government support, but she was not. She did not have a premises or a shopfront, but just a small unit where her wedding kit was kept. She has not been able to access any Government support at all. She was told to go on to universal credit, but the people at the Department for Work and Pensions did not understand what she did in her business and how that support ought to have worked for her, and she feared she would have to give up her business altogether.

The point of raising this example is the decision she made in the circumstances. She looked at the debts that she had and the bills she had to pay, and decided that the most pressing and dangerous debt was her credit card. She paid down the credit card because she knew if she did not paid that, the consequences would be financially much greater. However, when she went to the Glasgow Housing Association and said she was having trouble paying her rent, they said "Well, how did you pay your credit card?". She said, "I think you're not going to evict me." That was her gamble and her choice.

My constituent thought that there would be some way of managing her housing debt better than her credit card debt. That was the decision she took. It might not be the decision she would have taken had she had financial advice, but she was looking at the different balances and debts, as well as looking to the months ahead and not knowing whether her business would be able to get up running. She was not able to access any Government grants for business support, and it was a difficult time for her husband as a taxi driver as well.

Families and businesses are often one and the same. My constituents are two individuals but also a business and a family together, and their debts are all wrapped up together. That is why I am asking the Government to look at these different things in a holistic way. She is a woman and she is disabled, so she would fall into that characteristic as well. She is doing a brilliant job trying to run her business and balance things, but it is important that the Government understand all these intersecting things that are going on for people right across the UK.

The hon. Member for Walthamstow talked about some people being able to pay back their debt. There is evidence to suggest that because some people have been able to keep working and have less outgoings—because in many cases there is nothing much to do and to spend money on—they have been able to pay back their debt and make quite a dent in it, or to put money towards a mortgage or other things. However, some are very much unable to do so. There is evidence of a growing division between those who have been able to keep working, and those who have had no support and are not able to work. It would be useful for the Government to do a wee bit more work on that and on how it affects people.

The Minister talked about Government debts and debt to Government Departments. I want to reflect a wee bit on how the Department for Work and Pensions often treats debts. I have constituents who are struggling to pay back overpayments of tax credits to the DWP, to the point where it is making it difficult for them to put food on the table or pay their other bills because so much is being wheeched off at the start and they have very little income coming in.

I have another constituent who had issues with HMRC wanting additional money. Again, they went through all his finances and started taking money back. He was fairly well off, having worked in a sector that was reasonably well paid, but HMRC was going through his finances pretty much the point where it was questioning whether he should be giving his children money for their school dinners. These are the kind of outgoings that are being questioned, and that makes it incredibly difficult for people to plan for the future.

The other aspect of Government debt that I will pick up on is the vast cost of people's immigration status in this country. I have constituents who put their and their children's leave to remain applications or citizenship applications on credit cards. That is a vastly expensive way to try to pay for status in this country. If they do not do that, they will not have all the freedoms that the rest of us enjoy, so they take that difficult choice of paying an absolute fortune for citizenship. Some of that was down to their child wanting to go on a school trip with their classmates, so they had to pay for citizenship and a passport for that child so that they can go on a school trip with their school pals. That is a horrible choice for families to have to make, but that is the

[Alison Thewliss]

expense of the immigration system and the impact that it has on the debts of many people who have a protected characteristic. The Government need to be aware of what the different parts of Government are doing in that regard.

The last point I will make on that is about people who have no recourse to public funds who end up going into huge debt, either on their housing or bills or other things. For many of my constituents, it is people who are out working every hour that they can, but because they have no recourse to public funds, they do not get the social security support that their next-door neighbour would get. Again, those protected characteristics come into play here. It is worth the Government looking at what they are doing to force people into debt, to force them into difficulties and to force them into situations that make it difficult to live a normal life and deal with the debt that the Government are causing through the costs of the DWP, Home Office and HMRC systems.

Lastly, I will speak to new clause 12. It is important that we look specifically, as the hon. Member for Edinburgh West (Christine Jardine) asks for, at the impact of covid- 19 on the debt respite scheme. It is important that the Government understand exactly what has happened to those people who I mentioned at the start, who do not have any income coming in, who have not been eligible for support schemes and who cannot work, perhaps because they or a member of their family are shielding, and plan for future pandemics and shocks in a similar way. While I think an awful lot of work was done on the public health aspects of pandemics, very little—nothing really—was done on the economic impact on households and individuals and on how people can get themselves back out of this.

It is worth considering the long-lasting effect of having or being affected by covid and on the impact on people's ability to work in the future if they or a family member have had long covid, for example. That will completely change a family's financial circumstances in a way that they could not possibly have anticipated. It may force that family into debt, and a long-term debt at that. It is worthwhile the Government doing a bit of extra work, as new clause 12 pretty much gets at, to see what the impact of that is, because we will need to understand that going forward. We should not be pushing people into a circumstance that they cannot easily get out of. The Government need to understand that better and to do some further the work on that, so I very much support new clause 12 and what it asks for.

Mr McFadden: I should begin by acknowledging that the Minister has put an awful lot of work into the debt respite scheme. He has encouraged it, consulted the sector widely and really tried to get it right. As I said at the beginning, the Opposition support it. It is a valuable addition and a source of help for people in debt.

The new clauses call for a review of the scheme at some point in different ways, which is the right thing to do with a new scheme. It makes sense to look at how it works and see if any changes need to be made to it. We have already had a debate about whether 60 days or 120 days is the best timescale, and a review could consider that sort of thing. Of course, there is also the covid impact, which new clause 12(2) specifically references. Covid will have an impact on household finances. We had an exchange in Treasury questions an hour or two ago about corporate debt and small business debt. I therefore do not think that the new clauses on review are in any way a threat to the basic integrity of the scheme. They simply ask for a look back at the scheme after a year or so of operation.

I could give the Committee a long and enthusiastic speech about the merits of the third way, but I suspect I will fall foul of your instructions about scope, Mr Davies. I award the prize for word of the day to my friend the hon. Member for Glasgow Central who has given *Hansard* the challenge of spelling "wheeched", which I can roughly translate as forcibly or speedily removed. I think we would agree on that definition, but I look forward to seeing how that appears in our record.

John Glen: We are considering several amendments and I turn first to new clause 12. Its effect is to require a report to be published by 28 February 2021 on the impact of covid-19 on the debt respite scheme. That would include statements on the impact on levels of household debt and financial resilience, and what that might mean for how the scheme works, and consideration of the incorporation of a no interest loan scheme.

As the Committee knows, covid-19 poses many uncertainties. The Government have responded dynamically to the challenges posed and taken unprecedented action to support individuals and businesses during this time. With that in mind, teamed with the fact that both elements of the debt respite scheme are new policies, arriving at any sort of meaningful estimate of the impact of covid-19 on the scheme's expected usage and operation will be very difficult.

Expected demand and take-up of both elements of the debt respite scheme have been quantified to the extent possible and published in the appropriate impact assessments, which have been approved by the Regulatory Policy Committee. A more detailed impact assessment will be developed alongside implementing regulations establishing the statutory debt repayment plan to a longer timetable, which will of course need to consider the full impact of covid. We will be more able to evaluate it over that period. The Government will of course closely monitor both schemes' usage once they are up and running, and consider the impacts of covid-19 and the wider economic recovery.

Turning to the suggestion for the report to explore financial resilience more broadly, I point towards the Government's annual financial inclusion report, which was published only last week. We also work closely with the Money and Pensions Service, which was established in the last two years, the FCA and other stakeholders to monitor personal finances, including financial resilience. Earlier, I mentioned some of the measures I have been engaged in as the Minister for this area with the Pensions and Financial Inclusion Minister.

Finally, the new clause also requires a report exploring the incorporation of a no-interest loan scheme into the debt respite scheme. The Committee will be pleased to hear that the Government are working closely with stakeholders towards a pilot of a no-interest loan scheme, building on the findings of a feasibility study published earlier this year. I am personally passionate about that. It will be an amazing breakthrough if we can institutionalise the scheme and establish its credibility. That will have to

be on the basis of international comparisons, establishing which groups of people would benefit most from it, and how we can establish a protocol around the cost. Clearly, given the vulnerability of the people to whom we seek to apply it and make it available, it will be expensive to deliver, but I continue to persist with it.

Any pilot will take time. Of course, it is urgent, but I would rather ensure that it is credible and can be supported more broadly. Reporting by February 2021 on the viability of a no-interest loan scheme risks coming to a premature judgement based on inadequate evidence—I say that with some experience, given that I have been working closely on this for some while. I can assure the Committee, however, that I will keep Parliament updated on progress as we continue that work over the coming months.

3.30 pm

I hope that I have succeeded in explaining the difficulties associated with quantifying the impact of covid-19 on the debt respite scheme in the short term, while I recognise that this will need to be an important part of our analysis of problem debt going forwards. I hope that I have also reassured the Committee on the Government's commitment to tackling problem debt and supporting those who are most affected by covid-19.

Turning to new clause 19 tabled by the hon. Member for Walthamstow, as drafted it would require a report to be published on the functioning of the debt respite scheme under clause 32 of this Bill within one year of its Royal Assent. However, clause 32 does not provide for a debt respite scheme to be made under it; clause 32 is limited to amending sections 6 and 7 of the Financial Guidance and Claims Act 2018. It is those sections which set a framework for the establishment of a debt respite scheme; this Bill amends them in order to give the Government the full range of powers we need to implement the statutory debt repayment plan effectively.

The amendment would also compel the Government to publish the review within one year of this Bill receiving Royal Assent. As hon. Members will be aware, the breathing space scheme will start on 4 May 2021, and regulations establishing the statutory debt repayment plan have not yet been made, and are unlikely to have been made and implemented by the date required in the new clause.

Leaving aside the drafting, I recognise that hon. Members are keen for both elements of the debt respite scheme—both the breathing space scheme and the SDRP—to be properly evaluated, both to establish the extent to which they are helping to deliver the positive impact we want to see for people in financial difficulty, and how they might impact on the wider personal insolvency context.

Regulations establishing the breathing space scheme, which were approved in October, already include a requirement on the Treasury to carry out a review of the scheme within five years of its commencement. I can reassure the Committee, again, that the Treasury and the Insolvency Service, which will administer the scheme, will be closely monitoring its operation during that time, so I do not rule out further intervention, should it be required. In the meantime, I can reassure hon. Members of the Government's intention to ensure similar review arrangements are put in place when SDRP regulations, on which we will consult, are made.

Finally, I will now turn to new clause 25. Its effect is to require the Government to produce a report, within six months of this Bill receiving Royal Assent, on how the specific changes made by clause 32 to the Financial Guidance and Claims Act 2018 have impacted on debt across the United Kingdom. I must point out that neither the 2018 Act, nor clause 32 of this Bill, will have an impact on debt, as neither implement the SDRP directly. Instead, the SDRP will be established by regulations made using the powers in the 2018 Act, as amended by clause 32. However, as I have said, those regulations are unlikely to have been made and implemented by the date specified in the new clause. The limited changes made by clause 32, and the date by which the new clause would require the Government to report, means that it is unlikely that this report would be a useful contribution to the debate.

Similarly, as the breathing space scheme regulations have already been made, and as the scheme commences in May next year, provisions contained within clause 32 will not have any impact on that scheme within the timeframe prescribed by this amendment, and may never need to be used in relation to it.

However, I can reassure the Committee that the Government is committed to carrying out full and proper evaluations of both this breathing space scheme and the SDRP after their commencement. I want this to work well and effectively—as, I am sure, do all hon. Members—for the vulnerable people whose cases have been raised in this debate.

As I have already mentioned, the breathing space regulations contain a contain a provision for the scheme to be evaluated, and a report published, no later than five years after its commencement. The Government will consider the equalities impacts as part of the SDRP policy-making process, as we are legally obliged to ensure that it does not discriminate against any protected characteristic.

Finally, let me turn to the point made about the parts of the United Kingdom where this amendment would have effect—namely in all four nations. There is unlikely to be any direct impact in Scotland from the provisions in clause 32, as this clause—and the relevant sections of the Financial Guidance and Claims Act 2018—do not extend to Scotland. I take this opportunity to thank officials in Scotland, who have been in regular dialogue with my officials to share best practice of their scheme—a lot has been learned from that—as well as officials in Wales and Northern Ireland for their continued engagement. I therefore ask that the new clause be withdrawn.

Question put and agreed to.

Clause 32 accordingly ordered to stand part of the Bill.

Mr McFadden: I think there is some confusion about why the new clauses were not put. Can you clarify that, Mr Davies?

The Chair: The new clauses are determined at the end, so although we have debated them, I will put the question at the end of the process. The opportunity to divide the Committee on the new clauses has not been lost, should that be the wish of those who have tabled them—that applies to all new clauses. I hope that helps.

Clause 33

Successor accounts for Help-to-Save savers

Alison Thewliss: I beg to move amendment 36, in clause 33, page 39, line 30, at end insert—

"(c) the successor account must bear, in each financial year, at least the same level of bonus as the mature account before maturation."

This amendment would ensure customers do not lose any bonus should their funds be moved from a matured account into a new one.

The Chair: With this it will be convenient to discuss amendment 37, in clause 33, page 39, line 30, at end insert—

"(7) Regulations under sub-paragraph (2) may only be made if the conditions in sub-paragraph (8) are met.

(8) The conditions referred to in sub-paragraph (7) are—

(a) there must be an account available to any affected customer which provides at least as generous a bonus structure as the matured account.

(b) the customer must have been successfully contacted by a relevant department or public body.

(c) the customer must have been given full and accessible information on the effects of changing account."

This amendment would ensure customers are contacted and informed before their funds are transferred.

Alison Thewliss: Looking at the clause, we feel that it is important to protect customers who may have put money into help to save accounts but do not necessarily follow all the things that come in the post and risk losing their bonus or losing track of the funds. It is important to ensure that those people, who are the most vulnerable—the type of people who might turn up to my surgery with a plastic bag full of unopened letters—are protected, along with the savings that they have made, and do not risk losing anything as a result of the changes being made.

Help to save customers really have enough on their plate at the moment without having to navigate myriad savings products to transfer the funds over. We think it particularly important that their accounts continue to earn interest until this crisis is over. Amendment 36 ensures that customers will not be given a lower bonus should their funds be moved from a matured account to a new one.

In the Savings (Government Contributions) Act 2017, the Government introduced help to save accounts with the big purpose of encouraging working people with very low incomes and who were in receipt of certain benefits to save money. Since the launch of the scheme, more than 222,000 people have opened help to save accounts, with £85 million deposited. That is quite a significant number of people and a significant amount of money. My worry is that between opening the account and now, people may have moved house multiple times or may have been difficult to trace, and it is important the Government do all they can to ensure that people do not lose the money to which they are entitled.

I would be interested to hear from the Economic Secretary how the Government manage to keep in touch with those 222,000 people. How many of them do the Government expect to contact in advance of the Bill's passage? What protections will be put in place? It seems important to ensure that those people, who are not the most financially literate people in the country, get as much advice as possible. StepChange, in its evidence to the Committee, was quite happy with the idea of accounts staying open just that wee bit longer, to give people extra time and reassurance so that they can transfer funds when they can. Many people up and down country have seen bank branches closing in their local communities, and it is now a lot more difficult to go and set up a new account than it was before.

The Government need to make the changes as easy and as simple as possible, to ensure that those who have money saved know where it is and can access it, and do not lose out in any way by changing from one scheme to another.

John Glen: The Government are committed to supporting people of all income levels to save, including those on low incomes, through the pioneering Help to Save scheme. To be clear, the scheme provides generous Government bonuses of 50% on up to £50 of monthly savings after two and four years—I say to all hon. Members that it is a great scheme to promote among all their constituents. This means that an individual could save £2,400 and receive £1,200 in bonuses over a four-year period. I hope the Committee will agree that this is an attractive incentive to encourage people to save and build up that resilience. In fact, as of September 2020, more than 47,200 account holders had benefited from their first bonus payment, with an average value of £375 two years after opening their accounts.

The effect of amendment 36 would be to extend Help to Save accounts beyond their intended four-year term. The aim of Help to Save is to kick-start a regular, long-term savings habit, and encourage people to continue to save via mainstream savings accounts. The Government's view is that a four-year Help to Save period is sufficient to achieve this objective. Therefore, the Government do not consider it necessary to extend the bonus incentive beyond four years.

Clause 33 relates to what happens to the customer's savings at the end of the four-year period. This clause provides the legislative basis for successor accounts, which is one of a number of options that the Government are considering for supporting those customers who have become disengaged from their Help to Save account. We expect that the majority of account holders will make an active decision about where they want to transfer their money. Indeed, HMRC and National Savings and Investments will communicate with account holders ahead of accounts maturing, to ensure that savers receive appropriate information and guidance on the range of retail options available to continue saving once their participation in the scheme ends.

On the specifics of amendment 37, if the Government decide to proceed with successor accounts, account holders will be contacted both before and after the transfer. Ideally, once customers have been contacted to highlight that their account is maturing, the vast majority will take an active decision to transfer the funds elsewhere. This policy is designed to support those who have disengaged from their account and failed to provide instructions for transferring their balance upon maturity.

Hopefully, with those clarifications, the hon. Member for Glasgow Central will be willing to withdraw the amendment.

Alison Thewliss: I still have a wee bit of hesitation about how the Government intend to communicate with people. If the Minister wants to write to me with a wee bit more reassurance about that, I would welcome that, because I am particularly worried. I know how often people move about and how they might lose contact with their accounts, and it would be useful to have a bit more detail from the Government about how many of those accounts they deem to be active and have money put into them, how many are relatively dormant, and the extent to which people are contacted to let them know what their options are.

Like I say, if there is money out there and it belongs to people in my constituency, I want them to be able to get it and have that money in their hand, because people need it, particularly at this time. If they have put money away, it should be there for them when they need it, and I would like a bit more detail from the Government about precisely what their communications strategy is, and how they are going to follow up with people. If they do not get in touch with those people the first time, are they going to follow them up a second time, and what then happens if they cannot reach somebody? A bit more detail on how the mechanics of that would work would be very useful, because, as I said, the purpose of amendment 37 is to make sure that customers are contacted and informed before anything happens to the money that is rightfully theirs. I ask for additional reassurance that they are not going to lose this money they have scrimped, saved, and done their very best for.

John Glen: I am happy to give that reassurance. I would just say that since this scheme has been operating, the Government have been working hard to understand better ways of promoting it, and the most cost-effective way of doing that. I have had meetings at the University of Birmingham with academics and charities to try to establish the best way forward. Obviously, we have only got to the early stages of the first two-year bonus, but the hon. Lady makes a perfectly reasonable point about wanting to make sure that those who have saved and have become disengaged can get hold of that bonus money, which the Government are very happy to give.

Alison Thewliss: Specifically on the point about engaging with academics and people who understand how best to do this, I would gently say that it is not necessarily the academics that the Minister wants to be speaking to, but the guy who turns up on a rainy Friday morning with a Farmfoods bag full of bills and unopened envelopes. That is the guy who the Government need to reach. That is the person they need to understand, and who needs to get that money if it belongs to him.

John Glen: Absolutely. I am just trying to demonstrate my willingness to engage with creative ideas about it. Obviously, our comms strategy has not yet been defined because of the gap between the maturing of it, but I will undertake to keep in touch with the hon. Lady and Committee members on the evolution of this construct.

3.45 pm

Alison Thewliss: I will press amendment 37 to a Division, but I beg to ask leave to withdraw amendment 36.

Amendment, by leave, withdrawn.

Amendment proposed: 37, in clause 33, page 39, line 30, at end insert—

"(7) Regulations under sub-paragraph (2) may only be made if the conditions in sub-paragraph (8) are met.

(8) The conditions referred to in sub-paragraph (7) are—

(a) there must be an account available to any affected customer which provides at least as generous a bonus structure as the matured account.

(b) the customer must have been successfully contacted by a relevant department or public body.

(c) the customer must have been given full and accessible information on the effects of changing account."—*(Alison Thewliss.)*

This amendment would ensure customers are contacted and informed before their funds are transferred.

Question put, That the amendment be made.

The Committee divided: Ayes 6, Noes 10.

Division No. 8]

AYES

Creasy, Stella	Oppong-Asare, Abena
Eagle, Ms Angela	Smith, Jeff
McFadden, rh Mr Pat	Thewliss, Alison

NOES

Baldwin, Harriett	Marson, Julie
Clarkson, Chris	Millar, Robin
Davies, Gareth	Richardson, Angela
Glen, John	Rutley, David
Jones, Andrew	Williams, Craig

Question accordingly negatived.

Question proposed, That the clause stand part of the Bill.

The Chair: With this it will be convenient to discuss the following:

New clause 3—*Help to Save annual report*—

"(1) The Treasury must prepare and publish an annual report on the Help to Save scheme for each financial year in which the scheme remains open to new accounts.

(2) The report must cover the following matters—

(a) the performance of the scheme;

(b) observations on take-up including, where applicable, reasons for take up being low;

(c) actions the Treasury proposes to take to increase take up of the scheme; and

(d) progress towards implementing successor accounts for the Help to Save savers.

(3) A report must be laid before both houses of Parliament no later than 31 October in the financial year following the financial year to which the report relates.

(4) The first annual report would be laid before both Houses of Parliament by 31 October 2021 and relate to the 2020-21 Financial year."

This new clause would require the Treasury to publish an annual report on take up levels of the Help to Save scheme.

New clause 14—*Help-to-Save accounts: report on effectiveness*—

[The Chair]

"(1) The Secretary of State must, within six months of the passing of this Act, and thereafter on an annual basis until 2027, lay before the House of Commons a report on the effectiveness of Help-to-Save accounts.

(2) The report in subsection (1) must cover—

(a) levels of take-up of Help-to-Save accounts;

(b) an analysis of the typical financial assets held by target users of the Help-to-Save scheme;

(c) an analysis of alternative forms of access to finance available to target users of the Help-to-Save scheme; and

(d) the effectiveness of the measures introduced by section 33."

This new clause would gather the data required to enable policy makers to understand the effectiveness of the help to save scheme in addressing asset inequality amongst the UK population.

John Glen: The clause will insert new paragraph 13A into schedule 2 of the Savings (Government Contributions) Act 2017. The clause gives the Treasury a power to make regulations that provide for the transfer of funds from a mature Help to Save account to a new or existing savings account with NSNI in the National Savings Bank where the account holder has not provided instructions upon maturity for it to be transferred elsewhere. It will be known as the successor account. The clause also provides that any regulations made under it cannot override the account holder's instructions for the transfer of the balance to an account of their choosing. Where a transfer is made to a successor account, no charge may be imposed on the account holder for the transfer.

The Help to Save scheme supports individuals on low incomes to build a savings fund over four years, providing a generous 50% bonus. More than 222,000 accounts have been opened as of July 2020, and more than 47,200 savers have benefited from their first bonus. At the end of the four-year term of the Help to Save account, savers will be encouraged to provide instructions on where they want their savings transferred—for example, to a new or an existing savings account. However, some savers might not provide instructions, and the Government are in the process of evaluating the best way to support such customers, who have become disengaged from their accounts, to continue to save. A successor account is one of a number of options that are being considered. I therefore recommend that the clause stand part of the Bill.

Abena Oppong-Asare (Erith and Thamesmead) (Lab): It is a pleasure to be under your chairmanship, Mr Davies. I would like to speak to new clause 3, which calls on the Government to prepare and publish an annual report on the Help to Save scheme for each financial year that it remains open to new accounts.

The Help to Save scheme is a form of savings account that allows eligible people to receive a bonus of 50p for every pound they save over four years. The scheme is particularly good, as it targets people who are entitled to working tax credits or who are in receipt of universal credit. Given the failure to support jobs during covid-19, the number of households currently receiving universal credit has risen from 1.8 million in May 2019 to almost 4.6 million as of October 2020. I am sure everybody on the Committee agrees that that is a very high figure, although I appreciate that we are going through really difficult times because of covid.

One of the things that I am seeing as a local MP in my constituency—I am sure it is the same for everybody on the Committee—is a huge increase in universal credit claimants. We are likely to see an even bigger increase as people are no longer able to rely on their personal savings, so the Help to Save scheme is more important than ever.

After a two-year delay, the Help to Save scheme was launched by the Government in September 2018, to much anticipation. However, the scheme to date cannot be considered a success, and I am eager to find out why. We tabled the new clause because we feel that an annual report would help us in uncovering that. Of the 2.8 million people eligible to take up the scheme, only 132,150 accounts had been opened by July 2019—just 4.6% of those eligible for the scheme. I am still struggling to understand those figures and to believe that the Government are truly committed to a savings scheme and to creating a culture of household saving.

Furthermore, in last year's spring statement of March 2019, the Government's Budget watchdog slashed by half its forecast of how much the taxman would have to spend on Help to Save by 2021, citing lower than expected take-up. However, as I mentioned, I am in favour of the scheme and want it to succeed. That is, after all, why the previous Labour Government spent time highlighting the scheme and planning to launch it in 2010 as a savings gateway, only for it to be scrapped in 2010 by the then Chancellor.

Members may agree that the information we have so far does not paint a picture of commitment from the Government to supporting people to save. When the savings gateway was created, Labour worked with banks, building societies and credit unions, which invested in software and promotional literature for the launch. Some potential savers had received letters informing them of their eligibility and telling them about local providers just hours before the scheme was scrapped by the incoming Conservative Government.

I am really interested to hear what measures the Government have implemented to promote take-up of the scheme. I could raise many issues about universal credit and working tax credits, but as you advised, Mr Davies, we need to keep to the new clause, so I will raise them another time. My primary concern is to ensure that those who are eligible can access the scheme, now and in the future.

The Government's pilot scheme found that 45,000 individuals saved a total of £3 billion during the trial period. We know that the scheme works. Charities and debt support services are hopeful that it can directly tackle asset poverty. The Help to Save scheme is due to come to a close in three years' time, in September 2023, which means that we still have time to support people to save over £800, if we act now to make the scheme more widely accessible.

Publishing an annual report on the scheme, as provided for by the new clause, would allow us to see in detail where take-up has been successful and what we can do to ensure that people are aware of the scheme and how to engage with it. We feel very strongly that a report would help us to capture what areas we need to improve. The Minister mentioned that the Government are

committed to providing support. I hope that they are, but agreeing to have an annual report would show further commitment.

In the meantime, I believe that more can be done, particularly to integrate with credit unions and debt management services so that the scheme functions more effectively in the years it has left to run. I would also be really interested, in lieu of an annual report for 2020, given that at the end of last year it was estimated that only 4% of eligible people have signed up to the Government's Help to Save scheme, if the Minister could tell the Committee whether he thinks it has been unsuccessful and what the Government are doing to promote take-up.

Stella Creasy: I rise to support what my Front-Bench colleague said on new clause 3 and to speak to new clause 14, which seeks to underline the question that she set. Given that this is a good scheme, why has it not been taken up more widely?

The Minister may have thought that I was just a one-trick pony, obsessed with debt. Let me tell him that my difficult second album is very much about savings. I know that he had concerns about the drafting of my previous amendments and I want to put on the record my thanks to the Clerks, who have been incredibly helpful and patient with me in seeking to get the wording right. We all appreciate the hard work that they do behind the scenes to ensure that our drafting is intelligible, even if it is not inevitably accepted by the Minister.

I hope that the Minister will accept this new clause and my difficult second album about savings. This is two sides of the same coin of how people make ends meet. I would wager that that is why he has put them together in this portmanteau or Christmas tree Bill—given that it is 1 December, we may as well call it that. It is about how we make sure that people have the money they need, whatever the weather or time of year and whether things are going well or badly for them. Just as we would want people to get help when they get into debt, we also want them to get help to have rainy day money, as it might quaintly be called now. I said that to a member of my staff who looked blank and probably tried to look it up on Instagram.

Clearly, helping people on low incomes to save is critical. One reason why I support the new clauses is that I do not think we can have a conversation about savings without talking about assets. There are increasing inequalities in our society. Indeed, the new inequality is not so much about income as assets. We are looking at why people do not take up the scheme, what we can do to make it work and whether it serves the purpose that we are trying to get at. While we come from different political traditions, I hope that the Minister would agree that income inequality is of itself a negative draw on our economy and social cohesion. Perhaps that is the best way I can put it to him. One day, I will tempt him towards the more radical socialism of egalitarianism.

When we have people who have plenty and people who have very little, or indeed no access to anything, our society suffers. The Help to Save scheme is about improving that situation. It is increasingly obvious that in constituencies and communities like mine that are riven by gentrification and inequality, it is assets that are the difference between success and failure. That is necessarily different from savings accounts, and it is right that when we are looking at what we are doing to help those on the poorest incomes succeed in life, we are cognisant of that fact and include it in our thinking.

What do I mean in layman's—or perhaps laywoman's—terms? One in five mortgages are issued with the help of the bank of mum and dad. People with the bank of mum and dad are always going to be more successful and stable than many of those constituents who do not have access to that. Those are the people at whom the scheme is targeted. The 10 million households that have no savings at all stand in a very different place from the one in 10 children born in the 1980s who will inherit more than half average lifetime earnings. Property is the divider within our society and that trend has got a lot worse over the last 30 years, yet very little Government policy on tax and savings begins to address that and the income inequalities that it creates.

When we are looking at a savings scheme and expecting people to have money to put aside—even what might seem very modest sums—we have to set it in the context of the other assets they have access to if we really want to get to grips with those inequalities in society. In looking at tax and benefit policies, and savings policies, the fact that someone can inherit £1 million in property without paying any tax at all stands against those families with £15,000 of debt who will never be able to put any money aside because they will always owe somebody else. All Governments of all colours have been burned before in trying to address some of these factors, and in taking a narrow view purely of income levels. I am old enough to remember TESSAs—not just the fantastic Dame Tessa Jowell who is sadly no longer with us, but tax-exempt special savings accounts, which drove income inequality in this country in terms of people's ability to put money aside.

It is right that we ask ourselves whether this measure will get to the root of that problem—to the communities and people we represent who will not be able to save and whose lives will always be askew, because their counterparts have been able to benefit from that growing asset wealth, whether that is people who have inherited property or people who are now in communities such as mine, where housing costs and housing values have risen to such an extent that their children will be able to benefit from them, including from schemes such as remortgaging. In situations such as that with covid, which we know is an income shock, people might be expected to use their savings account, but they cannot because they do not have any money in it, so it is even more apposite to ask whether they have other assets that they might be able to draw on in comparison with their counterparts.

4 pm

The new clause does something very simple. It asks us to take account of the environment in which the policy intent of helping people to save is happening and the reality of what is driving inequality and poverty in our society, because that in itself reduces aspiration. Fundamentally, the kids in my constituency who will never ever get on the property ladder, who will never ever be able to borrow against their parents' household, who will never be able to put money into a Help-to-Save account, are also the kids who probably will not go to

university, who will not be able to set up their own business and who will not be able to go on a training course to be able to cope with the world ahead.

The point about money is that the rainy day is often every day for a lot of families, so asking ourselves how we get there is really important. So too is recognising that the figures are a bit mixed on the impact covid is having on people's saving and spending habits. In the most recent figures, for April to June this year, 28% of household income on average was saved by families. That is a really interesting statistic. There are families who have absolutely no money and families who have been able to stay at home, work from home, who perhaps own their own homes and their own businesses, and manage.

If we do not look at the lives that people are living today and the resources that they have to draw on, any policy that is designed to be about savings or about debt will always have one hand tied behind its back because it is not living in the world that is with us now. Asset inequality is absolutely crucial to understanding what our constituents will face. When we ask ourselves whether we are helping them save, they may well have other assets that they can draw on, but we have never joined the dots. They may well never be able to put money—even that limited £50—into a Help-to-Save account because they do not have the flexibility of having, for example, a mortgage on a property, as opposed to paying rising rents.

Let us see our constituents for who they are now, see what is putting money in their pockets and in their bank accounts, and see what resources they have to draw on. The new clause simply does that. It asks how things compare. Is that the reason why people are not able to save in the way that the shadow Minister, my hon. Friend the Member for Erith and Thamesmead, set out, or is there something else going on?

I know that the Minister will want to know that. I am sure the Minister would have just as exciting a conversation with me about asset inequality and savings as he has had with me about consumer confidence and consumer debt regulation. They are two sides of the same coin. The new clause would simply put that into the Bill and make it part of our thinking as parliamentarians.

John Glen: Understandably, this topic brings out some very deeply held beliefs about the sort of society that we live in and the inequalities and challenges we face. I very much respect the points made by the hon. Member for Walthamstow and the hon. Member for Erith and Thamesmead.

I will try to respond to new clause 3 and new clause 14, but before I do, I think it would be helpful to clarify a few points about the Help-to-Save scheme. It is open to new entrants until September 2023 and those individuals will then be able to have it open for four years from that point. It is possible to save between £1 and £50 a month, so various modest savings can be made.

The hon. Member for Erith and Thamesmead asked about the schedule of promotion activities. Some of the full schedule was curtailed for this financial year because of covid, but we anticipate resuming our promotional activity early in 2021. We promoted Help-to-Save through Talk Money Week, we have engaged with Martin Lewis, who is also a key advocate of this scheme, and we will continue to work with the DWP to target those in receipt of universal credit and on working tax credits. The other point I would like to make clear to the Committee is that if somebody is in receipt of either of those benefits for just one week, they are eligible to open an account that is then valid for four years.

New clauses 3 and 14 require the Government to publish reports into the Help-to-Save scheme. Of course, the Government are prepared to inform Parliament on the progress of the scheme. Indeed, the Government committed to Parliament in 2018 to monitor and evaluate the scheme and has been publishing data every six months, in February and August. Therefore, we do not consider it necessary to enact these amendments as a statutory requirement. The latest statistics, published this August, show that by the end of July 2020 more than 222,000 accounts had been opened, with over £85 million in deposits between them. This has been a 37% increase in the total number of accounts opened by the end of January 2020, and a 57% increase in the total deposits into the scheme, compared with in the previous six-month period from August 2019 to January 2020. I am sure the Committee will agree that this is excellent progress, despite the difficult economic period.

The Government already work closely with stakeholders to monitor personal finances, including financial resilience; the Money and Pension Service monitor financial difficulty through an annual survey; and the Financial Conduct Authority undertake the biannual financial lives survey. It is not clear that this amendment would improve the data available to the Government in shaping policy. The Government are also working with stakeholders to raise awareness and encourage eligible individuals to open an account and benefit from the scheme, and I indicated some of the ways that is happening earlier. In fairness to the hon. Member for Walthamstow, who made a passionate and wide-ranging set of observations about these matters, I do not think I can fully do justice to them today. However, I share her belief that there are significant inequalities and certain obligations on people who have more to do more to support those who are more vulnerable in society. This measure is a good policy that we should all be able to promote and I am committed to promoting it further. I would ask the hon. Members to withdraw the new clauses.

Question put and agreed to.

Clause 33 accordingly ordered to stand part of the Bill.

Clause 34

AMENDMENTS OF THE PRIIPS REGULATION ETC

Mr McFadden: I beg to move amendment 30, in clause 34, page 40, line 33, after "performance" insert

"including information relating to environmental, social and governance standards."

This amendment would require that consumers are given information about the environmental, social and governance standards of PRIIPs.

The Chair: With this it will be convenient to discuss the following:

Amendment 31, in clause 34, page 40, line 33, at end insert—

"(4A) The FCA shall ensure that in practice the amendment made as a result of subsection (4) does not result in consumers having a reduced understanding of the risks associated with a particular investment product."

This amendment would require that consumers are not left with a reduced understanding of the levels of risk involved in buying products covered by this clause.

Mr McFadden: In this portfolio Bill we now move on to another different subject, that of PRIIPs—packaged retail and insurance-based investment products. Clause 34 amends the consumer information requirements for the sellers of these products. These requirements are also known as key information documents—or KIDs—and we heard in the oral and written evidence that the current information requirements can be misleading for consumers. It is said that this is because they imply that past performance can be too much of a guide to future performance, which we know is not the case. At the European level, where the regulation of these products has taken place, there has also been a big debate about these key information documents and their deficiencies, so this has been an ongoing issue for some time now. It is in no one's interest to defend misleading or potentially misleading information for consumers.

Removing or substantially altering the requirements of the key information documents does prompt the question of what should be put in their place. It is important that the Government and the regulators take this seriously. In selling anything like this, there is always a major information mismatch between what the seller knows about the product and what the consumer knows. The products are sold and designed by professional staff working for financial services companies, and bought by retail investors. Unless those investors have a professional background in the industry, they are likely simply to be looking for somewhere safe for their money that can hopefully earn them a decent return. There is a major information mismatch in these situations. Who can the consumer look to, to redress that to some extent? It has to be the Government and the regulators, through legislation on the kind of information to which consumers are entitled before making a purchase.

How do the Government and the regulator equip the consumer to make a reasonably informed choice? That is where amendments 30 and 31 come in. Earlier, when talking about capital requirements and the regulator's duties, we had a debate about environmental, social and governance criteria being part of the regulator's remit. The Minister rejected the idea, and the Committee voted it down, but what about making this information available to consumers? More and more investors want to invest in a way that helps, rather than damages, the planet. People care about the working conditions under which goods and services are produced, and about good governance—about companies being well run. So why not make this information available to investors? That is what amendment 30 calls for.

If the argument against making that the regulator's job is that investors are making these decisions for themselves, let us at least give investors the tools to do that job—the information to make those judgments. The Chancellor has spoken warmly about the Task Force on Climate-related Financial Disclosures, which was set up by the Financial Stability Board a few years ago precisely to help companies inform investors about risks related to climate change in investments. The founding statement of that organisation says:

"Without reliable climate-related financial information, financial markets cannot price climate-related risks and opportunities correctly".

The Financial Stability Board wants this to happen, and has set up the TCFD to advise companies and market regulators on how to do it. Why not take the opportunity in the Bill to ensure that consumers are provided with this kind of information? They can, of course, still make their own investment choices. They can ignore the information and say, "I don't care about any of that; all I care about is the rate of return." Investors are completely free to do that, but an increasing number of them do not want to, partly because they see the rate of return and the sustainability of their investments as being closely related. This is not about interfering with investor choice; it is about helping investors to make a choice, and giving them the information to do that.

Amendment 31 deals with the broader issue of the information balance that I spoke about between sellers and buyers. It is a no-detriment clause. It does not seek to prevent the abolition of the performance scenarios referred to in clause 34; it seeks to ensure that whatever replaces these scenarios does not result in consumers having less understanding than at present of the risks involved in a particular investment.

Both amendments are about the regulator taking seriously its duty on consumer information. They are about trying to make sure that public bodies are on the consumer's side when it comes to making decisions about buying these kinds of products, and that the consumer has someone to look to for help with the information mismatch inherent in the sale of these kinds of products. They are modest and sensible amendments, and I commend them to the Committee.

4.15 pm

John Glen: Amendment 30 seeks to require that information about the environmental, social and governance standards of PRIIPs products be included in the key information document, the KID. Now is not the time to address this, as I shall explain, but I have a lot of sympathy with the intent behind the amendment proposed by the right hon. Member for Wolverhampton South East. The reason I do not believe it is the right time to address this is that it would result in significant uncertainty for industry.

Clause 34 makes changes to the PRIIPs to address the potential for unintended consequences for consumers. The PRIIPs were created by the EU to improve the quality of financial information given to retail investors purchasing PRIIPs, by introducing a short, consumer-friendly and comparable disclosure document. The Government are committed to the original aim of the regulation and has proposed changes in this Bill to ensure it functions as intended.

In particular, there is not a fixed definition of environmental, social and governance standards and no standardised precedent for how such disclosures could be made in a comparable way for PRIIPs products. That is why I sincerely say that I agree with the sentiment, but I do not think we are yet at a level of maturity in definitional terms for such a measure to work. To put this in place, and ensure that the ensuing disclosures are appropriate and useful for consumers, significant policy development would be required.

As a result, the amendment would bring significant industry uncertainty, as they do not report in a standardised way on environmental, social and governance issues at a product level, which is what this would be, and have

[John Glen]

minimal guidance on how to do so. That would come at a time when the Government are intending, through the Financial Services Bill, to provide more certainty to industry on PRIIPs disclosures.

I recognise that high-quality sustainable finance disclosures that enable investors to take environmental impacts into account in their investment decisions will be crucial in facilitating the growth of green finance and supporting the transition to a lower-carbon economy. As I have previously stated, it would also be premature to adopt an environmental, social and governance amendment in the specific context of PRIIPs when the Government are considering the requirements for legislation relating to the sustainable finance disclosure regulation.

Amendment 31 also seeks to amend the PRIIPs disclosure regime, to require that changes to performance information that will be made by the FCA do not leave consumers with a reduced understanding of the levels of risk involved in buying PRIIPs products. I respectfully submit that the amendment would have little or no effect. The Bill is already intended to address concerns about the information provided to consumers in order to avoid the potential for consumer harm. The issues with the PRIIPs regulation, addressed by the Bill, include concern that the requirement to include performance scenarios in the key information documents may result in potentially misleading disclosures. That has been the key concern that has led to that measure being included.

Clause 34 will replace

"performance scenarios and the assumptions made to produce them"

with "information on performance". That change will allow the FCA to amend the PRIIPs regulatory technical standards to clarify what information on performance should be provided. The FCA already has a statutory objective to secure an appropriate degree of protection for consumers and, as the expert regulator, is best placed to work with consumers and industry to understand issues and respond to them effectively. Moreover, changes the FCA makes to the information provided to consumers in the key information document are subject to a consultation, which it expects to publish next year. Requiring the regulator to ensure that changes to the KID do not reduce consumer understanding of risk would have no effect.

The changes we are making to the Bill address the potential for consumer harm and the FCA is best placed to ensure the appropriate degree of consumer protection. I hope that offers reassurance to the right hon. Member for Wolverhampton South East. I therefore ask that he withdraw the amendment.

Mr McFadden: At this stage in our proceedings we begin to recognise the debates that we are having, because we have had them more than once. I find the Minister's answers on the subject of ESG slightly circular. He says—and I believe him—that he has great sympathy with the intent, but now is not the time or this is not the quite the way to do it, and so on. The reason I find that unconvincing is that I think the Government will do this, or something quite close to it, and will then claim credit, saying that doing it makes the UK a more friendly environment for environmentally sustainable investments. Because of that, I will press the amendment to a vote. Then, as is the way of these things, what we did when we had the chance to make a decision about this, both at the level of the regulator and at the level of the investment product, will be on the record.

John Glen: May I express my regret at the right hon. Gentleman's decision? I acknowledge that this country is going on a journey, and it is very important that we make progress with regard to such disclosures, but this specific measure in this specific Bill at this time would not be in the interests of consumers or the regulation. I respectfully disagree, and I look forward to the vote.

Question put, That the amendment be made.

The Committee divided: Ayes 5, Noes 10.

Division No. 9]

AYES

Creasy, Stella	Smith, Jeff
McFadden, rh Mr Pat	
Oppong-Asare, Abena	Thewliss, Alison

NOES

Baldwin, Harriett	Marson, Julie
Clarkson, Chris	Millar, Robin
Davies, Gareth	Richardson, Angela
Glen, John	Rutley, David
Jones, Andrew	Williams, Craig

Question accordingly negatived.

Question proposed, That the clause stand part of the Bill.

John Glen: Clause 34 makes changes to the packaged retail and insurance-based investment products—PRIIPs—regulation to address the potential for unintended consequences for consumers. PRIIPs are a category of financial assets regularly provided to retail investors, and the PRIIPs regulation will form part of retained EU law from the end of the transition period. The regulation sets the requirement for a standardised disclosure document known as the KID—key information document—which must be provided to retail investors when they purchase certain packaged investment products.

The regulation, while its aims are laudable, has arguably been less successful in its achievements. The clause demonstrates our balanced approach to remedying the issues with the regulation by addressing the most pressing concerns ahead of the further wholesale review of the disclosure regime for UK retail investors to which the Government are committed. This will limit any disruption to the disclosure of information to investors while seeking to improve the existing framework in this area.

To address uncertainty regarding the precise scope of the PRIIPs regulation, the clause will enable the Financial Conduct Authority to clarify the scope of the PRIIPs regulation through its rules, allowing it to address existing and potential future ambiguities. To address concerns that the methodology used to calculate performance scenarios misleads consumers, the clause will also replace performance scenarios and the assumptions made to produce them with information on performance. After the transition period, that change will allow the FCA, the expert regulator with a responsibility to protect

consumers, to amend the PRIIPs regulatory technical standards to clarify what information on performance should be provided in the KID.

The final change allows the Government to extend the exemption currently in place for undertakings for the collective investment in transferable securities—UCITS, a type of investment fund—from December 2021 for a maximum of five years. That will allow the Government to consider the most appropriate timing for the transition of UCITS funds into any domestic successor that may result from the planned review of the UK framework for investment product disclosure.

We recognise that there is more to be done to improve the overall disclosure regime for UK retail investors. That is why we have committed to a wholesale review. In the meantime, these changes will provide greater certainty to PRIIPs manufacturers and address the potential for consumer harm. I therefore recommend that the clause stand part of the Bill.

Question put and agreed to.

Clause 34 accordingly ordered to stand part of the Bill.

Clause 35

Over the counter derivatives: clearing and procedures for reporting

Question proposed, That the clause stand part of the Bill.

John Glen: Clause 35 makes two small technical amendments to the UK's version of the European market infrastructure regulation. This is important to help improve the overall functioning of the UK's regulatory regime for derivatives.

The first amendment to UK EMIR will promote transparency and accessibility in the clearing of derivatives transactions, by ensuring that the clearing members of UK central counterparties and their clients offer clearing services on

"fair, reasonable, non-discriminatory and transparent"

commercial terms. Clearing contributes to the safety of the UK's financial markets, especially our derivatives markets. It does this by ensuring that a trade will still be honoured if one party to a contract does not fulfil their side—for example, if a firm goes bust. This will reduce barriers to accessing clearing services, which will in turn make it easier for firms to fulfil their clearing obligations. It will strengthen incentives to clear centrally and reduce systemic risk in financial markets.

The second amendment to UK EMIR will increase transparency in derivatives markets. Such transparency is vital to ensure that regulators in the UK can monitor risks in financial markets and ensure financial stability. This amendment will also make the environment in which trade repositories operate more competitive. This is achieved through ensuring that trade repositories put in place procedures to improve the quality of the data they collect, and establish policies to transfer their data to other trade repositories in an orderly fashion when it is necessary to do so. Trade repositories collect and maintain records of derivatives trades with the aim of helping regulators to monitor the build-up of systemic risk.

Overall, these two sensible technical amendments to UK EMIR will bolster the UK's regulation of derivatives markets, further delivering on the UK's G20 commitments in this area. I therefore recommend that the clause stand part of the Bill.

Mr McFadden: I have just one question. As the Minister said, this clause deals with the EMIR directive, which governs the sale of over-the-counter derivates. To add to our joys, we have EMIR and something called EMIR refit. The clause is about access to clearing for people dealing in these products. Over-the-counter derivates are perhaps among the more opaque financial services products on the market, but we learnt during the financial crisis that whatever their other qualities, these products exposed the interconnection between different companie, and the vulnerability of that interconnection. That is why clearing is important. It acts as what could be called a circuit breaker to ensure that if one party to the transaction gets into trouble, we do not have a domino effect right throughout the system, so the clause is designed to ensure that smaller traders have access to this circuit breaker or clearing activity. I ask the Minister: is what we are doing here mirroring what the EU have done through this EMIR refit process, or are the two measures in this clause—the data one, and the fair and transparent one—a departure in any way from that?

John Glen: The changes are almost identical to those made through EMIR refit in the EU. The UK played a pivotal role in the design of the EMIR refit and previously voted in favour of this legislation. Now that the UK has left the EU, we continue to believe that these measures are helpful to UK industry and will improve the financial stability of the UK. As I said, the FCA will design the implementation of the new frameworks in a way that works best for the UK. In making these observations, I underscore the comments I have made throughout that we will always seek to maintain the highest standards but to make them work optimally in the United Kingdom.

Question put and agreed to.

Clause 35 accordingly ordered to stand part of the Bill.

Clause 36

Regulations about financial collateral arrangements

Question proposed, That the clause stand part of the Bill.

John Glen: Clause 36 serves to clarify existing legislation concerning financial collateral arrangements. This issue dates back to 2003, when the Treasury introduced the Financial Collateral Arrangements (No.2) Regulations 2003, or FCARs, to transpose the EU financial collateral arrangements directive, or FCAD, into UK law. The FCAD was introduced to simplify the process of taking financial collateral across the EU.

Subsequent litigation has questioned the UK's implementation of the FCAD—specifically the extent to which the FCARs went beyond the scope of the FCAD. However, that litigation has not invalidated the FCARs, and they are extensively relied on by market participants entering into financial collateral arrangements. The clause removes any doubt about the validity of the FCARs. The clause has retrospective effect, confirming the legal effectiveness of the financial collateral

[John Glen]

arrangements made in reliance on the FCARs since their introduction in 2003. It also confirms the legal effectiveness of any future such arrangements.

By reaffirming the FCARs, the risk of legal doubt and any resulting financial instability is removed. This measure will therefore help to facilitate the Bill's broader aims of promoting financial stability and maintaining the effectiveness of sound capital markets. I therefore recommend that the clause stand part of the Bill.

Question put and agreed to.

Clause 36 accordingly ordered to stand part of the Bill.

Clause 37

APPOINTMENT OF CHIEF EXECUTIVE OF FCA

Question proposed, That the clause stand part of the Bill.

John Glen: The Government believe that the appointment of the FCA's chief executive officer should be brought into line with similarly high-profile appointments in financial services, such as the deputy governor of the Bank of England or the CEO of the Prudential Regulation Authority. The clause will therefore set out in statute that the FCA CEO should be subject to a fixed five-year term, renewable once. This delivers on a commitment made to the Treasury Committee during the passage of the Bank of England and Financial Services Act 2016. I therefore recommend that the clause stand part of the Bill.

Question put and agreed to.

Clause 37 accordingly ordered to stand part of the Bill.

Clauses 38 to 44 ordered to stand part of the Bill.

Ordered, That further consideration be now adjourned. —*(David Rutley.)*

4.33 pm

Adjourned till Thursday 3 December at half-past Eleven o'clock.

Written evidence reported to the House

FSB08 Association of British Insurers (supplementary submission from Hugh Savill, Director, re Gibraltar tax differences)

FSB09 Finance Innovation Lab (further submission)