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PARLIAMENTARY DEBATES
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HOUSE OF LORDS

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Abbreviation	Party/Group
CB	Cross Bench
Con	Conservative
DUP	Democratic Unionist Party
GP	Green Party
Ind Lab	Independent Labour
Ind LD	Independent Liberal Democrat
Ind SD	Independent Social Democrat
Ind UU	Independent Ulster Unionist
Lab	Labour
LD	Liberal Democrat
LD Ind	Liberal Democrat Independent
Non-afl	Non-affiliated
PC	Plaid Cymru
UKIP	UK Independence Party
UUP	Ulster Unionist Party

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House of Lords

Wednesday 5 July 2017

3 pm

Prayers—read by the Lord Bishop of Truro.

Oaths and Affirmations

3.05 pm

Lord Patten of Barnes took the oath, and signed an undertaking to abide by the Code of Conduct.

Child Welfare

Question

3.06 pm

Asked by **Baroness Massey of Darwen**

To ask Her Majesty's Government what progress they have made in addressing (1) the concerns of the United Nations Committee on the Rights of the Child, and (2) that Committee's recommendations for changes in the implementation of measures to enhance child welfare.

Viscount Younger of Leckie (Con): My Lords, the Government continue to raise awareness and to promote children's rights. We have been developing a robust framework of actions to implement the commitments set out in the Written Ministerial Statement in October 2016 on the UN's concluding observations. For example, today, following DfE funding, the Children's Rights Alliance for England published child-friendly versions of the concluding observations. We continue to monitor progress made by other government departments.

Baroness Massey of Darwen (Lab): My Lords, I thank the Minister for that helpful reply. Of course, he will be aware that Governments who signed the UN Convention on the Rights of the Child are monitored for their impact on child welfare and children's rights. He mentioned the Government's response in 2016. The report for the UK, although it recorded improvements, criticised the following areas: child poverty, safeguarding, immigration, education, health and criminal justice. Does not this wide spectrum of criticism inspire the Government to create a Cabinet Minister for children's rights so that they could have a high profile and would be more on the agenda?

Viscount Younger of Leckie: As mentioned, the Government are taking action. I could go through a series of actions to show that we take this very seriously. On the question that the noble Baroness asked, the Government as a whole are fully committed to children's rights and to giving them due consideration in all new policy and legislation. We do not think that appointing a Cabinet Minister for children's rights is the right way forward. We want all Cabinet members to think about children's rights and the framework of actions that are put in place. The Children and Families Minister,

Robert Goodwill, is fully committed to ensuring that the commitments we set out will be implemented.

The Earl of Listowel (CB): My Lords, the papers report the numbers of families who are homeless and those living in and staying for longer periods than allowed under legislation in bed and breakfast accommodation. For some of these families, young children and parents all share one room, sometimes even one bed. More than 100,000 children live in temporary accommodation in this country. What steps are the Government taking, for example, to consider the legislation proposed by the Liberal Democrats on relaxing the constraints on local authorities so that they can borrow more money to build more homes? What urgent steps are the Government taking to enable more of our people to have a secure home?

Viscount Younger of Leckie: The noble Earl makes a good point. A start has been made because the Children's Commissioner wrote an interesting report that came out yesterday. We will be able to expand upon this in a Question tomorrow on children with vulnerability. There are four key areas. This is work in progress but she has made a very good start. We will build on that to see how we can tackle these serious problems.

Baroness Walmsley (LD): My Lords, some of the most vulnerable children are those with life-limiting or life-threatening illnesses. They require a lot of social care. Yet the Government omitted children when promising to address the challenges of social care. Will the Government include children in the forthcoming Green Paper on social care? Secondly, how will they fulfil their promise on end-of-life care for children when some children's hospices and children's palliative care charities have to review the care they offer because of a 61% cut in local council funding for their activities?

Viscount Younger of Leckie: The noble Baroness is correct that the Green Paper is being produced. We aim to publish it by the end of the year. It will focus on children and young people, particularly on mental health. As the noble Baroness will know, this is a key priority for the Government. This includes preventing mental illness in children and young people and raising awareness of mental health issues among young people and adults.

The Lord Bishop of Truro: In the report, published in 2016, it states that 202 children suffering from mental health issues were placed in adult wards in 2015-16, despite this being made illegal in 2010. Can the Minister comment on this?

Viscount Younger of Leckie: I would certainly need to look at that specific issue. It is something that I will need to report back to the right reverend Prelate on, and I will do so.

Baroness Farrington of Ribblesdale (Lab): My Lords, in talking to other departments, will the Minister draw to the attention of the Department for Education the factors listed in the report, all of which contribute to

[BARONESS FARRINGTON OF RIBBLETON]

under-potential attainment by children? Will he point out that such children need nursery education and many families need adult education, along with social care? There are far too many children growing up in households with problems that adults would find impossible to overcome.

Viscount Younger of Leckie: Well, indeed. The whole House will agree that every child needs and deserves the best possible start in life. The noble Baroness referred to early years and childcare. All three and four year-olds and the least advantaged two year-olds can access 15 hours a week of funded early education. The proportion of all children achieving a good level of development is improving year on year, but it remains work in progress.

Lord Watson of Invergowrie (Lab): My Lords, the Minister said that the Government were committed to children and children's rights. I have to say to him that the evidence is quite to the contrary. The DWP's own figures in 2015 showed that 28% of children in the UK were living in poverty, yet last year the Government abolished the Child Poverty Unit and abandoned child poverty reduction targets. That does not seem to be in any sense a commitment to children. Surely children should be at the forefront of all government policy. Do the Minister and what I might describe as his caretaker Government intend to introduce the recommendations of the UN committee report or have they implicitly accepted that they are on borrowed time and it is only a matter of time before a Labour Government come into power who are really committed to children's rights and to ending poverty?

Viscount Younger of Leckie: My Lords, poverty is something that the whole House needs to take seriously, as we do. We are very aware that despite record levels of employment, there are still around 1.3 million children in workless households across the UK. This is something that we are really looking to address. We need to ensure that children are in households where work gets them out of poverty.

Lord Flight (Con): My Lords, is the Minister aware of the excellent work being done by the charity Malachi in the West Midlands in addressing the problems of families and children and the lack of help they have often had from the Birmingham local authority?

Viscount Younger of Leckie: It is helpful to know about that. I am not aware of it but I will certainly look at it after this session.

National Stroke Strategy Question

3.15 pm

Asked by **Baroness Wheeler**

To ask Her Majesty's Government why the National Stroke Strategy, which expired in March 2017, has not been updated or renewed.

The Parliamentary Under-Secretary of State, Department of Health (Lord O'Shaughnessy) (Con): My Lords, decisions about the development of disease-specific strategies are made by NHS England. Its current view is that, rather than focusing on specific diseases, it is better to promote plans and policies that cut across several disease areas. So, while there is not going to be a new strategy, stroke is high on the list of NHS England's priorities in terms of both prevention and treatment.

Baroness Wheeler (Lab): I thank the Minister for his response. Stroke is the largest cause of all adult disability in this country and costs billions of pounds in health and social care, disabilities and work and related costs. However, all the evidence from STPs is that they are not prioritising stroke care. They are focused mainly on acute hospital care rather than on commissioning the whole stroke care pathway, which provides the rehabilitation and community support that stroke survivors need. They are also very short on specifics on how preventive services for stroke or any other key services will be delivered or funded. With such overwhelming evidence from STPs that improvements to stroke services will stall or come to a complete halt, will the Government now put pressure on NHS England to review its decision not to renew the national strategy?

Lord O'Shaughnessy: I know that the noble Baroness has a deep commitment to ensuring the best possible stroke care. She is quite right to highlight the economic and personal costs of stroke. There is a good picture in this country in so much as mortality from stroke and the incidence of stroke have halved over recent years—so the picture is improving. The stroke strategy the noble Baroness mentioned was superseded in 2013 by a cardiovascular disease outcome strategy that is obviously broader but includes stroke. That builds on the work that has already happened. I am realistic about the fact that there is obviously more to do, but we now have a number of hyperacute centres that are rolling out new treatments, such as thrombectomy, which will help treat stroke and make sure that we bring mortality down even further.

Lord McColl of Dulwich (Con): My Lords, is the Minister aware that the incidence of stroke in the Scotland is 40% greater than in England? That is surprising in view of the fact that Scotland spends 25% more on its health service. Could this have something to do with the obesity epidemic?

Lord O'Shaughnessy: Well, in order not to fall out with Scottish noble Lords, I shall not comment on

that. Under successive Governments there have been improvements in stroke outcomes, which have come about through the centralisation and specialisation of care. That is not always popular because of what it does with reorganisations, but it is definitely paying dividends in England.

Lord Rennard (LD): My Lords, there is very strong evidence that the number of strokes could be reduced nationally if there was better detection and appropriate treatment of atrial fibrillation. Will the Minister commit to a proper national screening programme to detect this condition and ensure that there is appropriate follow-up treatment for those diagnosed as suffering from atrial fibrillation?

Lord O'Shaughnessy: The noble Lord is quite right to highlight that issue. There is increased screening for atrial fibrillation as part of the community-based efforts to prevent the incidence of stroke, and that has been one of the factors that have reduced the incidence of stroke over the past few years.

Baroness Oppenheim-Barnes (Con): My Lords, does my noble friend not agree that one of the most important issues is informing people about what is likely to cause a stroke if special care is not taken?

Lord O'Shaughnessy: I thank my noble friend for that question. She is quite right. That is why public health campaigns around both obesity and smoking—a cause I know the noble Lord, Lord Rennard, is also passionate about—are so important. That is why we are continuing to invest in those public health programmes that have led to the improving stroke outcomes that I have described.

Lord Lansley (Con): My Lords, as a former chair of the All-Party Parliamentary Group on Stroke, I agree with the Minister that we have done tremendous things over the past decade and a half in improving acute care of stroke in this country—although there is more to do, such as getting all stroke patients into a specialist stroke unit. However, too often stroke patients find that there is something of a cliff edge when it comes to leaving acute care and going into the community. Will my noble friend look at the ability of NHS England and local government together to deploy the better care fund specifically to support rehabilitation and recovery in the community for a period after discharge from hospital?

Lord O'Shaughnessy: My noble friend is quite right to highlight that issue. I must congratulate him on the progress made in stroke treatment during his time as Secretary of State for Health. I shall certainly look at whether the better care fund can be used in the way that he has described.

Baroness Masham of Ilton (CB): My Lords, does the Minister agree that there is fragmentation across the country and that care differs in some areas? Did the strategy not pull it together and pass on good practice to those less experienced?

Lord O'Shaughnessy: The noble Baroness is of course right that the strategy had that galvanising effect. As I said, it has been superseded by a broader cardiovascular strategy, which is leading to some of the improvements that I have discussed. The other thing to focus on is the fact that stroke is now being included in the new urgent and emergency care standards that are being introduced, which will ensure, and indeed require, that all stroke patients are seen within 14 hours by consultants who are stroke specialists. That is precisely about ironing out some of the discrepancies in actual practice that happen across the country.

Lord Foulkes of Cumnock (Lab): My Lords, although I would hesitate to disagree with the noble Lord, Lord McColl, and his very helpful obesity advice, I fear that he is completely wrong in relation to public expenditure on the NHS in Scotland. If he had read today's Scottish edition of the *Times*, he would know that it is being slashed in Scotland and that Scotland is facing problems in the health service even greater than those in the rest of the United Kingdom. Could the Minister apportion the blame? Is it the United Kingdom Government not giving enough money to Scotland, or is it the Scottish Government getting their priorities wrong—or maybe both?

Lord O'Shaughnessy: Can I first say how slim the noble Lord is looking? I do not think that it is a case of apportioning blame. All health systems, not just in the UK but around the world, are facing pressure from an ageing and growing population and from the incidence of lifestyle diseases. We are all trying to deal with them as best we can.

NHS: Working Conditions

Question

3.21 pm

Asked by *Lord Clark of Windermere*

To ask Her Majesty's Government what proposals they have to improve working conditions for NHS staff.

The Parliamentary Under-Secretary of State, Department of Health (Lord O'Shaughnessy) (Con): My Lords, the Government are improving working conditions for NHS staff by recruiting record numbers of doctors and nurses over recent months. Furthermore, we are helping trusts to become employers of choice through more flexible working, improving staff health and well-being, and tackling bullying of and violence against NHS staff.

Lord Clark of Windermere (Lab): I thank the Minister for his reply, but it indicates to me that the Government are still in a state of denial. He talks about recruiting extra nurses. Has he seen the report last week that showed that for the first time ever there were more nurses leaving the profession than joining it? How does that stack up with his assertion that they are recruiting more nurses? Does he not accept that it is

[LORD CLARK OF WINDERMERE]

only on account of the dedication and commitment of all NHS staff, including doctors, nurses and ancillary staff, who on occasion work in appalling conditions, that the service is as good as it is? Why do the Government, as a first step, as a gesture, lift the pay cap so that the nurses and the doctors can have a salary that they deserve?

Lord O'Shaughnessy: I join the noble Lord in paying tribute to the commitment and selflessness of NHS staff. I am of course aware of the report that he talked about. That is why we need to increase the numbers of both nurses and doctors in training, which has happened. On pay, I think we all know that everybody has had to make sacrifices as we get the public finances in order. That is well understood. My right honourable friend the Secretary of State is shortly meeting the leaders of the Royal College of Nursing, for example, but of course any decisions on pay will be made as a consequence of the reports from the independent pay review bodies.

Baroness Walmsley (LD): My Lords, in the 2016 NHS staff survey, 47% of staff who responded said that staffing levels were insufficient for them to be able to do their job properly. One in five GP training places were unfilled, mental health and community nurse numbers fell by 13%, and district nurse numbers fell by 42%. Given that workload is the major reason given for staff leaving the service, how do the Government plan to increase the number of patients treated in primary care and in the community as opposed to in acute settings in hospital, as recommended by a number of authoritative reports, including that of the Select Committee of your Lordships' House?

Lord O'Shaughnessy: I can only reiterate that I recognise the pressures on the workforce. That is why we are recruiting more GPs and nurses. There are more than 50,000 in training, and we are aiming to get 5,000 more GPs into the NHS over the next few years. On the noble Baroness's point about moving treatment out of hospitals and into the community, that is one of the core drivers of the STP process, which is about reorganising care so that it happens sooner and, ideally, in a preventive way rather than after the fact.

Baroness Meacher (CB): My Lords, I think the Minister will be aware that GPs are routinely required to see, diagnose and treat 80-plus patients in a day. What plans do the Government have to ease that situation when it is still getting worse month by month and it is proving impossible to recruit GPs? In the meantime, until things improve, will the Minister have discussions with the CQC and the ombudsman about how best they should undertake their jobs, taking account of the horrendous pressures on NHS staff and on GPs in particular?

Lord O'Shaughnessy: The noble Baroness is quite right to talk about the importance of having more general practitioners. I have talked about the increases in recent years—there have been net increases of 5,000 over the last 10 years—and the fact that we are recruiting

another 5,000 over the next few years. I do not pretend that it is easy to recruit them, but the numbers are increasing. One of the keys to solving this problem is through the new models of care. In its *General Practice Forward View*, which was published last year, NHS England demonstrated a renewed emphasis on general practice and reforming it. That is one way of ensuring that GPs can cope with what is of course an increasing workload.

Lord Hunt of Kings Heath (Lab): My Lords, I just do not understand the Government's response to this very pressing question. Already, recruitment from other EU countries has ground to a halt because of the anti-EU rhetoric of the party opposite. In this country we now have a net loss in the number of nurses coming into the NHS. Is the Government's policy to recruit nurses from overseas countries other than the EU, as we have for generations? If it is, and I hear that the NHS is recruiting hugely in those countries, does that not make a mockery of the Prime Minister's ludicrous target to reduce immigration?

Lord O'Shaughnessy: As the noble Lord knows, we have talked about one of the reasons for the drop-off in nurses coming from the European Union; it is because of the stricter language testing. Stricter language testing was brought in for reasons of patient safety and was supported by the noble Lord when the regulations went through in 2015. Indeed, I think there was cross-party support for that. As for anti-EU rhetoric, I do not recognise that in anything that we have said. We absolutely value the contribution of anyone who is living and working here in the UK, and indeed have made a very generous offer to solve this problem as part of the talks for leaving the European Union. As for recruitment, of course we want to recruit as widely as possible. We want the brightest and the best to be here, and that is an absolutely core part of any immigration strategy.

Lord Dobbs (Con): My Lords, are we not in danger of missing an important point in this discussion? Simon Stevens, the head of the NHS in England, recently talked about the abuse of the system by those who selfishly and drunkenly turn up at A&E on a Friday evening expecting the NHS to bail them out. There is the abuse of health tourism, and indeed abuse by those who simply fail to turn up their appointment. Is there not an abuse here that is costing hundreds of millions, if not billions, of pounds to the NHS, disrupting the service for those who really need it? Should we not be doing more to crack down on this abuse?

Lord O'Shaughnessy: I completely agree with my noble friend. That is one reason why we are taking steps to deal with health tourism and to ensure that people who not only abuse the system but actually abuse NHS staff, which unfortunately is far too prevalent, are properly prosecuted.

Baroness Watkins of Tavistock (CB): My Lords, will the Minister explain how the STPs will be achieved without further investment in continuing professional

development so that people such as paramedics and nurses can work effectively in the community?

Lord O'Shaughnessy: I can tell the noble Baroness that investment is going into STPs not just in recurrent spending for the purposes she described but, as was announced in the Budget, in capital spending to achieve the transformations that we all want to see.

Grenfell Tower: Tenants *Question*

3.29 pm

Asked by Baroness Lister of Burtersett

To ask Her Majesty's Government, further to the comments by Lord O'Shaughnessy on 29 June (HL Deb, col 660), how they intend to ensure that no former tenants of Grenfell Tower are disadvantaged in terms of their social security if they are moved to larger, or more expensive, accommodation.

The Parliamentary Under-Secretary of State, Department for Work and Pensions (Baroness Buscombe) (Con): My Lords, I thank the noble Baroness for her insightful question. I put on record on behalf of the Department for Work and Pensions our heartfelt condolences and support for all those affected by this appalling tragedy.

To answer the noble Baroness, the Government are clear that there will be relaxed benefit rules for anyone affected by the Grenfell Tower fire, and our staff are handling people's claims with sensitivity, understanding and flexibility. As part of this, our very recent guidance to local authorities makes it absolutely clear that they should treat these residents as a priority for extra discretionary payments to help with their rent if they are rehoused in a larger property.

Baroness Lister of Burtersett (Lab): First, I welcome the noble Baroness to her new position. I thought that in the Statement later we would get a welcome assurance about rent protection, but she seems to be suggesting that the rules will still be applied—the bedroom tax and the benefit cap—but that the Government will look to local authorities to make discretionary housing payments, which are usually made on a temporary basis, on a discretionary basis, as the name implies, out of a limited pot. This is not good enough, as was made clear in the High Court judgment on the benefits cap last week, which said that it does not provide a satisfactory safeguard and gives no peace of mind. What the people who have been affected by this terrible tragedy need more than anything is peace of mind. Will the Government ensure that they will not rely on discretionary housing payments in this or any other situation of vulnerability, because they do not provide security and peace of mind?

Baroness Buscombe: First, I thank the noble Baroness for welcoming me to my new role. I entirely agree that peace of mind and reassurance should be at the forefront of our minds. That is why it is a priority for us to ensure that people affected by the tower fire get the financial help they need. Noble Lords may be aware that at the heart of the discretionary housing payments scheme, which is enshrined in primary legislation, is

the principle that it is for local authorities to determine when an individual is eligible for extra assistance with their housing costs. That said, my department issued new guidance to local authorities on 23 June to ensure that residents affected by the tragic events of Grenfell Tower are treated as a priority for extra discretionary payments and advice. I quote the guidance:

“in these circumstances any requests for DHP to meet rent shortfalls should be treated as a priority”.

Baroness Sherlock (Lab): My Lords, may I unpack this a little bit? I add my welcome to the Minister; I am just sorry that her first outing in this brief is in the circumstances, but I look forward to engaging with her on other subjects.

My noble friend is trying to explain that if, as the Government have promised, they rehouse families who were living in Grenfell Tower nearby at the same rent, because they are having to rehouse a lot of people very quickly in an expensive area, there is a reasonable chance that somebody will end up in a bigger house than they would normally have. At that point, the bedroom tax will kick in and they will end up having their benefit cut.

I understand the Minister wanting to say that local authorities have discretionary funds. The only problem with that is that they are temporary and discretionary. If the family is going to move into a permanent house, they want the reassurance that they can stay there for as long as they want—as long as the kids are in school—to carry on being able to make a new home. I know that her department is trying very hard to work with these families, but will she look again at this and try to find a permanent solution?

Baroness Buscombe: I thank very much the noble Baroness for her question and her welcome. I absolutely understand where she is coming from. First, I make it absolutely clear that all emergency and temporary accommodation is rent free for everyone affected. The noble Baroness will know that it is very difficult for us to compel local authorities to ensure that there is no shortfall but, that said, we are doing everything in our power to ensure that that simply does not happen.

As for the benefit cap and the removal of the spare room subsidy, it is for the Department for Communities and Local Government to manage the accommodation, but we can say that those placed in temporary accommodation are not subject to the removal of the spare room subsidy. We have already relaxed the benefit rules for anyone affected by the Grenfell Tower fire, and our staff are handling people's claims with sensitivity. All I can say is that we are doing everything that we can in our power to ensure that people will not have to suffer a shortfall if they are moved on a permanent basis into a larger property.

Lord Borwick (Con): My Lords, declaring my interests, I know that the Government have announced an indemnity for those tenants illegally subletting their social housing in this tragic block. How many such indemnities will be issued, and is subletting a general problem in council-run social housing?

Baroness Buscombe: My Lords, I do not have the exact answer on indemnities. All that I can say is that we are doing everything that we can to ensure that nobody suffers in any way from a financial standpoint as a result of this terrible tragedy. Indeed, as a department we are making sure that we have expert staff on site in the local community assistance centre and seconded into the victim support unit located there. We are working closely in providing every victim with a key worker to ensure that payments can be made immediately. Indeed, a number of payments have been made already—249 cash payments of £500 and 112 payments of £5,000—and 841 people have also received discretionary payments from the fund, which is a government grant.

Access to Palliative Care Bill [HL]

First Reading

3.37 pm

A Bill to make provision for clinical commissioning groups to ensure that persons in their area have access to specialist and generalist palliative care and appropriate support services; and for connected purposes.

The Bill was introduced by Baroness Finlay of Llandaff, read a first time and ordered to be printed.

Cohabitation Rights Bill [HL]

First Reading

3.37 pm

A Bill to provide certain protections for persons who live together as a couple or have lived together as a couple as cohabitants; to make provision about the property of deceased persons who are survived by a cohabitant; and for connected purposes.

The Bill was introduced by Lord Marks of Henley-on-Thames, read a first time and ordered to be printed.

Voting Age (Reduction) Bill [HL]

First Reading

3.37 pm

A Bill to extend the franchise for parliamentary and other elections to all citizens over the age of 16 years.

The Bill was introduced by Lord Whitty (on behalf of Lord Adonis), read a first time and ordered to be printed.

Abortion (Foetus Protection) Bill [HL]

First Reading

3.37 pm

A Bill to lower the gestational time limit for abortion to 12 weeks.

The Bill was introduced by Baroness Nicholson of Winterbourne, read a first time and ordered to be printed.

Extension of Franchise (House of Lords) Bill [HL]

First Reading

3.38 pm

A Bill to make provision for Members of the House of Lords to vote in elections to the House of Commons.

The Bill was introduced by Lord Naseby, read a first time and ordered to be printed.

Supply and Appropriation (Main Estimates) Bill

First Reading

3.39 pm

The Bill was brought from the Commons, endorsed as a money Bill, and read a first time.

Public Sector Pay Cap

Statement

3.39 pm

The Minister of State, Department for International Development (Lord Bates) (Con): My Lords, with permission, I will now repeat in the form of a Statement an Answer to an Urgent Question given by my right honourable friend the Chief Secretary to the Treasury in another place earlier today. The Statement is as follows:

“We all recognise that public sector workers do a fantastic job. Over the past seven years, we have seen major improvements in our public services: crime is down, with a greater proportion of police on the front line; more children are achieving higher standards at school and going on to apprenticeships and university; and our NHS is looking after more people than at any time in its history. Government pay is designed to be fair to public sector workers who work so hard to deliver these strong public services, but we must also ensure we are able to provide those public services on a sustainable basis for the future.

In many services, workers have received additional pay to the 1% national increase: teachers had an average pay rise of 3.3% in 2015-16; more than half of nurses and other NHS staff had an increase of over 3% in 2016; and military service personnel saw an average additional increase of an average 2.4%. Salaries in the public sector remain comparable to those in the private sector and, in addition, many benefit from higher pension entitlements. They also benefit from the rise in the personal tax allowance, worth £1,000 a year to a basic rate taxpayer.

We are currently completing the pay review process for 2017-18. The Government have set the remit for the pay review bodies and they have made recommendations.

We have accepted the pay review recommendations made for doctors and NHS staff and the Armed Forces. We will be looking very carefully at the recommendations on the remainder, and making determinations in the usual way. As the Chancellor said on Monday, our policy on public sector pay has always been designed to strike the right balance of being fair to our public sector workers and fair to those who pay for them. That approach has not changed and the Government will continually assess that balance”.

3.41 pm

Lord Tunncliffe (Lab): My Lords, I thank the Minister for repeating that Answer, although I regret its tone and what it shows about the Government’s attitude towards public sector workers. This is clearly an extensive and complex issue and I am therefore delighted that my noble friend Lord Haskel has managed to secure a debate on this very matter next Thursday, when we will have an opportunity to go into it in more detail.

The specific question that I put to the Minister today relates to the terms of reference of pay review bodies. Can the Minister tell the House whether those bodies are required to have regard for government policy with its 1% cap? If the answer is yes, surely the publication of such reports is little more than a publicity stunt.

Lord Bates: The answer to the question is yes, but it is not a publicity stunt. These are serious matters that are considered very carefully, as has been the case on many occasions for a long time. Public sector pay is set out in the Budget and that advice is contained in recommendations that are sent to the independent pay review bodies. They make their recommendations and then the Government respond, normally by way of Written Ministerial Statement, as we have done already. The situation in which we find ourselves is one of significant debt. It is worth remembering that the interest that we pay on our debt would cover the NHS pay bill in its entirety each year. These are not therefore inconsiderable matters; we ought to bear them in mind and, at the same time, try to strike the balance between fairness to those public sector workers who do so much in our society and country and having regard for the taxpayers who are paying their salaries.

Baroness Kramer (LD): My Lords, lifting the 1% public sector pay cap has been Liberal Democrat policy since 2015. Does the Minister agree that the pay cap was brought in to prevent losses and deflation at a time of fiscal crisis? It was never intended to be prolonged and to continue into a period of high employment and inflation and, therefore, should be ended.

Lord Bates: I seem to remember that when we were in coalition with the noble Baroness’s party, there was in fact a pay freeze for two years, which was then loosened to a 1% cap. We now want to move forward: there needs to be public sector pay restraint but we want to make sure that, through progression pay and other benefits, public sector work is recognised and rewarded.

Lord Howell of Guildford (Con): Does my noble friend agree that the surest way to higher pay for all, including in the public and the private sectors, must be through higher growth and lower inflation? Is not the quickest way to higher growth efficient and systematic control of all public expenditure programmes and lots of new enterprise and new investment? Is it not time for some new language to explain that simple fact?

Lord Bates: My noble friend has explained it rather well. Maintaining a good solid economy is good for the economy. It controls inflation and interest rates, which are at an historic low. It has contributed to the fact that we have record levels of employment and has also enabled us to cut taxes for some of the lowest paid, taking 1.3 million people out of tax altogether.

Lord Clark of Windermere (Lab): My Lords, the Minister says that public pay is a balance between the pay to the individual in the service and what the individual citizen feels is fair. How have the Government assessed what the view of the citizen is as regards National Health Service staff?

Lord Bates: On that specific point, the Institute for Fiscal Studies has reported that public sector workers earn on average 13% more than those in the private sector. Secondly—this is very important—the purpose of the pay review body is to make sure that we continue to attract people into the public services and deal with employment. That is why it is interesting and helpful to note that a public sector pay review body has said:

“We do not see significant short-term nationwide recruitment and retention issues that are linked to pay”.

Lord Cormack (Con): My Lords, as one who has from time to time found himself at odds with government policy, will my noble friend tell his colleagues in the Cabinet that we do not expect them to have their debates in public?

Lord Bates: I was just about to say that was above my pay grade and then I realised that was probably not the right term to use. The Chancellor set out the policy on public pay in the Budget. That continues to be the case. We listen very carefully to what the review bodies say and watch very carefully to see the impact that has on recruitment. That policy will continue.

Lord Howarth of Newport (Lab): My Lords, further to the excellent question by the noble Lord, Lord Cormack, when you have the Health Secretary, the Environment Secretary and even the Foreign Secretary publicly campaigning against the policy of the Chancellor of the Exchequer, what does that do for the authority and standing of the Government? Is not the Cabinet a rabble?

Lord Bates: Certainly, the Cabinet is not as the noble Lord describes. The reality of all these things is that we do not have a Cabinet of clones; we have a Cabinet of individuals—a lot of individuals who care very passionately about the areas for which they are responsible. I declare an interest as a Minister for

[LORD BATES]

International Development, about which I care very passionately and on which I might occasionally be prepared to make my case. But the fact of the matter is that the collective government policy is as set out by the Chancellor in the Budget. We listen carefully to the independent pay review bodies.

Lord Tugendhat (Con): My Lords, does my noble friend agree that there is a great deal of support for the view implied in the question of my noble friend Lord Cormack? However, does he agree that perhaps we are moving towards a moment when it might be right to consider raising taxation to deal with some of the problems being discussed today?

Lord Bates: I am not sure that I agree with my noble friend in that respect because the way that we have raised tax thresholds, particularly for lower-paid workers, has meant that on average they have benefited by an additional £1,005, which is a significant increase to their salary. Further, there is the increase in the living wage, with the equivalent of a 4.2% increase for the lowest paid. Therefore, I think there are other mechanisms by which we can ensure that people's pay and conditions improve without resorting to raising taxes.

Lord Cunningham of Felling (Lab): My Lords, is it sensible for the Government to continue to put their faith in growth in the economy when today's abysmal news about productivity demonstrates that it is bound to fail? Our productivity now is lower than it was a decade ago.

Lord Bates: That is why we have said that productivity is a key target. But just last year we had the fastest-growing economy in the G7. We have seen incredible growth, otherwise we would not have employment at record levels in this country, with an additional 3 million people in work. Part of the reason is because we have kept a tight grip on the public finances and have seen the deficit reduced by two-thirds. These are important contributions towards maintaining confidence in the economy going forward. However, I accept that we need to work much harder on the area of productivity.

Lord Watts (Lab): What would the Minister say to the public sector workers who are told that there is not enough money to pay them a decent wage, while at the same time the Government can find £1 billion to give to the DUP?

Lord Bates: We would say to those people that we have independent pay review bodies which look at these matters. On Northern Ireland, there are historical challenges. Personally, I think that securing stability for the Government going forward is an important part of maintaining that path to growth, enabling us to pay down on the debts and ensure that salaries for both the public and private sectors increase in the future.

Lord Tebbit (Con): My Lords, I am afraid that my noble friend omitted to correct the noble Lord opposite, who talked about £1 billion being given to the DUP. No such sum is being given to the DUP—it is being

given to the people of Northern Ireland, to improve standards of living in Northern Ireland.

Lord Bates: Not for the first time, I am happy to stand corrected by my noble friend Lord Tebbit.

Lord Brooke of Alverthorpe (Lab): My Lords, I will return to the Minister's point about productivity. I have raised questions previously about the extent to which public servants are being encouraged to work and change their productivity and to find ways in which they might be rewarded. Can the Minister say whether any instructions are being sent to the pay review boards about this, to search for better productivity? There may be an opportunity for more money to be paid to public servants if productivity can be linked to their performance, and this may be a way out of the impasse we find ourselves in.

Lord Bates: We look at that constantly. When I was at the Home Office we looked at that with regard to the police, as reducing bureaucracy improves practices and efficiency within the police force. We were able to maintain levels of front-line policing while at the same time we saw crime falling to record lows. So all these things can be looked at and improved.

Grenfell Tower: Rehousing Update

Statement

3.52 pm

The Parliamentary Under-Secretary of State, Department for Communities and Local Government and Northern Ireland Office (Lord Bourne of Aberystwyth) (Con): My Lords, with the permission of the House, I would like to repeat a Statement made in the other place by the Housing Minister. The Statement is as follows:

“With permission, Mr Speaker, I would like to update the House on the ongoing work to rehouse the victims of the tragedy at Grenfell Tower.

Three weeks have now passed since the fire. As we all know, it soon became clear that the delivery of the initial response on the ground was simply not good enough. Since then, much has been done to support victims, to see that justice is done, and to ensure that other buildings around the country are safe. Throughout, our first priority has been helping victims who have suffered such an unspeakable trauma. We have been working hard to ensure that they have all the support they need, securing emergency accommodation and making financial and emotional support available as quickly as possible.

The response efforts have been co-ordinated by the Grenfell response team, led by John Barradell. He is being supported by colleagues drawn from London councils, the wider local government sector, the voluntary sector, police, health and fire services, as well as central government. I would like to express my heartfelt thanks to them all for their immense efforts over the last few weeks.

The new leader of the Royal Borough of Kensington and Chelsea, Elizabeth Campbell, has given a fulsome

apology for the inadequate initial response. She has also asked for help from central government to put things right. As the Communities Secretary has set out in a Written Ministerial Statement today, we will be establishing an independent task force to help the Royal Borough of Kensington and Chelsea build its capability so that it can deal with the longer-term challenge of recovery.

The Prime Minister promised that we would make an offer of new temporary housing to all those who have lost their homes as a result of the fire, within three weeks. These are good-quality, fully furnished homes, so that families can move on from emergency accommodation and live, rent free, in a proper home while permanent accommodation, on equal terms, is found; 158 families from Grenfell Tower and Grenfell Walk have been identified as being in need of such housing.

I can confirm that every family who is ready to talk to the housing team has been offered a temporary home, and that 139 have received offers of accommodation. However, 19 families have not yet been ready to engage in this process, and we need to respect that. Some are still in hospital as a result of their injuries. In some cases, the people on the ground offering these families support have made clear that it would be inappropriate at this time to ask them to make a decision about where they will live. These families have been through unimaginable trauma, and we need to go at the pace that they want to go at. What matters above all else is what the families individually want.

The Grenfell response team has been working with the 139 families currently engaged with the process to match them with appropriate temporary accommodation, and to start to talk to them about their long-term needs. The housing team has identified and secured more than 200 good-quality properties so that residents can have a choice where to live. I know that some have raised concerns about the quality of the accommodation offered. All properties have been inspected by the housing team to ensure that they are in good condition. My right honourable friend the Communities Secretary has personally seen an example of the kind of property on offer, and representatives of local residents groups have also seen and been assured of the quality. If the shadow Minister would find it helpful, I would be very happy to visit some of these properties with him so that he can assure himself of their quality.

All of the properties are local, and are either in Kensington and Chelsea or in a neighbouring borough. This will mean that families can continue to be near their friends and relatives, go to the same GP and send their children to the same school. Fourteen offers of temporary accommodation have been accepted, and three families have already moved in. I expect this number to increase, but we have to respect the pace at which the families want to go. I have personally met over 30 of the families who have been directly affected and, from talking to them, I understand that there are many reasons why some are reluctant to take up these offers. Some might choose to remain in hotels until they have an offer of a permanent tenancy.

We also understand that one of the big issues holding people back is a lack of trust. Some families were told that they were moving into Grenfell Tower on a temporary basis and then, years later, they were still there. Their concerns are entirely understandable—that is trust which we need to work hard to earn. We also have to respect their decision if they do not wish to move out of emergency accommodation before permanent housing is available. We will keep on making offers to families of local homes that we think would be suitable for them, but no one will be forced into a home that they do not want to move into.

I want to respond to a number of reports which have been made, claiming that people are being told to move far from London or that they may be deemed homeless if they do not accept an offer. I want to be absolutely clear: if this is ever suggested to a victim then that is completely unacceptable. I have already stated that if anyone is aware of an individual family who is not receiving the offer we have promised, please tell me, and we will fix this. I repeat that call to the House now.

Let me set out again what the Government have committed to do. Every household that is ready to talk has been offered temporary accommodation. The housing team will continue to work with families to ensure that their individual needs are met. As my right honourable friend the Prime Minister said, everyone whose home was destroyed by the fire will be guaranteed a new home on the same terms as the one they lost. This means paying the same rent, with the same level of security, and in the same area.

When it comes to permanent housing, we have already announced a new block of social housing that will provide 68 new homes in Kensington Row. We are urgently working with a number of developers to secure similar properties either in Kensington and Chelsea or very close to North Kensington, so that families can stay in the same area. These negotiations have not yet concluded, and we need to work closely with the residents to make sure that the sorts of properties we are able to make available will match what they want.

There are also 17 leaseholders who lost their homes and we are working with them to make sure that they do not lose out financially because of the fire. I met with them recently as a group, and we are working with them individually to find the right solution for them.

On my visits to the West Way, hearing the harrowing accounts of survivors has been the most humbling and moving experience of my life. The families I have met have been through unimaginable pain. We will continue to do all we can to get them the help they need. This tragedy should never have happened, and I am determined to do all that we can to make sure that something like this never happens again. I commend this Statement to the House”.

My Lords, that concludes the Statement.

4 pm

Lord Kennedy of Southwark (Lab): My Lords, I thank the noble Lord for repeating the Statement

[LORD KENNEDY OF SOUTHWARK]

made by the Housing Minister earlier today in the other place. I draw to the attention of the House my registered interests: I am a councillor in the London Borough of Lewisham and a vice-president of the Local Government Association.

It is accepted that the response by Kensington and Chelsea Council fell far short of what would have been expected. I thank and pay tribute to all those public sector workers who have come to the aid of the victims and their families and the wider community. They are drawn from London councils, the wider local government sector, the police, the NHS, the fire service and officials from central government, along with the voluntary sector and faith communities. Their contribution in supporting the residents and the wider community has been remarkable, humbling and invaluable. I thank them all for all that they have done and continue to do.

The new leader of Kensington and Chelsea Council, Councillor Elizabeth Campbell, has rightly given a fulsome apology for the abject failure of that local authority in the immediate aftermath of the disaster. She has an important job to do in getting the council back on its feet and serving the community as intended. It is important that the new leader works with all members of the authority and specifically involves the leader of the opposition, Councillor Robert Atkinson, and quickly gains the trust and respect of the local community, working with them closely.

I have read the Written Ministerial Statement issued by the Secretary of State for Communities and Local Government and welcome the decision taken to appoint an independent recovery task force to advise the council on the longer-term recovery needs. I am pleased that this body is reporting directly to the Secretary of State and can advise him of any further action that needs to be taken as it sets about its job of supporting the local authority. However, it cannot act as commissioners can, which would have been the best option, and will need to be kept under review. However, what has been decided is progress and moves on from the “keeping an eye on the council” approach we had earlier.

More work urgently needs to be done on progressing the provision of new homes to the families. As we have been told, only three families have moved to a new temporary home and 11 more have been offered somewhere they feel able to accept, out of the 158 families that have been identified as in need of rehousing. If there was an offer for me and my noble friend Lord Beecham to see examples of the housing available, we would certainly like to take it up. I agree that even the suggestion that a victim could be made homeless if they do not accept an offer of housing is completely unacceptable. If anyone has information about such actions, could the noble Lord explain where they should go and who they should speak to if they feel pressurised? Such people are, of course, traumatised and frightened.

That leads me on to a disturbing report of which I was given details this morning. I was told that, in the immediate aftermath of the fire, the TMO provided space at a premises for an art therapy group to work with young children from Grenfell Tower who were traumatised by the fire. It had been working with the

children—who had experienced a horrific tragedy—but sometime later the TMO contacted the group and said that it needed the keys back as it wanted to resume the letting of the premises. The group asked for more time to carry on working but, on arriving at the premises for the next session, it was unable to gain access because the locks had been changed, leaving the art therapists and the children standing outside. Will the noble Lord urgently investigate what happened here, because that is not the action of an organisation or individual who has any compassion, empathy and respect for the victims or, frankly, any understanding of what has happened? It is a truly appalling action by those in authority and an example of why further interventions may be necessary.

This tragedy should never have happened. Everything must be done to make sure it never happens again, to do right by the victims and their families, to treat them with care and respect, and to give them the support they deserve and the answers they need.

Baroness Pincock (LD): My Lords, I too thank the Minister for repeating the Statement and for keeping the House so well informed about the consequences of this disastrous and tragic fire. Although shamefully delayed, I am encouraged that the Government are now recognising the scale of the disaster, which, as the Minister himself has said, was wholly avoidable. It is also positive that the council leader of the Royal Borough of Kensington and Chelsea has resigned, as called for last week by several Members of your Lordships’ House. I am pleased that the newly elected leader has acknowledged the council’s failings, which clears the way for others to step in and provide it with the support it obviously needs. The Government have announced how they intend to do that through the task force.

The Grenfell residents who survived the fire have lost their homes through no fault of their own. It is therefore right that the wishes of the residents in seeking new accommodation are paramount, so that they can begin to settle into new homes. They must be given time and support in making their decisions. Many families will wish to remain in the area, which is the one they know, so that their children can continue to attend the same school and families can remain with the local general practitioner. Will this be the case? The Minister seemed to confirm that in the Statement, but it is not clear what kind of distances residents will be expected to travel in order to retain their links, and perhaps will rely on even more given the tragedy they have been through. What is the distance or length of time for travel the Government consider is acceptable to residents from their new accommodation to schools, GPs and so on?

I want also to ask about ongoing mental health support, in particular for all the children who have been through this awful experience. If residents choose to move well away from Grenfell Tower, as I can imagine some may well wish to do, how will support move with those families? It would be awful if people move, perhaps even away from London, but still need support to get through this difficult time. Given the reason for rehousing, is the Minister able to reassure

residents that every new unit of accommodation on offer will have been given a thorough fire safety check before anyone is asked to consider moving? It is the kind of reassurance that I would seek if I had been through even part of what the Grenfell residents have experienced.

Finally, I understand that yesterday the Secretary of State at DCLG, when speaking to the Local Government Association, claimed that as a result of the Grenfell Tower fire there was a crisis of trust in local government as a whole. I would say to the Minister that the crisis of trust is in only one council—the Royal Borough of Kensington and Chelsea. A comparison that I would draw to his attention is that of the amazing response by Manchester City Council to the terrorist attack earlier this year. Equally in that case, there were many casualties and the need to co-ordinate an instant response. As a country, we will not learn the lessons from this tragedy if the Government or anyone else attempts to put the blame on a single institution. Across government, local government and public services in general, we all need to learn the lessons so that this awful and avoidable tragedy can never be repeated.

Lord Bourne of Aberystwyth: My Lords, I thank the noble Lord, Lord Kennedy, and the noble Baroness, Lady Pinnock, very much for their contributions. I shall first take up the points raised by the noble Lord, Lord Kennedy. I agree with him: the response on the ground we have seen from gold command, the local authorities, central government and the emergency services was absolutely awesome, and from voluntary and charitable bodies. There is no doubt of that.

I thank the noble Lord for the welcome of the recovery task force that has been announced, as he rightly said, by Written Ministerial Statement. On the specific issue he raised of the art therapy group, if he has further details of that—it is the first I have heard about it—I would be happy to look at that and to get officials to look at it. He is absolutely right that this should not be happening. At a time like this we need added sensitivity, not a lack of it. I shall certainly follow that up, but as I say, I know nothing of it.

I have not heard that this is the case, but if anyone feels that they are not being dealt with properly regarding some of the housing offers, again, there is the Westway centre, which is staffed by the people I just referred to—local authority members and central government, with assistance from voluntary and charitable bodies. They can go there. There is a victim support unit there. There is a family and friends centre at Holborn. Again, if any noble Lord has any details of anything they would like me to follow up I am happy to do that. I thank him very much indeed for the welcome he gave to Elizabeth Campbell, the incoming leader. I agree that she will want to work with other councillors across the piece. I am sure that is what she will do.

Turning to the questions from the noble Baroness, Lady Pinnock, I once again thank her very much indeed for her positive response. The challenges are daunting across many areas, some of which on housing were specifically dealt with by this Statement, but there are many much wider than that. The wishes of residents relating to temporary accommodation and, indeed, permanent accommodation are paramount.

We are trying to meet the needs and wishes of residents because of the massive need for sensitivity. That is what is governing this. That is why the process may take some time because the trauma means people will initially feel they want to go back to where they lived and then, giving it more thought, think that is perhaps the last thing they want to do. Understandably, people do not want to rush a decision on something such as this, hence staying in the emergency accommodation of the hotel. As I think has been indicated—I shall restate it—there is no rental charge for the emergency accommodation or the temporary accommodation. There is no charge on that at all.

The noble Baroness asked about links with GPs and schools where appropriate. Clearly, that is something that will influence the residents concerned. As she indicated, often it may be a question of distance or at least the time travelled, but not always. Someone may be travelling to work or something in a particular area, so it has to be judged by the individuals concerned. Once again, we are taking our leads from the individuals concerned.

The noble Baroness asked about mental health support. Again, that is certainly being provided for bereavement and more widely through the Westway centre. I thank her for her comments about people who may move away to be with relations or who may want to move out of the area completely. It is important that we do not drop the ball in relation to mental health, so I will make sure that point is followed up, as I am sure everybody wants it to be. Fire safety checks are being done on new accommodation offers. I can confirm that; obviously it is central.

On the Secretary of State—my boss—I can say only that he has been working tirelessly on this. He knows the important role of local authorities and the good work they did. The noble Baroness referred to the Manchester terrorist attack. I went up there during the election campaign when the dreadful attack happened. She is absolutely right that it was the best of British public services, voluntary services and individuals all coming forward. I can confirm that that has uniformly been the case. I thank her very much for her point on mental health, which we will certainly follow up.

4.15 pm

Lord Tebbit (Con): While I concur with a great deal of what has been said, has the Minister seen or read the allegations which I have seen that a number of the flats had been unlawfully sublet by their tenants, so the victims were people who were not actually tenants of the local authority? Quite clearly, those people should be fairly and properly treated, but what is to happen to the tenants who had illegally sublet? Surely they will not be holding out their hands for another tenancy to unlawfully sublet.

Lord Bourne of Aberystwyth: My Lords, my noble friend is right that there have been allegations of unlawful subletting. The Government have been keen in this situation—I think, correctly—to say that this does not matter at this juncture; what really matters is ensuring that we have proper account of those who have lost their lives or who have gone missing. Therefore,

[LORD BOURNE OF ABERYSTWYTH]
in these circumstances, it is entirely appropriate that we say that no charges will be brought in relation to unlawful subletting—that is not to condone it more widely, but in these special circumstances, the important thing is the loss of life and the learning of lessons so that we can ensure that this does not happen again.

Baroness Hollis of Heigham (Lab): My Lords, we all welcome the emotionally supportive tone of the Government—both the DCLG and the DWP—and I think that we are at one in the House in backing the Government so far, but will the Minister allow me to ask him some questions, so that we have his reassurances on the record? Some of them might also have been addressed on the Question asked earlier by my noble friend Lady Lister. The first relates to DHPs, or discretionary housing payments. Will they be available for as long as the individual needs them, given the endorsement given by the noble Baroness, Lady Buscombe, about the need for peace and security? That will mean that the borough almost certainly runs out of money. Will government then guarantee to produce the additional resources, the DHPs, for Kensington and Chelsea for as long as those needs last? If not, as my noble friend said, the tenants will be caught by the housing benefit cap somewhere down the line and have insecure accommodation.

Secondly, I have some other DWP-type questions about money. The public have responded most generously—I think some £17 million and rising has come in through charitable giving, which will be distributed to tenants, many of whom were on benefit. Conventionally, if you have more than £6,000 in savings, your benefit is cut. Can we have an assurance in person from the Minister and therefore on the record—I am sure that the Government intend to be as compassionate about this as they can—that any such charitable money, support money or bridging money will not be offset under capital and savings rules against people's income?

Thirdly, a number of residents—

Noble Lords: Too long!

Baroness Hollis of Heigham: Will your Lordships allow me one more question? Many people in that tower will be on UC and will have interview letters stating that if they do not attend those meetings they will face sanctions. Will the Minister again assure the House that for people who have lost all their paperwork, which was their line through to universal credit, housing benefit, disability benefit and so on, sanctions will not apply as they would do if they had not been engaged in this tragedy? I am sure that the Government have good will in this regard, but can we have assurances on these matters in writing, which will make all the difference to the security of income of affected tenants?

Lord Bourne of Aberystwyth: My Lords, the noble Baroness raises several points. I understand that there is no time limit on discretionary payments being made. I reiterate the point made in the Statement and by the Prime Minister previously that accommodation is being offered on terms at least as generous as those available previously. That means that no bedroom tax would be

charged if it applied previously. Charitable payments will not have an effect on benefits, and there will be no sanctions.

Lord Shipley (LD): My Lords, I am grateful to the Minister for repeating the Statement, in which he confirmed that,

“everyone whose home was destroyed by the fire will be guaranteed a new home on the same terms as the one they lost”.

The Statement then goes on to clarify what that means:

“Paying the same rent, with the same level of security and in the same area”.

I suggest to the Minister that there should be a fourth definition: “with at least the equivalent furniture, fittings and decoration at no cost to the tenant”.

I raise this because there are issues around whose insurance policies will pay for furniture and fittings. In my view, that should lie not with the tenant but with the landlord. Even though the Statement overall seems to imply that it includes the substantial cost of furniture and fittings, for the avoidance of doubt the Government should be very clear about this. I just remind the House of my vice-presidency of the Local Government Association.

Lord Bourne of Aberystwyth: My Lords, I thank the noble Lord, Lord Shipley. I have some sympathy with that point. Indeed, when I read the Statement I made a similar point. I think it is inherent in the Statement but I am happy to confirm that not only should the accommodation be at least as good and with as many bedrooms—I understand that in many cases it will be more—but also the furniture and fittings should be of equivalent standard. Perhaps one could go too far in setting that out but that should encapsulate the point the noble Lord wanted.

Lord King of Bridgwater (Con): I congratulate my noble friend the Minister on the approach he is taking, and congratulate both Front Benches. In the interests of the people concerned and given the tragedy they faced, the last thing we need is party-political point-scoring. How can we all work together to deal with this appalling tragedy? The one remark I disagree with in each of the previous contributions was when it was said that this must never happen again. There is a real risk that something will happen—not necessarily this; maybe a plane crash. It is quite clear that the organisation in London of individual boroughs is not properly equipped to handle a tragedy of this scale. There is no wonder that Manchester City Council did a better job than Kensington and Chelsea: the resources available are on a vastly different scale. The Minister talked about a task force. There needs to be a permanent organisation so that if tragedy strikes in one of these ways, it can go straight in and do the work. I very much hope that that will be the outcome of this.

Lord Bourne of Aberystwyth: My Lords, I thank my noble friend for that positive contribution, and echo it. I thank noble Lords who have sought to approach this in a genuinely bipartisan way, because it transcends party-political differences. The specific point raised is one that the Prime Minister indicated, so my noble

friend is very much on that page. There will be a civil disaster task force to deal with circumstances like this. I certainly echo what my noble friend said.

Noble Lords: My Lords—

The Earl of Listowel (CB): My Lords, I do not believe that the Cross Benches have spoken. I echo from these Benches the welcome for the Statement and the determination by the Government to ensure that these families have peace of mind in future. I also echo the concern raised by the noble Baroness, Lady Hollis of Heigham, on the Opposition Benches, that in the longer term we may need exemption from the bedroom tax for these families. They may be moved into larger homes; the Minister said that they might have more bedrooms than previously. I hope the Minister will give careful consideration to those suggestions. I also welcome what the noble Baroness, Lady Pinnock, said about not seeking to blame one particular individual but looking at how the system itself failed to meet the needs of the people.

Lord Bourne of Aberystwyth: My Lords, I thank the noble Earl for that. Clearly, there are issues that will be looked at by the inquiry. Initially, issues will be looked at by the expert panel in relation to this disaster—the immediate action necessary. Then, I anticipate that there will be an interim report for the inquiry, then a fuller report. The noble Earl referred to perhaps even broader issues that we will need to address. I am sure that they will be addressed in due time. Just at the moment, we are focused on the immediate things that must be dealt with in terms of the awful tragedy at Grenfell Tower.

Lord Campbell-Savours: My Lords, the Minister said there were 17 leaseholders; that is, people who will have purchased their property from the local authority. Can he say a little more about their position? I presume that they will either be block insured under a block policy or they will be individually insured in terms of the value of their property. Will they be treated in any way differently from those who were tenants of the local authority?

Lord Bourne of Aberystwyth: My Lords, I thank the noble Lord for that perceptive question. Each case is different and each is being looked at individually. I think they will be dealt with *mutatis mutandis*. Obviously, there are differences because they own the property rather than being social tenants. But in essence it will be dealt with in parallel in exactly the same way.

Viscount Hailsham (Con): Does my noble friend agree that the judge who has been appointed to head the inquiry, Sir Martin Moore-Bick, is extremely well qualified to head that inquiry and that criticisms of him are wholly misconceived? Does my noble friend agree that it is to be hoped that everybody affected by this tragedy will work with the inquiry to determine the true causes?

Lord Bourne of Aberystwyth: My Lords, I agree entirely with my noble friend. He is absolutely right. Sir Martin was chosen because he is the appropriate

person to take this forward. He has already visited and has been consulting tenant organisations about the terms of reference and the scope of the inquiry. Details about the public inquiry are on the web at grenfelltowerinquiry.org.uk. It is there for people to look at and contribute to the scope of the inquiry, I think until a week on Friday: 14 July. If people want to take that up and have a look at it, I am sure that that would be beneficial.

Baroness Berridge (Con): My Lords, in the Prime Minister's Statement on 22 June, she first outlined that the accommodation will be on the same terms as the original accommodation, and we have seen a definition of that today. Unfortunately, I understood "same terms" to be in the personal injury lawyer sense, which is to put the person back into the position they would have been in had none of this happened. People who have been placed in accommodation with more bedrooms should be in the same position—having the same money still in their pocket—as if they were in the house they had been in. Can my noble friend the Minister find a way to short-circuit these processes, as we have done for prosecutions for illegal subletting? People should not have to get discretionary housing payments when they should basically be in the same position as if the fire had never happened. There must be a way to achieve that and get that justice for them, including of course if they have moved further away and they have extra transport costs to get to work. All of that has to be taken into account and we need a speedy, efficient way that is not in bureaucracy and discretion to achieve that as soon as possible.

Lord Bourne of Aberystwyth: My Lords, I quote again from the Statement. My right honourable friend the Prime Minister said that,

"everyone whose home was destroyed by the fire will be guaranteed a new home on the same terms as the one they lost".

That is what we are intending to do. Beyond that, if the home that they go to is larger than the one they were in previously, they will not be charged extra, as I understand it; I was going through this this morning in the department.

Lord Morris of Handsworth (Lab): My Lords, the House will want to welcome the practical steps that are being taken by the authorities, including central government and local authorities, to repair the practical and physical damage. But one of the missing ingredients between the community and the authorities is trust. Undermining that trust is the need to get some authentic and verified numbers about the number of people who perished in the awful fire. Is there any mechanism that can be set in train to get the information, whether it is held by the local authority or the housing association? Until that figure is properly authenticated, there will be mistrust and the healing of the community will take a very long time. The nation has a right to know how many people perished in that awful, tragic fire.

Lord Bourne of Aberystwyth: My Lords, I agree with the comments of the noble Lord, Lord Morris, about the number of people who perished. We sorely

[LORD BOURNE OF ABERYSTWYTH] want to know that information. It is not just a question of finding out how many people were tenants in the block. As we have indicated, there were people residing there who were not tenants, who were illegally subletting, which is certainly possible, or who were guests. It is entirely possible that people were staying overnight. Sadly, at the top of the block, it is very difficult indeed to identify people who have lost their lives. We are striving to find the number of people who died. I think currently we have identified 90 people who almost certainly perished in the fire. Beyond that, it is difficult, but we are seeking to do that by the measures I have mentioned. The Statement refers explicitly to the issue of trust. I agree that we need to rebuild the trust of the people who lived in Grenfell Tower and Grenfell Walk and more widely in Kensington and Chelsea, and that is what we are seeking to do in the way that we are approaching this.

Earl Attlee (Con): My Lords, following the question from my noble friend Lord King, what steps is the Minister taking to ensure that there are no other local authorities that are equally weak in disaster planning and response? Although this was a terrible tragedy, in terms of managing the disaster, it was not particularly difficult. It was very concentrated geographically. What would have happened if a wide-bodied jet had landed somewhere in west London?

Lord Bourne of Aberystwyth: My Lords, in the immediate aftermath of this dreadful tragedy we have, as my noble friend will know, contacted other local authorities to ensure that there is not a replica of this situation elsewhere. Everything we have done since then in terms of testing and action has been to ensure that that does not happen. There has been only one case to date, in Camden, where we have had to evacuate blocks, although we have found non-compliant cladding in, I think, 202 cases. My noble friend said that this case was easy to handle but I would dispute that. It might have been geographically concentrated, but the nature of this tragedy was such that it was, and still is, very difficult to address. I have no particular knowledge of detailed plans for the type of disaster he talked about, but the suggestion by my noble friend Lord King and the Prime Minister of some sort of civil action disaster task force is an appropriate one to deal with such awful occasions, which do happen over time—we can think of transport disasters or Hillsborough. Such situations would be helped by having an appropriate body with legacy ideas passed on from one awful disaster to another. It is an idea that is worth pursuing on a non-partisan basis.

Lord Cormack (Con): My Lords, the noble Lords, Lord Kennedy and Lord Beecham, indicated that they would like to accept the invitation extended by my noble friend to see the properties that these unfortunate, tragic people are being offered. Clearly, we do not want to place strains upon those who are working so hard, but could we possibly have a little exhibition in the Robing Room or somewhere else illustrating the sorts of properties that are being offered so that

Members of your Lordships' House and of another place can see these things and the specifications?

Lord Bourne of Aberystwyth: My Lords, in relation to the noble Lords, Lord Kennedy and Lord Beecham, seeing the properties, I was of course repeating a Statement in which the offer was made by the Minister in the Commons, Alok Sharma, to John Healey MP. That is not to say that I cannot make provision for that, but the most important thing—as I can see from the response of noble Lords opposite, and it is my own feeling—is that we should allow people to get on with the work which they need to do on an urgent basis. I would say the same to my noble friend in relation to any follow-up with the type of housing that is being offered. The first thing that is really important is for the people concerned to get on with their job. I know that civil servants from my department are working tirelessly at weekends and pretty much round the clock, and I would not want to impose any additional burdens on them at this time.

Financial Guidance and Claims Bill [HL] *Second Reading*

4.34 pm

Moved by Baroness Buscombe

That the Bill be now read a second time.

The Parliamentary Under-Secretary of State, Department for Work and Pensions (Baroness Buscombe) (Con): My Lords, I take this opportunity to say thank you for the positive engagement and feedback your Lordships have already provided, particularly at the all-Peers session we held last week. It is my sincere hope that we can continue to engage in this way as the Bill progresses through this House.

The Bill is a relatively and deliberately small Bill, focusing specifically on two separate but important issues. The first part will create the framework for a single financial guidance body, ensuring that people have access to the information and guidance they need to make the important and effective financial decisions that we all have to make at some point in our lives. The second part will enable the transfer of claims management regulation from the Ministry of Justice to the Financial Conduct Authority, ensuring that there is a tougher regulatory framework in place and that people have access to high-quality claims handling services.

We believe that both measures will benefit members of the public and provide a sustainable legislative framework for public financial guidance and the regulation of claims management companies in the future. Both measures have received support from stakeholders in industry, from charities and from consumer groups. Since it was announced in Her Majesty's gracious Speech that we would be bringing forward these measures, the response from stakeholders has been very positive. For example, Scottish Widows welcomed the Bill saying that it was,

“a major step in simplifying money management from the perspective of the public, where the full spectrum of support will soon be found in one place”.

Welcoming the claims management regulation measures, the ABI stated:

“Confirmation of tougher regulation of claims management companies cannot come soon enough for people who are plagued by unsolicited calls and texts. Disreputable firms are fuelling a compensation culture that contributes to higher insurance costs for many”.

I now turn to the clauses in the Bill and why we believe them to be important. Clauses 1 to 15 establish the new arm’s-length body that will replace the Money Advice Service, the Pensions Advisory Service, and DWP’s Pension Wise service. This builds on the Government’s commitment to ensure that people should be able to access good-quality, free-to-client, impartial financial guidance and debt advice.

The need to restructure and simplify the UK’s financial guidance landscape was confirmed in October 2015 when the Government launched the first of their three reviews into the provision of public financial guidance across the UK. The first two reviews established beyond doubt that there was the need for such a body, but we wanted to ensure that the right model was delivered, that it would work for those who needed to use it and that it had the full support of the financial services, pensions and charity sectors. In October 2016, in response to the feedback we received from stakeholders, we took the decision to create one single body and set out our proposals for a single body that could provide a more joined-up approach to financial guidance and debt advice. The consultation closed in February this year, and since it closed, the DWP and the Treasury have held discussions with interested parties to gain further insight.

The responses, from trade organisations, charities, and the financial services and pensions industries, were very positive and supportive of the Government’s proposals, and clearly expressed a wish to see the body focus on filling gaps in the current financial guidance provision. StepChange, one of the UK’s largest debt charities, commented:

“A single financial guidance body, backed by well-constructed legislation, can be a major plank in Government strategies on social justice and supporting families who are ‘just about managing’”.

The LV= insurance company strongly supported the proposals, saying, “We fully support the premise that people attach a greater value to ‘government backed’ and impartial guidance for many key financial decisions, particularly when making decisions about retirement income, and our own consumer research confirms this”.

Before I go on, I am very conscious of the concerns expressed by some of your Lordships about the difference between advice and guidance. It may help if I briefly outline where we see the distinction. Debt advice is a regulated activity. It is provided by an FCA-approved debt adviser who provides an assessment of an individual’s debt situation and makes a recommendation on a course of action. The Government currently fund free-to-client debt advice through the Money Advice Service. The key point here is that debt advice comes with a personal recommendation and action plan and is a regulated activity, so it is tailored to an individual’s needs. Financial guidance is the provision of more

generic information about the various options open to an individual. No personal recommendation is provided, it is not regulated and it is not tied to selling a product as a result of the information provided. It is important that we understand that distinction as we go on to debate the Bill in more detail.

The measures in the Bill outline four functions for the new body. First, it will provide information and guidance on all matters relating to private pensions, covering both the basics as well as the more complicated issues. That will include matters such as pension schemes and how they work; general information about the state pension; transfers between a defined benefit scheme and a defined contribution scheme; and the options open to people as a result of the pension freedoms. Secondly, it will provide impartial guidance and information on money matters, including budgeting and saving, insurance, bank accounts, protection from fraud and scams, and planning for retirement.

Thirdly, a further function of the body will be to fund free-to-client debt advice for people in England with problem debt. Let me again be clear about what this means: the debt advice function that we are talking about here is targeted at people in crisis. It is essential that people in serious debt are able to access help that will provide them with a clear course of action. The Money Advice Service currently provides funding for advice of this sort, and it is vital that the new body continues that work.

Importantly, the fourth function of the Bill, its strategic function, requires the body to work closely with others in the financial industry, the devolved authorities and the public and voluntary sectors. This will enable the body to harness their knowhow, expertise and innovation, and to strengthen the co-ordination and development of a national strategy in three key areas, with the overarching aim of improving the ability of individuals to manage their finances. The strategy will aim to better identify the issues that people face and where there are gaps in provision. It will help to develop evidence-based solutions to these issues and ensure that the sector’s resources are used in a co-ordinated and effective way.

I shall touch briefly on the role of devolved authorities. In considering the functions of the new body, the Government have consulted with the devolved authorities on the delivery of debt advice and believe that decisions on the use of funds for debt advice are best made locally. The devolved authorities currently deliver a broad range of guidance services, including guidance on housing and welfare reform. By transferring responsibility for debt advice to them, the Bill will create opportunities to commission joined-up services that reflect the needs of members of the public in Scotland, Wales and Northern Ireland. That is why the Bill makes provision for the funding of debt advice to be delivered by each of the devolved authorities. It will of course be important for the new body and the devolved authorities to work together and to share learnings when commissioning debt advice. For that reason, the new body will be required to work closely with the devolved authorities in delivering its functions, and will collaborate with the devolved Administrations

[BARONESS BUSCOMBE]

when developing a strategy to address financial capability, including the ability of members of the public to manage debt.

We want to ensure that everyone has the opportunity to take control of their finances, and being able to access the right guidance is an important first step. The noble Lord, Lord McKenzie, was right when he said during the debate on Her Majesty's gracious Speech that,

"levels of financial capability in the UK are low and that many people face significant challenges when it comes to managing money, avoiding debt, building up savings in the short term and balancing this with",—[*Official Report*, 29/6/17; cols. 640-41.]

saving money for their retirement. The first part of this Bill, and the creation of a single financial guidance body, will help people to move in the right direction and give them that opportunity. The clauses provide the legislative framework for the body that will allow it to respond to industry and policy changes and keep pace with technological advances.

One might ask: why now? The noble Lady, Baroness Drake, said at Second Reading of the Pension Schemes Act last November:

"I hope that it will not be long before the revised proposals for financial and pensions guidance are revealed".—[*Official Report*, 1/11/16; col. 584.]

We have now consulted three times on how best to restructure the financial guidance landscape. We have listened and acted upon the views of the industry, charities, consumer groups and members of the public. There is a growing expectation of change, and continued delay will cause uncertainty for the three services involved and the 250 or so staff who work for them. We believe that now is the time to get things done.

I know that a number of your Lordships have raised questions about financial exclusion and the role of the new body. I put on record this Government's appreciation for the excellent work that your Lordships' Select Committee has done in preparing its report on this area. The new body will help to address some of the key issues that the committee raised in its report. It will continue to fund debt advice as well as fund and evaluate financial capability programmes, including financial education initiatives aimed at children. In this way, it will help people of all ages and backgrounds to manage their money well and make the most of financial services and products. However, the report made 22 recommendations, many of them outside of the scope of the body. The Government have been considering them very carefully and will publish a full response shortly.

I turn to the measures in Part 2. Clauses 16 and 17 will enable the transfer of claims management regulation from the Ministry of Justice to the FCA. This measure is intended to tackle a range of conduct issues within the market, ensuring a tougher regulatory framework and increased individual accountability.

We have put on record our commitment to clamping down further on some CMCs' rogue behaviour by transferring regulatory responsibility to the FCA. We will all be aware of the type of complaints levelled at some claims management services companies. Many of your Lordships will have experienced them at first hand. They include poor value for money; misrepresentation

of the service offered to consumers; reliance on nuisance tactics, such as unsolicited calls and texts; and the progression of inappropriate claims, either speculative or fraudulent.

Moreover, we know that 76% of the public are not confident that CMCs tell the truth to their customers. At the 2015 Budget, the Government commissioned an independent review to examine the CMC market and make recommendations to improve the regulatory regime. Following this review, undertaken by Carol Brady, we said in the March 2016 Budget that we would take action. The measures in the Bill honour that commitment.

Clause 16 amends the Financial Services and Markets Act 2000 to enable the FCA to regulate specified activities in relation to claims management services. It enables the transfer of CMC regulation by switching on FCA's regulatory, supervisory and enforcement powers in respect of claims management services, so that the FCA can design and implement a robust regulatory regime.

Clause 17 ensures that the FCA has the necessary powers to restrict fees which CMCs charge in order to protect consumers from disproportionate fees. It also requires the FCA to make rules restricting charges for claims management services dealing with claims for financial services or products. This clause will help to ensure that the FCA has the necessary powers to restrict fees which CMCs charge, to protect consumers from disproportionate fees. Strengthening the regulation of CMCs in this way gained widespread support and is popular among consumer groups, insurers, lawyers and the financial services sector.

As I said at the start, the Bill is deliberately narrow in focus. Its purpose is to ensure that people—especially those who are struggling—are easily able to access free and impartial financial guidance to help them make more effective financial decisions. It will improve their confidence when dealing with financial service providers and is an important step towards improving their financial capability.

By transferring the regulatory responsibility for CMCs to the FCA, the Bill sends a clear message to CMCs, providing a stronger framework that ensures that individuals are accountable for the actions of their businesses, and it will provide the FCA with fee-capping powers to protect consumers from excessive fees.

We believe that this is a positive Bill and a fair Bill. It has the individual at its heart, and I look forward to the constructive engagement that we will have as it progresses through your Lordships' House. I beg to move.

4.49 pm

Lord McKenzie of Luton (Lab): My Lords, I start by thanking the Minister for her introduction of this Bill and for the meetings that she and her colleagues have facilitated. We look forward to further engagement as we make progress.

As we have heard, this is a two-topic Bill, the first of which concerns the establishment of a new arm's-length entity to replace three existing publicly funded consumer bodies, the Money Advice Service, TPAS and Pension Wise, which variously provide free-to-client and impartial

information, guidance and advice. The SFGB will have responsibility for a strategic function also to support and co-ordinate the development of a national strategy. The Bill's stated aim, which we can support, is to increase levels of financial capability, reduce levels of problem debt, and improve public understanding of occupational and personal pensions. We accept that having three existing organisations with overlapping remits but different brands, independent strategies and business plans, generates inefficiencies, although we should acknowledge the effectiveness of some of the work they currently do. In particular, we should recognise TPAS, which with a small budget and no marketing handles some 200,000 customer contacts each year. We can also see the challenges of fitting together three hitherto separate organisations.

The Bill also separately introduces a tougher and welcome regulation regime to tackle conduct issues in the claims management market, which we can also support. The Bill is a high-level framework Bill, with little detail of precisely what is to be delivered and how. It is understood that the Government consider that a mixed delivery model should apply to the SFGB, with some services delivered directly and others commissioned externally by specialist providers. Other than debt advice, there will be no support for regulated financial advice. I believe that the Minister made that point. There can be more than one tier of provider, with a third tier needing SFGB consent, and delivery partners will have to provide information for monitoring and enforcing standards. We have no problem with this, but what safeguards will be available to ensure that lower tier providers are not disadvantaged in this treatment, as happened sometimes under the Work Programme arrangements?

The Bill gives us no specifics on delivery channels, which will have to be designed by the new body, but the expectation is that these will include a customer-facing website, a telephone service and some face-to-face support—the components of the existing separate arrangements. How is it expected that arrangements will allow appropriate consumers who are not currently effectively reached to be catered for? Do we expect the SFGB to handle increased volumes?

The five areas that SFGB is expected to concentrate on are provision of debt advice, provision of information and guidance relating to occupational or personal pensions, accessing DC pots and retirement planning. I believe that the Minister suggested in her introduction that it would cover state pensions. We thought that that was not the case—but perhaps she could clarify that in her response. It is also to help consumers avoid financial fraud and scams, to give information on wider money matters and to co-ordinate and influence efforts to improve financial capability, along with co-ordinating non-governmental financial education programmes for children. The SFGB also has a strategic function to support and co-ordinate a national strategy but, especially given the appointment of a Minister for Financial Inclusion, this could be strengthened to a “develop and deliver” function, despite the SFGB perhaps having limited leverage in some areas.

We agree that these are important and relevant areas, but will test these against the existing remit of

the separate bodies. It appears that a number of statutory functions of the MAS are not currently included, and we will need to know why. While we can support these areas of focus, we consider that there is scope to go wider and deeper if, as a country, we are to secure a step change in the financial capability of the nation.

Coincidentally, as has been referred to, with the introduction of this Bill, we have the benefit of the recent publication of the House of Lords Select Committee report, *Tackling Financial Exclusion*. I declare an interest as a member of that committee, which was ably chaired by the noble Baroness, Lady Tyler of Enfield. We will pursue a number of its recommendations in Committee, particularly on the importance of financial education, where we believe this Bill is too timid. There are also issues about the role of the FCA and whether its remit should be expanded to have a duty to promote financial inclusion. I know that my noble friend Lady Drake is on the case of consumer versus market issues on this matter.

More generally, as part of our work in Committee, we will seek to confirm that there is clarity on the boundaries between information, guidance and advice and that consumers are clear as to what is available and relevant to them. We also need to ensure that the SFGB can provide impartial information, notwithstanding that others may be operating in the same space. We welcome the focus on the provision of financial education for children and young people, although this appears to be restricted, as I have said, to non-governmental programmes. The Government should be bolder, as the Select Committee proposes.

The new body will have to cope with a changing economic environment. So far as debt is concerned, the latest data show that, against a backdrop of rising prices and stagnant wage growth, real incomes have fallen for three successive quarters and savings levels have crashed. Evidence provided to the Select Committee referred to fears expressed by debt agencies about the rise in queries covering rent arrears, energy and water bills, telephone bills and council tax. Consumer credit is on the rise again. Quite apart from the obvious question of what the Government are going to do about their austerity policies, which are driving much of this, how will they approach the capacity and resource issues of the new body? When will the Government recognise that their own policies on universal credit and council tax support are directly fuelling some of this debt? Can the Minister tell us what is happening to manifesto commitments on providing breathing spaces for debt?

The SFGB will also have to cope with an increasingly complex pensions sector. The growth of auto-enrolment brings more and more people within the scope of occupational pensions, with the 2017 review potentially—and hopefully—expanding its scope. The other major change has been the introduction of pension freedoms, giving much greater choice over when and how individuals access their entitlement. As the ABI points out, there is the prospect of a pensions dashboard being operational in 2019, with individuals being able to see all their pension pots, including the state pension, in one place online. Not having access to the dashboard as part of the guidance service would seem a missed opportunity. Have the Government given any thought to this?

[LORD MCKENZIE OF LUTON]

There is a strong argument also that retirement opportunities more generally should be within the remit of the SFGB. Of course, with pension flexibilities come financial fraud and pension scams, exacerbated by the precipitate manner in which the pension changes were introduced. A recent Citizens Advice report calculated that some 10.9 million consumers have received unsolicited contact about their pensions since 2015. These are alarming numbers and the SFGB will have a major task in promoting awareness of scams, not just those that are pension-related.

There is much more that we must explore in Committee, including the process for the setting of standards—on which we believe there should be consultation—the FCA review, reporting to the Secretary of State, and the arrangements for the various transfer schemes. Clause 12 of the Bill sets out arrangements for the disclosure of information between, variously, the SFGB, the Secretary of State, the devolved authorities and the FCA. We need reassurance that these are appropriate. As for the reach of the SFGB, noble Lords will be aware of the proposition that it should be extended to micro-businesses. Do the Government agree?

As for changes to claims management companies, we agree that the current arrangements regulating the industry, intended in 2007 as an interim measure, have not delivered a satisfactory situation despite a number of incremental reforms to the regulation powers in the interim. The current situation has been characterised by poor value for money, information imbalances, nuisance calls and texts and the progression of speculative and fraudulent claims. We accept the proposition that there is a public interest in having an effective claims management market operating in the interests of consumers, as this can provide access to justice for those who are unwilling or unable to themselves bring a claim for compensation. Further, as the Carol Brady review asserts, a well-functioning CMC market can act as a check and balance on the conduct and complaint-handling processes of individual businesses. We note that the Brady review rehearsed a number of options for taking regulatory responsibility, including bolstering the MoJ arrangements, but considered that a move to the FCA would represent a step change. This seems the right decision, especially as some 99% of turnover relates to financial services—PPI, packaged bank accounts or insurance.

We support the proposition that CMCs be subject to a rigorous reauthorisation process, and that there be a senior manager regime of personal accountability. How much of the detail of this will be available for our scrutiny before the Bill leaves this House?

The Bill enables the FCA to introduce a cap on charges, as we have heard. A consultation has already been carried out under the existing MoJ regulatory arrangements but we believe that no government response has yet been forthcoming. Can the Minister say when we might expect one, or is there to be a further consultation under the new arrangements?

In evaluating the Bill, especially the single financial guidance body, we need to determine whether what is on offer is essentially just a reordering of what we have at the moment, with some efficiencies built in, or a

step change in our approach to enhancing financial capability. We should want it to be the latter and will seek to strengthen it to that effect where we can.

5.02 pm

Lord Sharkey (LD): My Lords, this Bill contains some welcome and timely provisions. It also contains some surprising gaps and some rather vague and ambiguous drafting.

We on these Benches support the idea of a single financial guidance body to replace the three existing bodies: the Money Advice Service, the Pensions Advisory Service and Pension Wise. There is a clear need to improve the provision of debt advice, improve the likelihood of informed choice in pension provision and usage and eradicate unsavoury practices and rip-off charges in the claims sector. There is a clear need simply to improve the take-up of government guidance services. Last week's statistics from the FCA make shocking reading. For instance, of those over 55 planning to retire in the next two years, only 10% had used TPAS and only 7% had used Pension Wise. The new SFGB will have to do much better than that.

As the Minister has said, there is a clear need for complete clarity over what is guidance and what is advice, the difference between them and which is being offered in what circumstances. It is very easy to confuse the two and thereby accidentally to mislead. Even Secretaries of State get this wrong. The *FT* reports that yesterday, when David Gauke, a former regulatory lawyer, addressed the ABI conference, he twice confused guidance and advice and called the new SFGB an "advice body". If the Secretary of State can make that confusion, how easy it is for lots of other people to make the same mistake.

Eight million people in the UK are overindebted, according to a Money Advice Service report of March this year. Fewer than one in five of these overindebted individuals currently seeks advice. When people do seek advice, they have typically waited a year to do that. By that time, they have on average six debts to deal with. Many of these people are amongst the most vulnerable. Over half the clients seen by MAS-funded debt advice projects had a diagnosed mental health condition.

Fortunately, debt advice, properly tailored and delivered, does seem to work—not always and not from every provider, but three to six months after getting advice, 65% of those with debts are currently repaying them or have already repaid them in full. This is a tribute to the effectiveness of MAS-funded providers, such as Citizens Advice, and to reputable—I emphasise that—debt management companies, of which there are some. But debt advice, and in particular that sometimes provided by debt management companies, has not always been robust or successful, and sometimes has involved commercial sharp practice. I know that the FCA has been rigorous in applying the authorisation process to debt management companies, that client account problems have been largely resolved and that companies have been deauthorised. But the problem of cold calling remains.

I have spoken about this frequently before in this Chamber. The FCA acknowledges that many of the

30 million cold calls selling fee-paying debt management services were misleading and damaging and affected the most financially disadvantaged in our society. We do not allow cold calling for mortgages; we should not allow cold calling for pensions, we should not allow cold calling for debt management companies or claims management companies, and we should not allow these companies to use contacts generated by third-party or arm's-length cold calling. The Bill is silent on this. There are regrettable omissions, particularly in the case of the ban on pensions cold calling. Can the Minister explain why there are these omissions in the Bill? We will, in any event, try to put all this right as it makes progress.

Another regrettable omission from the Bill is the introduction of a pause or breathing space before debt recovery takes place—already mentioned by the noble Lord, Lord McKenzie. The idea has long been championed by StepChange and is strongly supported by other interested parties, such as R3, the insolvency practitioners. R3 has pointed out in its briefing to Peers that the moratorium or breathing space was proposed in both the Conservative and Labour 2017 manifestos. But it is not in this Bill and it should be. We will want to put that right, too.

The Bill is also silent or vague about the funding landscape for debt advice. It looks as though funding of free-to-consumer debt advice may be failing, just as demand can be expected to rise, given the overborrowed state of UK households and the decline in real incomes. Currently, 400,000 consumers are repaying £6 billion of debt via a debt management plan. Half do so via a free-to-consumer model and half through a fee-payment model. Quite why anyone with burdensome debt problems would choose to pay fees rather than use a free service is a very good question. The answer probably has to do with selling pressures and financial ignorance or naivety, and it raises urgent questions about the effectiveness, for example, of signposting.

But the free-to-consumer model is now itself under stress. Under this model, creditors—typically banks—pay for the debt advice to be delivered and administered. However, the nature of modern debt is changing. It has moved significantly away from banks towards store cards, rent arrears and utility and council bills, and these creditors do not in general pay for debt advice to their debtors. This reduces the scope of the free-to-consumer debt management plan option. We will want to look carefully at this at later stages.

There are other issues with the funding of debt advice. The Bill proposes delegation of funding decisions to Scotland, Wales and Northern Ireland. At the moment, funding and allocation of funding is based on measures of need. These measures are determined across the United Kingdom by research done centrally by the Money Advice Service. Will the SFGB continue to provide this service across the union, or will the devolved authorities devise and conduct their own research, perhaps on a quite different basis? The Bill—rather feebly, I think—says:

“In exercising its functions, the single financial guidance body must have regard to its objectives ... to work closely with the devolved authorities as regards the provision of information, guidance and advice to members of the public in Scotland, Wales and Northern Ireland”.

The combination of the two phrases “have regard to” and “work closely with” does not sound much like a meaningful directive. In particular, can the Minister explain how the funding process will work under the new regime?

The current MAS business plan, which forms the present basis for funding requests, is already in the public domain. Can the Minister say whether applications to the FCA for funding and the FCA's rationale for arriving at an amount, and for its allocation, will in future all be in the public domain? I would be grateful for the Minister's thoughts on those matters.

The Bill sets out the strategic function of the SFGB as being,

“to support and co-ordinate the development of a national strategy to improve”,

among other things,

“the provision of financial education to children and young people”.

That is very important, as many Members of your Lordships' House have pointed out over the years. Proper financial awareness and education is the best defence against the making of bad financial decisions. However, I am puzzled at the exclusion of older people from this objective. Surely financial education, like health education, should not end at school or college. Surely it should continue to cover the major financial decisions arising at every stage in life—mortgages and pensions, and now, increasingly, car purchase schemes.

I now turn briefly to pensions and CMCs. We welcome the provisions in the Bill but those on pensions guidance seem rather narrow. The Bill seems to focus on guidance to members of pension schemes or their survivors. Can the Minister confirm that guidance will also be available for those choosing a pension provider?

I have already mentioned that the Bill will need to include a ban on cold calling, by whatever digital means, and I have already mentioned the absence of any provision to ban cold calling from CMCs. That, too, needs to be addressed. However, apart from that, we welcome the transfer of regulation from the MoJ to the FCA and from the Legal Ombudsman to the FOS, and we particularly welcome the new power to cap charges.

Finally, some questions arise from Clauses 7 and 8. In Clause 7, “Monitoring and enforcement of standards”, the Bill says that the SFGB must monitor its own delivery and compliance with the standards. It does not say how, how often or how transparently this should be done, but I think it would help if it did. The Bill also says that as soon as possible after the FCA has completed its review,

“it must provide a report on the review to ... the single financial guidance body, and ... the Secretary of State”.

It does not say whether this report should be in the public domain. We think it should. The Bill also notes that this report may contain recommendations to the SFGB. It does not say what the SFGB must do with these recommendations. We would like to see, at the very least, a duty imposed upon the SFGB to make a substantive response within a specified time and for that response to be in the public domain.

[LORD SHARKEY]

As the Minister said, this is a comparatively short and certainly well-intentioned Bill. There is much in it to agree with, but there are also quite a few questions that we will need to discuss. We look forward to working with the Minister and her team in the two weeks before the first day in Committee and thereafter to discuss some of these questions. We look forward to being able to help in improving a promising Bill.

5.14 pm

Baroness Greengross (CB): My Lords, I welcome the Bill because, like many noble Lords, I am very concerned that many people approaching retirement age are doing so with insufficient assets or income to provide them with the sort of quality of life that they are expecting. Most people are ill informed, certainly about how long they might expect to live, and they are also underadvised. Even if they are aware of their situation, they do not know where to go to get advice and guidance, and, as the Minister said, they certainly do not know the difference between them.

The whole system has been made more complex by the new flexibilities. While this provides more opportunity for people to make a tailored financial plan, it also provides greater opportunity for financial mistakes, unless people have proper advice and guidance. This was amply demonstrated when, only last week, several reports on pension wealth warned that many Britons have given little thought to their retirement, how long it will last or how their needs will change.

The ONS wealth and assets survey found that two in three of the country's 40 million adults—about 27 million people—have given no thought to the number of years they need to fund when they stop working. Only half feel confident they will have a big enough pension pot once they retire. The ONS found that most new savers are using auto-enrolment workplace pension schemes, but they are putting in the minimum of just 1% of their salary, which is matched by another 1% from their employer. Saving at this rate means that nearly three-quarters of young workers are set to retire with a £9,000 shortfall on their pension because they are not saving enough. This is a wake-up call. Millions of our fellow citizens are sleep-walking into a disappointing retirement by failing to give proper thought to their financial future.

A survey of staff by Scottish Widows argues that auto-enrolment may be,

“lulling people into a false sense of security”.

It showed that younger staff expect, on average, an annual income of just over £23,000 for a comfortable retirement. But based on the amounts they are saving, the insurer calculated they would actually get only £15,200. A 30 year-old contributing the 1% minimum to their workplace pension will get an annual pension of just £9,734. Even when the minimum auto-enrolment contributions rise to 8%, they will get only £14,047—almost £9,000 below their expectations.

A third report from the Prudential revealed that women are more at risk than men of living in poverty in old age, with the retirement income gender gap growing by £1,100 over the past year. On average, a woman retiring in 2017 will be £6,400 a year worse off

than a man retiring this year—up from £5,300 in 2016. There is now compelling evidence that women will need to review their retirement provision at the earliest opportunity possible.

Another significant contributor to a satisfactory retirement is housing wealth. Recent research from CML further endorses the idea that it is vital to adopt a more joined-up approach to delivering advice to older borrowers. Households headed by individuals aged 55 or over form a significant part of the market, numbering approximately 11.8 million or 46% of all households, with the over-55s holding £6.4 trillion-worth of wealth and £2.5 trillion-worth of property wealth.

There is quite a lot there to look at in view of the fact that older people have to make complex, often interrelated decisions about a range of financial services products, from pensions, wealth management and mainstream mortgages, to equity release. More flexible ways to borrow and use housing equity throughout life will play an increasingly key role in how these decisions are made. With advice regimes segmented due to different regulatory conduct rules and permissions, different types of adviser and different product heritage, many observers have long been calling for a smoother experience for consumers.

The CML research shows that many consumers see a disconnect between their need and the services provided. There is a desire for clearer signposting to their options. Many indicators show that demand for borrowing in later life is growing, in particular as a form of financing retirement. However, this research reveals that consumers struggle to navigate the market and that lenders and advisers generally operate in silos which prevent consumers comparing across the whole market. So I fully endorse the Government's belief that they are best placed to facilitate this signposting role as they develop their single financial guidance body under this Bill. A single body should be easy to understand. It should be much easier to find out where to go and easier for the Government and other people to advertise—no one really understands the difference between the existing bodies at the moment—so I welcome the Bill.

5.20 pm

Lord Hunt of Wirral (Con): In declaring my interests as set out in the register, I welcome the Bill. I particularly welcome the establishment of a single financial guidance body. I do not want to spend any time on Part 1 except to flag up five issues to which I will return in Committee—I understand the first day in Committee will be 19 July—first, signposting to the new body; secondly, the Cridland proposal of a mid-life MOT; thirdly, the pensions dashboard; fourthly, while I support one body, customer focus has to be clear, and that the service for debt, money and pensions will be separate for most customers; and, fifthly, funding.

I shall concentrate my remarks on Part 2. We have spoken in this House before about the need for proportionate and effective regulation, but claims management companies is one area where, I agree with the noble Lord, we could do with more regulation not less. There have been numerous calls for the transfer of CMC regulation to the Financial Conduct Authority, and in her excellent opening speech my noble friend

mentioned that one of the principal options proposed in the review by Carol Brady of CMC regulation in 2016 was to this effect. In my opinion, the transfer cannot come soon enough.

I hope noble Lords will permit me the indulgence of a short history lesson. It was as long ago as 2004 that Sir David Arculus, in his report *Better Routes to Redress*, identified a need for claims management companies to be regulated. He was especially concerned about aggressive marketing techniques encouraging frivolous or even fictitious claims and misleading consumers about charging options.

I had the privilege when in opposition of working with the noble Baroness, Lady Ashton of Upholland, when the Compensation Bill, which introduced regulation by the Ministry of Justice, was considered in this House in 2006. The noble Baroness's priority was to safeguard consumer interests, and that must surely remain our principal concern today. In Grand Committee on that Bill, I made the point—if one is allowed to quote oneself—in the following words:

“there should be no gaps in the regulatory cover, no loopholes in the provisions, no ‘wriggle’ room, no types of relevant activity left out, no types of relevant people missed”.—[*Official Report*, 20/1/06; col. GC 143.]

Then in 2010 my noble friend and colleague Lord Young of Graffham produced his report, *Common Sense Common Safety*. He concluded that the rise of CMCs had had a dramatic impact on the way we perceived the nature of compensation. In my noble friend's view, regulations controlling CMCs did not go far enough. They allowed companies to advertise in a way that encouraged individuals to believe that they could easily claim compensation for the most minor of incidents and even be financially rewarded once a claim was accepted.

As Carol Brady found when she conducted her review in late 2015, what we undoubtedly still have, despite all these laudable efforts, is a problem. It is even possible that Members of this House might receive an unsolicited text message during this debate informing us that we can claim thousands of pounds in compensation, for an injury we have not suffered, in an accident we have not had. Kevin Rousell and his excellent team at the MoJ have done some sterling work over the past 10 years, but they have not had the necessary clout to stop the tiresome deluge of nuisance calls and text messages. The problem lies in the difficulty in identifying and catching the true culprits behind these companies. The one thing the FCA regime will cure is just that. The application of the senior managers' regime will mean that the people who control these companies can themselves be brought to book. No longer will they be able to shut down one company and then open up another one overnight to escape fines for bad behaviour. The buck will stop with them.

I would like to ask my noble friend the Minister to consider three points. First, I go back to the comments I made in 2006 about closing every loophole. There is a pressing need to ensure that everyone attempting to provide services in the compensation system is regulated. It is too easy for these businesses to stick another finger into the pie, whether by offering a “free” replacement vehicle on credit or commissioning a medical report and taking a large chunk of the reporting doctor's fee.

The latest thing is to telephone people who have just returned from holiday asking whether they had a problem with their tummies. If so, they can claim damages against the hotel. These firms continue to treat claimants as a commodity, an entry ticket to maximising profit. Most of the add-on activities could be caught by a slightly extended definition in the secondary legislation of what constitutes “regulated activity”. Will my noble friend commit to examining whether the definition in any order made under new Section 419B could be extended to close these loopholes?

The second point considers the proposed power in Clause 17 to make rules restricting the charges that CMCs can levy. Such measures are long overdue. When I met Carol Brady and her review team in 2015, I made the point that you have to “follow the money”. These companies are all about profit rather than service, and it is of critical importance that controls be put in place to protect consumers. My request is that the Minister should look at extending such controls beyond the original MoJ suggestion of applying them to financial mis-selling claims alone, ensuring that charges are capped in every area where CMCs are active. Such charges are typically deducted from any compensation recovered or even levied up front. Although I am sure that the FCA will look closely at how such services are sold, the track record throughout this sector is not a healthy one.

My third point concerns Scotland. This part of the Bill and the regime it transfers currently applies only to England and Wales, yet research shows that Scottish residents receive even more nuisance calls than elsewhere in the UK. This problem is not new. In response to a Scottish Government consultation in 2009, 85% of respondents believed that it was necessary to introduce protection for Scottish consumers. The failure to include Scotland should be addressed. The remit of the FCA extends to Scotland, as does the rest of this Bill. Measures are currently before the Scottish Parliament to enable solicitors there to charge success fees—to take a proportion of their clients' damages as part of their charges. At the same time, claims farmers in Scotland can operate without any regulation whatever. That has the horrible feeling about it of history repeating itself.

Tackling the effective regulation of CMCs may appear to be a Herculean labour. As with the Lernaean hydra, every time you chop off one head, two more grow in its place. My noble friend the Minister may not need to divert rivers, as Hercules did, and I still do not know why Augeas gave his son some 3,000 cattle, but at least he found an answer. I just hope that my noble friend will do well in cleaning out these Augean stables.

5.29 pm

Baroness Drake (Lab): My Lords, I draw attention to my interest as a board member of the Pensions Advisory Service. I certainly welcome the introduction of this Bill and I wish the new financial guidance body fair wind. Much of the Bill is high-level—understandable in part because the new board needs to build an organisation fit for purpose. The Secretary of State has the power to guide and direct the new body. I will

[BARONESS DRAKE]

reflect on considerations the Government should make in exercising that power and where clarity is needed on how the body will operate.

Research consistently identifies the low levels of financial capability, rising indebtedness, poor understanding of pensions and the growing need for independent and impartial support to help people make informed and better decisions. The problem is compounded by an asymmetry of understanding and conflicts of interests in the financial services market, which place the consumer at a disadvantage. People's personal management of their finances is often very poor, leaving them vulnerable throughout their adult life. The Money Advice Service's financial capability survey highlights that a lack of saving is a key risk to financial resilience. Some 17.3 million of the working-age population do not have £100 in savings. Nearly eight out of 10 with little or no savings could not spare the money to pay a bill of £300.

Recent ONS statistics reveal that the proportion of disposable income that goes into savings has fallen to a record low against a background of weak wage growth. The financial resilience of the UK public is getting ever weaker. An admirable Select Committee report confirmed the scale of the problem of financial exclusion, compounded by the poverty premium paid to access financial services and high-cost credit, which in turn fuels a household's debt.

Addressing these challenges is a strategic driver for creating the new body, but I am less clear on the Government's vision of what good outcomes look like. What level of demand for the new body's services are they targeting? How scalable do they want the services to be across each of the three functions? To what extent will public policy use nudges to drive take-up of the services? Nudges could be applied when customers are more motivated to act, such as by a life event, receiving a brown envelope with a crown on it, or when they are most at risk. Will John Cridland's proposal of a midlife financial MOT for those in their 50s be implemented and delivered by this body? It would be helpful if the Minister could comment on those matters.

There should be a requirement on the industry and relevant players to clearly signpost the services of the new body to the public. Signposting will improve public access and address the barriers put in place by some providers reluctant to see their customers access guidance for fear it increases the risk that they will not buy a product or service from them.

Efficiencies and economies of scale are necessary for a successful new body but the public need requires each of the three important functions to be fulfilled—pension guidance, debt advice and money guidance—and not traded off against each other on integration. Future-proofing the financial capability of future generations is very necessary, but the money and the mandate needed to fund effective and impartial information, guidance and debt advice in the here and now to those currently experiencing difficulties with debt, pensions or finances remain. To not address the real needs of many thousands of people here and now would add public failure to market failure.

The new body has a strategic function to co-ordinate the development of a national strategy. There is a need for a single cohesive strategy which embraces financial inclusion, financial decision-making and financial capability. Delivering that strategy cuts across government departments, devolved Administrations, local authorities, business and the voluntary sectors.

The new body cannot deliver something over which it has no control, and realistically how far can its authority reach in co-ordinating the input of others? The Government must provide the strong leadership and overall co-ordination of any public initiatives that might add to or detract from the national strategy. Policies on tax, welfare benefits, pensions, the minimum wage, education and market regulation can all be looked at through the lens of financial inclusion and capability, quality of personal decision-making and avoidance of debt.

The Treasury has the power to issue guidance and instructions to the new body. When can we expect to see from it a comprehensive strategy on tackling financial exclusion and financial capability into which the financial guidance body and its remit can be rooted?

An objective of the new body is provision of information, guidance and advice where it is lacking. What is meant by "lacking" is ripe for probing. As a public service, the new body will address market failures—where the providers will not, cannot or do not meet the individual's need. A market failure manifests as a lack of trust, hence the need for an independent and impartial public service.

Whether something is lacking is not simply a question of whether another party is making provision; it requires an assessment of that provision—is it independent and impartial and not linked to selling a product or service? If it is not, there is a need for the new body to provide a service that is lacking.

Guidance delivered by a public service can go much further than guidance from a provider fettered by its product suite. A commercial comparison website that takes commission is very different from a factual comparison table that provides information based on customer needs. There will be instances, too, where it may be right for the new body to offer the same tool as the market. The pensions dashboard is a tool to allow savers to view all their long-term savings and small pots in one place. The Treasury intends the dashboard to be available to the public through industry providers. There is no proposal for people to have access to the dashboard independently of providers, who can use it as a sales tool. In Australia, through its tax office, and in Sweden, through a not-for-profit organisation, the public have access to one clean version of a dashboard not associated with any provider with a product suite. Our new body could provide governance for the UK dashboard, governance which even the CEO of the Pensions Regulator has stressed needs urgently to be looked at.

The public are increasingly vulnerable to scams, coerced into buying products and services that hurt them—from out-and-out fraud through to inappropriate, high-charging credit and risky investments. The new body must have an important role in helping customers and sharing insights into scams. Will the Government

make it a criminal act to mimic the services of the new body, as they did with Pension Wise, so helping to protect the public?

The new body's purpose is to meet the relevant needs of the public, putting their needs first. The FCA has an important role in improving the standards which the new body must meet in delivering on its three key functions. However, the FCA is not a consumer champion; its strategic remit is to ensure that the relevant markets function well. One can anticipate occasions when the role of the new body meeting the remit of the FCA creates a tension; for example, in the extent of the guidance that can be given by the body, when a provision is deemed lacking, or in detailed requirements on signposting.

Capping high-cost, short-term payday loans to protect vulnerable customers may not have been possible but for the introduction of a clause in the banking reform Act which specifically allowed the FCA to do that. This Bill should also make it clear that, in discharging its duty to approve standards set by the financial guidance body, the FCA will act in the best interests of consumers. Similar arguments apply to strengthening the FCA remit on financial inclusion.

Functioning markets do not serve and are not serving the poor. I look forward to Committee. I welcome the Bill. This is an important issue and I hope we have an opportunity to drill down into some of these matters.

5.40 pm

Lord Kirkwood of Kirkhope (LD): My Lords, it is always a pleasure to follow the noble Baroness, Lady Drake. She makes such wise and thoughtful speeches, and having her experience available to the House is a great advantage to us all. Her speech will repay careful study.

I welcome the new Minister to her Augean stables. She did very well in explaining the outline of the Bill. I think this will be quite difficult because the Long Title is quite constrained. I want to spend a moment looking at the politics, as I see it, of a subject that has an emerging salience. I welcome the Bill and concur with nearly everything said by both Opposition Front Benches—by my noble friend Lord Sharkey who has studied these things for a while and the noble Lord, Lord McKenzie, who has been around this subject for a long time. I look forward to contributing to the Committee stage, which will no doubt go on for about three months because the Government have no other business.

I am particularly pleased to spy a stranger in the shape and form of Mr Guy Opperman. Noble Lords may not have noticed that he has been here since the beginning of the debate. That is to his credit. If he has any sense he will pay attention to what goes on here. I would like to think that he will find quite a lot more content here than in the other place. He has a key, important job. It is a difficult one because he is doing pensions as well in his spare time.

The point I want to make more than any other is that over the period of this Parliament we want to be in a particular place with financial inclusion. The noble Baroness, Lady Drake, mentioned the vision necessary across all government departments. I was a member of the ad hoc Financial Exclusion Committee,

and we look forward to the government response to the 22 recommendations we made. They were wide-ranging, taking us well beyond the Long Title of this Bill. At the heart of our report we said that what Mr Opperman really needs is a Cabinet committee to drive this agenda. He deserves that, having been here for more than an hour. It is the least we can do, and I support that.

We need somebody who gets up in the morning thinking about how various bits of government fit in, including the Treasury, to shape strategy. My fear is that if this Bill is all there is then Mr Opperman will have a quite difficult job using the tools in it alone to get the vision and success I hope he will enjoy. I must say that pensions Ministers used to be ten a penny before Sir Steve Webb came on stream, so Mr Opperman will have to watch his back. I wish him well and long service. I hope he does well as this is an important job. We will follow his progress with interest.

The Financial Inclusion Commission has been a fantastic eye-opener in terms of the significance and increasing salience of the subject. I have been here for 34 years. As my noble friend Lord Sharkey said in his excellent speech, the shape of debt has changed. In the old days people used to have bank overdrafts and so on. In my former constituency I would get regular briefings from Citizens Advice. It was pretty straightforward. People got immense assistance in getting themselves and their households out of difficulty from the informal Citizens Advice service that used to exist. It was done by volunteers, who all deserve MBEs, in my view, but there are quite a few of them so that would be hard to do. Citizens Advice was able to save households from the financial pressure building up and destroying families. I saw that myself. Rather obviously, I am not as close to it now as I was. My noble friend Lord Sharkey is absolutely correct that we are now seeing people unable to pay their council tax or rent. Utility debts bring even greater dangers to households in terms of how people get themselves out of trouble. We need to recognise that.

On top of that, the extent and severity of the problem are increasing. I am a natural pessimist—you have to be a pessimist to be a Liberal Democrat—and I am absolutely certain that this problem is going to get worse during this Parliament, for reasons that other people have explained. Having a few new functions and a new, single body is a very good idea—it is a step forward. The Prime Minister was very welcoming. On the steps of No. 10, she said all the right things about “just about managing” and I thought that that made perfect sense, but by itself this Bill will not do all of that. If it is a first step, that is great, but we will be looking for other political developments, and that involves resources.

When the Financial Inclusion Taskforce was set up by Brian Pomeroy some years back, a small budget—I think it was something like £20 million a year—over a short period of time completely transformed the lives of a number of people in the United Kingdom who were unbanked. You can make a case for small amounts of money—resources well targeted through a body that knows what it is doing—very easily. It does not take huge resources but it needs more than we have at the moment.

[LORD KIRKWOOD OF KIRKHOPE]

I agree that there is a concern about the ability to keep the advice holistic. Other Members of the House know more about that than I do, but there is a confusion that we have an opportunity in this Bill to try to bottom out. That is very important.

I want to underscore the point made by the noble Lord, Lord Hunt, about the relationship with Scotland. It is not just in CDCs, it is in the debt side of the Bill as well. Ministers' responsibilities include talking regularly and frequently with their counterparts in other jurisdictions in the United Kingdom and I hope that that will be added to the list of ministerial responsibilities and will be given due time.

I look forward to the Committee stage of the Bill. The difficulty I think we are going to have is that I would like to pursue the breathing space idea that StepChange has come up with; again, I think it was my noble friend Lord Sharkey who mentioned this. It is already in place in Scotland under a statutory debt arrangement scheme and it works very well. It was, after all, in the Conservative manifesto. I do not think it will be easy for us to change the statutory shape of the Bill in that kind of direction. Some of us are quite clever about insinuating the debate even if you cannot make the amendment selectable, but we will try to behave and do what we can to raise some of these important issues.

I declare my interest as a member of the advisory board of a company called Neyber. It has impressed me enormously by setting up employer-related schemes for short-term, low-cost interest and credit deals for employees. I do not get a fee for the advisory board, but I have learned an enormous amount about what can be done with a sympathetic, usually larger scale, employer in terms of knowing its employees and helping them to stay out of the clutches of loan sharks. There are lots of ideas of that kind, including using the auto-enrolment-type pension process to try to increase low-level household savings and get in place the important cushion to which the noble Baroness, Lady Drake, referred.

There are a lot of things that I would like to try to talk about in Committee. It might be difficult because of the constraints of the Marshalled List and the Long Title, but I look forward very much to Committee. I agree with noble Lords who welcomed the Minister's approach in making officials and the Bill team available to Members who are interested in trying to improve the Bill. With the pool of talent we have around the Chamber, I will be disappointed if we cannot do a little to help her improve the Bill as it goes through its stages in the House of Lords.

5.51 pm

Lord Holmes of Richmond (Con): My Lords, it is a pleasure to take this opportunity to speak at Second Reading on this short but significant Bill. I welcome my noble friend to the Front Bench for her first legislative canter. This is not a bad steed to ride through the various stages. Like the noble Lords, Lord Kirkwood and Lord McKenzie, I was lucky enough to be on the ad hoc Lords Select Committee on Financial Exclusion, which published its report earlier this year.

Will the Minister give us a hint as to when to expect the government response on the 22 recommendations made in that report?

It is delightful to see a stranger, Mr Guy Opperman, at the Bar, not only because it shows great commitment to be here for our deliberations but because it means that we do not have to wait for the Government's response on the recommendation in the report that there should be a Minister responsible for financial inclusion or exclusion, depending on which way you choose to phrase it.

I thank all the organisations that sent such helpful, thoughtful briefings, not least Macmillan Cancer Support and Age UK. I also put on record at this point my thanks for everything that the FCA has done so far, not just in this area but across the piece. I think noble Lords will agree that we are incredibly fortunate in the UK to have a world-leading regulator in the FCA. That is not to ignore the comments already made that the role of the FCA may need to adapt and change, and I will make some suggestions later in this speech about how it will interact with the SFGB and work effectively with it.

We all know the old, and not particularly good, joke: "Is life worth living? It depends on the liver". It is an awful joke, as is that, but I raise it at this point because, in terms of so much of the first part of the Bill, when one reaches a certain stage in life the joke is probably best reprised as: "Is life worth living? It depends on the nature and quality of, and access to, information, advice and guidance". As has already been said, it is important to look at information, advice and guidance and to have clear definitions of each of them and delineations between all three. The Bill speaks on this to an extent, but is largely quiet about quality. There is a question around impartiality on all three of those points. There is no sense that anything the SFGB could offer on these points would in any sense overlap with anything coming from private providers because of the question of partiality.

On the costs of SFGB services, I strongly urge the Government, through the Minister, to consider how cost is considered, to look at all innovative and technological solutions for information, advice and guidance and to be clear for those who are currently digitally excluded and offline. The correlation between those who are digitally excluded and those who are financially excluded is stark and clear. As we move through the stages of the Bill, consideration should be given to priorities around the approach of the SFGB. How it chooses to deploy its functions and objectives will have a massive impact on the role it is able to play in this space.

I want to talk about funding. Jessie J is not entirely correct that it is not about the money. Often, it is absolutely about the money. The Bill says very little about the funding of this organisation. That will be critical for the impact it is able to have.

Similarly, on the independence of the SFGB, it is clear that the organisations which are rolling into this have played an important role but have had different experiences of the level of independence they have been able to exercise. One can understand the need for

government to have an involvement. Although well-intended, whether it is measures or metrics, I hope it is never meddling. This should never be seen in the short term because, if we are talking about raising the nation's financial capability, that is by no means an easy task and it is clearly not a short task.

There is a public policy role for the single body which is broader than financial capacity: research, evidence gathering and market intelligence gathering and sharing. We need to be thoughtful about how the single body goes about that and about whether anything needs to be said in the Bill to that effect.

I am nervous about stepping on to the ground of pensions, not least because the noble Baroness, Lady Drake, has spoken, and we are yet to hear from the pensions tsarina my noble friend Lady Altmann, but where the angels stop, I continue. There is a fair amount to be said in this space. TPAS, with which the noble Baroness, Lady Drake, is involved, has done an extraordinary job in this area, not least with its online and telephone service, helping more than 1.5 million people. I am delighted that the Bill wants this to continue, but during the legislative process I do not want to see any disembowelling or weakening of the role that TPAS has played.

Let me say a word on scams. Before our recent leather-wearing, optimism-sapping break, we seemed to have a reasonable amount of support about cold calling, putting some limits on people exiting their pension plans under the new rules and tightening up on the ability of individuals and organisations to set up fraudulent schemes. The Bill is silent on all three. It would be helpful if the Government would consider whether we might want to put them in in Committee and on Report because they are growing problems. They are not limited to pensions, but they are incredibly significant to pensions when one considers the costs and the implications of things going wrong for people at that age and stage of their lives.

Moving to what is not in the Bill, regarding how we measure the strength and success of any financial institution, I do not believe it should be measured merely by profit, the bottom line or even by employment, important though all those three are. In many ways, the greatest measure for any financial institution should be how it relates to the most vulnerable in society and in its consumer group—be they younger people, older people, disabled people or non-disabled—particularly those who are suffering significant health issues.

Again I refer to the excellent briefing from Macmillan Cancer Support on this. There are many such issues which people face in life and which put them into a vulnerable situation. Why do I choose to alight on cancer for this debate? Because of one shocking stat: by 2020, one in two of us will have experienced or will experience in our lifetime a cancer episode—50%. The great news is that survival rates—living with and then through cancer—are massively on the increase as well. That is why it is great to see innovations from charities and organisations such as Macmillan that do not just focus on the excellent care—important, vital and angelic though that is—but look to all the elements which enable a successful continuation of meaningful life with and through cancer.

What does this mean in terms of the Bill and how people relate to financial institutions? Only one in 10 people said they were prepared to tell their bank or building society that they had a cancer diagnosis. Of that one in 10, almost a quarter said they were dissatisfied with the reaction or response that they received from that financial institution. It is perhaps always beneficial to see this in an example. We will call him John: mid-40s, financially sound, a mortgage with 40% equity and a diagnosis of cancer. He goes to his bank, which says there is nothing it can do until he misses his first mortgage payment. There is no sense of engagement or involvement and no putting together a plan, even in those circumstances.

For John and the millions of people who may find themselves in a vulnerable position at some stage in their lives—let us be honest, we all will—I propose to bring forward in Committee an amendment that would impose a responsibility on financial institutions to have a reasonable duty of care for their vulnerable customers. When I consulted on this, it was extraordinary to hear from so many people that they thought such a responsibility surely must already be in place. I would be grateful to hear the Minister respond that the Government will receive such an amendment positively in Committee.

There is a great deal in this short but significant Bill. I have some final questions for my noble friend. What assessment has she made of the role of financial institutions towards vulnerable customers? Does she believe more needs to be done? To improve slightly on my noble friend Lord Hunt, I will quote myself from the speech I am still making: will she look favourably and positively on an amendment being brought forward in Committee to introduce a clause that would bring in a responsibility on financial institutions to exercise a reasonable duty of care—for their benefit and for the benefit of all consumers who may find themselves in those difficult life situations?

6.04 pm

The Earl of Kinnoull (CB): My Lords, it is a pleasure to follow the noble Lord, Lord Holmes, with his typically well-thought-through analysis in this important pair of policy areas. I join all noble Lords who have spoken so far, I think, in welcoming the noble Baroness to her new role and I wish her well in it. It is a very important Bill to start off on, and I hope it will go well. I declare my interests, too, as set out in the register, in particular those relating to my 25 years in the non-life insurance industry, which included large helpings of interactions with regulators in this country and many others.

As others do, I very much welcome the Bill. I had not intended initially to say anything about Part 1, but I was for a period a director of a UK group that included a subsidiary that offered pensions advisory services. Although that subsidiary represented less than 5% of group turnover and no profit, it took up a considerable amount of board time because of the fearful legal and regulatory complications in this area. These complications of course affect clients, the guidance providers we are discussing today, advice providers—which we were—and regulators alike. This Bill will go some way towards reducing complication, which must be

[THE EARL OF KINNOULL]

good. My half point is really that, as we reach Committee, we must look through the lens that says that the provisions of the Bill must directionally produce greater simplicity, and indeed the many amendments that I am sure will come through should also be looked at through that same lens. This House has an amazing way of having ingenious thoughts put to it, but sometimes those will not add to the simplicity of the situation. We will win here by making things simple for all the people, including, as I said, guidance providers, advice providers and regulators, let alone the clients.

I wanted to speak about Part 2 and have three points to raise this afternoon. My first relates generally to access to justice, which has been mentioned before, where there is a delicate balance to be struck. On the one hand, it is of central importance that those not in a position to get legal or other assistance towards making valid claims can do so via no-win no-fee arrangements with professional firms at a reasonable cost. On the other hand, we have seen an unpleasant load of carpetbaggers arrive and abuse matters. Abuses range far and wide. There is the downright criminal, for example, as we have all read, masterminding or inciting fraud in whiplash cases, which has done so much damage to my beloved insurance industry. There is the disgraceful overcharging, seen in some PPI claims, where a very large percentage of the recovery goes to the CMC and the ordinary citizen who retained them has seemingly little redress.

The noble Lord, Lord Hunt, referred to the targeting of new loophole issues such as the “gastric sickness while on holiday” claim, where, just as the activity for CMCs on lucrative PPI business and on whiplash is dropping off, a huge spike in claims is hurtling towards the insurance industry and the tour operators. This area is developing rapidly. I personally do not believe, and I am sure no one else in this House does, that hygiene arrangements in the kitchens of holiday destinations have fallen off a cliff. Having listened to advertisements on commercial radio, I feel that the naughtiness of a few, being egged on by CMCs, will add to the cost of the holidays of the many in a wholly unnecessary way if not controlled.

Thus I found the very excellent 70 pages of Carol Brady’s independent review to be filled with not-so-common common sense, and I welcome the Government’s resolve to implement, in general, its recommendations. I note that the executive summary of her report says:

“The overwhelming majority of stakeholders, including the banking and insurance industries which have been hardest hit by CMC misconduct, argued that there is a legitimate need for CMCs, and therefore the Government should not seek to regulate them out of existence”.

The Bill seems firmly aimed at reaching that delicate balance that I referred to a moment ago, and I hope that the House will help on that process.

My second point comes off the back of that little sentence and relates to the FCA. I have spent a lot of my life being regulated by and interacting with the FCA and its predecessor organisations and, as I said, with analogous regulators in many jurisdictions in the western world. Regulators in financial services generally in some way charge the cost of regulation back to those that they regulate. Thus, one way of assessing

how heavy the regulation is comes from comparing those relative costs. The British Insurance Brokers’ Association reports that the UK is 14 times more costly than Germany, where general insurance broking regulation is concerned, so I assume the regulatory burden is 14 times heavier. The UK regulator concerned there is the FCA. I could go on citing how the FCA has a record, I regret, of gold-plating, and how in other areas it represents a truly heavy burden on the businesses that it regulates. I have spoken about this previously on a number of occasions.

Accordingly, I am concerned that the good firms providing access to justice might be handicapped or worse, yet the bad firms may be able to cope with the regulatory burden. In short, the FCA has a vital role to play in the delicate balance that I have referred to. I should add that in other areas I feel the FCA has relied a bit too heavily on paper-based and process analysis and not at all on industry gossip. I urge it to rely on industry gossip because that will let it know where it should direct its energies, particularly in the area of CMCs. In any event, I would be most grateful for the Minister’s assurances on these concerns.

I turn to my third and final point. I join the noble Lords, Lord Hunt and Lord Kirkwood, in mentioning Scotland, though in respect of a slightly different set of issues. As has been observed, Scotland has a separate legal system and major differences concerning the way in which no-win no-fee operates, but I cannot see that there should be any difference in the regulation of CMCs. How wrong it would be if a standard CMC could camp in, say, Dumfries and aim at English consumers, free from regulatory control. Indeed, I submit that any form of cross-border arbitrage would be wholly against the admirable intentions of the Bill.

My concerns are widely held. I know that they are held by at least two noble Lords, while DWF, the respected Manchester-based international law practice that has offices in Scotland, commented in February that,

“in recent years increased levels of fraud have been detected in Scotland, along with a significant rise in injury claims. In part this is thought to be due to the effect of LASPO”—

the Legal Aid, Sentencing and Punishment of Offenders Act 2012—

“in England pushing claims management companies into Scotland, where their activities are not regulated and referral fees are allowed”.

That is a warning bell that I think we in this Chamber ought to listen to hard.

The FCA is, rightly, a UK-wide regulator in, for instance, the non-life insurance industry. While I might moan a bit, I think the FCA is upright and highly professional, and I strongly feel that it should have a UK-wide role here. I therefore ask the Minister to comment on the position regarding the territorial scope of the Bill. It seems that the interests of the UK and of those citizens who most need the services of properly functioning claims management companies would best be served by having a single market and a single regulator. Is she in touch with Scottish Ministers to discuss that? In closing, I once again welcome the Bill.

6.14 pm

Baroness Altmann (Con): My Lords, it is an honour to follow so many excellent speeches from so many noble Lords. This House contributes huge expertise to our legislation. I also welcome my noble friend to her new ministerial role and congratulate her on her excellent speech.

I warmly welcome the aims of the Bill. I am wholly supportive of a unified approach to public financial education and free, impartial and unbiased guidance to help people to make better financial decisions. The level of financial education in Britain is very low and the level of consumer debt worryingly high. The latest figures show that consumer borrowing is rising strongly, and the aim of the Bill—to help the public to understand how to manage their finances—is absolutely right.

However, I am concerned that the wording of the Bill will unhelpfully prolong a major misconception in personal finance that has permeated the industry for years but could at last be addressed. I am talking about the use of the word “advice”. For far too long there has been a public perception that this thing called “financial advice” is free. In the past, of course, it often was apparently free because so-called advisers were being remunerated by a financial company for selling its products. They were not really advisers; they were salesmen. This commission-driven culture caused many scandals, and it incentivised behaviour that was not in the customers’ best interests. Rightly, the regulator has tried to clamp down on such practices. It now insists on a stark differentiation between what can be called “advice” in personal financial services and what is merely guidance, information or sales. This is not a minor technical point; it is a fundamental issue. Indeed, we need a proper definition of what constitutes guidance, which I do not believe we yet have.

The new single financial guidance body will look at pension guidance, money guidance, a national strategy to improve financial education, and debt advice. In fact this debt advice does not even have to be regulated but in some cases can be delivered by unregulated bodies. That is worrying. The word “advice” is a hangover from past thinking. It is the last vestige of an old system that needs updating. You cannot give what is called “advice” in a personal financial sense without being regulated. Nowadays, with auto-enrolment into workplace pensions and with pension freedoms available to people over 55, focusing only on the debt part will make any so-called debt advice incomplete and thus not holistic. However, if the debt help or counselling takes account of pension matters—as it should, especially given auto-enrolment—then the new service from the single financial guidance body could fall under regulated financial advice rules and would stray beyond pension guidance. This opens up the Government or those delivering the service of the new body to risk, and perpetuates confusion. At last there is an opportunity to address some of the confusion in the context of financial help for individual citizens. Guidance, help, information, education and counselling can be available for free, but advice is not.

There has been much misuse of the word “advice” for so long, even at the top of government. When Chancellor George Osborne announced the pension

freedoms, he said the Government would also ensure that members of the public would have access to free impartial advice. What he meant, and what was introduced, was free guidance, not advice. Indeed, the helpful briefing from the House of Lords for today’s debate talks about merging three existing advice channels into a single body, yet those three bodies do not give advice even though their names misleadingly suggest that they do. The Money Advice Service and the Pensions Advisory Service do not actually give financial advice.

The October 2015 consultation on public financial guidance and the March 2016 public financial guidance review led to the decision to replace the Money Advice Service with a new streamlined body for money guidance, and then a second new body to merge the Pensions Advisory Service and Pension Wise. It seems to me that pensions cannot be divorced from other finances, whether that means savings accounts, auto-enrolment, debt or whatever. The thinking behind having two bodies was wrong, and I believe having one body is right. The old idea was based on products, not people. People have a broader need than one product, and I hope the new guidance body will give us an opportunity to think about it from the point of view of the people who need help, rather than the products that tend to be focused on by the industry.

Unfortunately, the Bill prolongs the problem. If the debt piece is called advice, then it has to take account of the pension piece, and once it is doing that, the pension element will have to be advice too, not just guidance. I ask my noble friend the Minister to consider amending the word used by the single financial guidance body and the FCA so that it is debt guidance, not debt advice. We could use other words, such as debt resolution, counselling or help, but guidance seems to make sense.

On another topic, I am seriously concerned that the Bill must not pose a threat to the marvellous work done by the Pensions Advisory Service, which has rightly been commended by many noble Lords. This is one of the jewels in the public financial guidance system. Staffed significantly by volunteers, TPAS helps the public to understand pension issues and can intervene to assist if there are difficulties with pension schemes. It even has a dedicated helpline for women, who so often lose out in pensions and need special help. It is funded from the general levy on pension schemes, and the costs are low but the value it delivers is high. The Pension Wise service is also funded by the pensions guidance levy, but I note that it has just been announced that the levy for pension guidance has been cut. Satisfaction ratings for those services are really high. Please can my noble friend offer some reassurance that the operations of TPAS and Pension Wise will not be downgraded but will be preserved and protected after the restructuring?

Turning briefly to claims management companies, as has already been pointed out, the Conservative manifesto promised to consider banning claims management companies from cold-calling members of the public. This is absolutely right, and the Bill should clamp down on CMCs which operate unscrupulously and their unsolicited calls or texts—which so many noble Lords, such as me, regularly receive. As the

[BARONESS ALTMANN]

APIL says, lawyers are not allowed to cold call, so why should CMCs? Tougher regulation and capping fees can help, but banning nuisance cold calls that encourage people to make false claims is absolutely right.

Let us not stop there. To echo the calls from, among others, the noble Lords, Lord McKenzie and Lord Sharkey, I ask my noble friend to consider bringing back the abandoned legislation to ban cold-calling on pensions, too. If others do not, I hope to table a probing amendment in Committee on the issue, as it is one that I feel so strongly about and had hoped would be resolved. It is important that we can give the public the message that if someone cold calls them about their pension, they are breaking the law, so just hang up. I am also interested in the idea put forward by consumer group Which?. It suggests requiring companies to pay the claims management firms, rather than consumers having to pay from any compensation. If the companies have to pay, it may deter some of the cowboys, because they will be better able to recognise poor practice.

Finally, I raise two further items. The Bill proposes not carrying over powers for the financial guidance body to help the public with secondary annuities. I know that this has been abandoned for now, but I still hope that somehow a change of heart may arise and that people may indeed be able to sell their unwanted annuities. Transferring this power to the single financial guidance body would at least ensure that there would not be any new unnecessary barriers in the way to that.

The problem of net pay schemes rumbles on. Many of the lowest earners, particularly women, are losing out on money that they should have, and the size of the problem is growing, but employees are powerless to get this money back. I suggest that the single financial guidance body should have a remit to help employers and members to understand the need to ensure that the pension scheme used for low earners in auto-enrolment does not force them to pay more for their pensions than they should. I ask my noble friend to go back to the department and consider this matter again carefully.

Having said all that, I stress that I welcome the Bill and its overall aims and look forward to seeing it pass through Committee and its other stages—slightly amended, I hope—and on to the statute book.

6.24 pm

Lord Haskel (Lab): My Lords, my interest in the Bill stems from my membership of the Select Committee on Financial Exclusion, which reported in March this year. Our report dealt with financial exclusion; the Bill deals with financial inclusion, but, even so, it puts into effect some of the 22 recommendations to which the Minister referred. This is not really surprising, because it was an all-party committee and the report was unanimous. I join other noble Lords in welcoming the Bill. Indeed, one of our recommendations, as my noble friend Lord McKenzie and others have pointed out, was that a clearly designated Minister should be appointed to co-ordinate the work in this area, and the

Bill makes that happen. Indeed, we were fortunate for a few minutes to have both Ministers here in the House.

We asked in our report for co-ordination, so I welcome Clause 1, which merges the three main advice services into a single financial guidance body. This makes sense, because when we were taking evidence, it became clear that people's financial lives are very complicated. As the noble Baroness, Lady Greengross, explained, it is often difficult to separate getting into debt, pensions, savings and money guidance. However, we also found that a huge number of charities and other organisations are keen to offer assistance. My noble friend Lord McKenzie mentioned some, but there are many. Banks, trade unions, housing associations and advice centres of all different kinds play a valuable role. Yes, many are small and local, but they are long-established and trusted. I am not sure that the work of the SFGB as laid out in Clauses 2 to 4 deals with the relationship with all those other organisations.

The outcome must be that, yes, there will be one government organisation, but all these other organisations must be allowed to flower and bloom in their own way, because we found that they played a very important role. This needs to be clarified in the Bill so that they will not be disadvantaged. Yes, Clause 6 sets up standards for the provision of advice and information by the SFGB and its partners in delivery, but many other organisations will be doing this work locally and informally, and it will be very difficult to supervise them all.

Many noble Lords have this evening agreed with our report when we asked for the Financial Conduct Authority to be more consumer focused when regulating financial organisations. Both the Bill and our report seek to improve financial education and capacity-building to deal with debt. This appears in Clause 2 for debt and Clause 3 for pensions. The Financial Services and Markets Act 2000 provided for this, and there have been many initiatives since, but progress has been very slow. We found that financial education needs to be added as early as the primary school stage, and our evidence showed that additional measures are necessary, particularly at secondary school stage. Many young people need to be better informed when taking decisions about getting into debt as they prepare for training or further education. In many cases, so do their parents. But as other noble Lords have said, this must be managed better and needs to be more strongly emphasised in the Bill. I realise that this is a matter for the Department for Education, but I hope that the Minister will lean on her fellow Ministers to get some action. The Department for Education got it together on relationships and sex education, and it is important that it gets it together on this as well. I hope that there will be the cross-government action that my noble friend Lady Drake spoke about.

It is very easy to get into debt, particularly if you work in the gig economy or on a zero-hours contract or depend on the state for tax refunds, with numerous organisations offering loans to tide you over. Yes, much work has been done to regulate them. However, as the noble Lord, Lord Holmes, said, we found that much of this lending happens online. New developments

in artificial intelligence and machine learning mean that quite often you are not actually dealing with a human. Indeed, one bank now offers a low-cost investment advice service to small savers based entirely on artificial intelligence. That raises many questions, not only the usual ones about ownership of the information and data but questions about confidentiality—how it is stored, processed, manipulated and traded. Who is liable in these digital transactions? That further emphasises the point made by the noble Baroness, Lady Altmann, about the need to differentiate between advice, information and guidance, especially when artificial intelligence is involved. Clause 12 deals with the disclosure of information, but not in that respect.

In other areas of legislation, we in this House have had to make sure that Bills properly deal with the disruption and change caused by digital and intangible forces. We make that point in our report. I have tried to assess whether this Bill and the proposed regulations deal with them, or whether, as with other Bills, in a few months' time we will be busy playing catch-up. I do not think that it actually does, so I hope that the Minister can agree that we can work jointly on an amendment to deal with this issue.

The noble Lord, Lord Sharkey, pointed out that there are many ways of getting into debt outside the financial sector, such as rent to own or buying a car on a weekly purchase. I join him in asking whether the Bill takes care of those businesses. It is not quite clear. Indeed, many self-employed and micro-businesses are financed in this way too, so I agree with the Financial Services Consumer Panel that the work of the SFGB should include the self-employed and micro-businesses, particularly at a time when the line between company employment and self-employment is becoming very blurred. In our report, we were particularly concerned about the lack of a duty of care towards customers. Like other noble Lords, I would like to see this much more clearly stated in Clause 2.

I certainly support Part 2 of the Bill, dealing with claims management companies. It is long overdue that we put a stop to the widespread malpractice and sometimes fraudulent claims made by these companies, and the huge commissions charged. Yes, they are sometimes made with the connivance of members of the public, but more often than not people are conned into it by the unsolicited phone calls that all of us have received and which other noble Lords have described.

Many claims management companies operate from outside the UK. Will the proposed regulation in Clause 16(9) really be able to control them, irrespective of where their offices are located, bearing in mind that many of the calls and emails inviting claims are digitally generated and are a form of phishing? It is difficult to find out who these people are, never mind where they are. The noble Lord, Lord Hunt, painted a vivid picture, but I am not as confident as he is that they can be regulated. The FCA will be regulating claims management companies in the financial sector, but what about claims made outside the financial sector?

The Minister referred to our report many times and assured us that all our recommendations have been carefully considered. I join the noble Lord, Lord Holmes, in asking when we can expect a full response to make sure

that all the recommendations have been considered.

6.35 pm

Baroness Coussins (CB): My Lords, I am grateful for the opportunity to speak on this important Bill and begin by declaring my interest as president of the Money Advice Trust, a charity which is one of the UK's major providers of free debt advice—and I believe that it is advice, in the very best sense of the word, and is absolutely people-focused. As other noble Lords may be aware, the trust runs the National Debtline and Business Debtline, which provide vital free advice and support to individuals and small business owners struggling with unmanageable debt. Last year, the trust helped almost 200,000 people by phone and webchat, and had more than 1.3 million visits to its websites. Some of that work is funded by the Money Advice Service, including through an important partnership with Citizens Advice.

I strongly support the creation of a single financial guidance body, bringing together provision of debt advice, money guidance and pensions guidance, and welcome the inclusion in the Bill of a standards-setting function in all three areas. The role of the Department for Work and Pensions as the lead department for the SFGB is also welcome, especially given the creation last month of a dedicated ministerial brief for financial inclusion in that department. But I would like briefly to raise three issues relating to Part 1 of the Bill, and I hope the Minister will be able to offer assurances on these when she comes to reply.

The first issue is the need to ensure sufficient supply of free debt advice, at a time when a large number of households are not receiving the free advice they need, and when debt charities are seeing an increasing demand for their services. The combination of rising inflation, slow wage growth and a significant surge in household borrowing means that demand is likely to continue to increase, so there is clearly a need for increased funding for debt advice. Funding currently comes from a levy on financial services. I encourage the Government to explore widening that funding base, particularly as debt advice services are increasingly dealing with debts and arrears relating to utility bills, and also from the public sector itself. I would welcome a commitment from the Minister that the Government intend to address the gap between supply and demand for debt advice as a key priority.

The second issue relates to the ring-fencing of levy funding for debt advice in the new arrangements. As I understand it, there has been the suggestion that the SFGB will enjoy greater flexibility in the use of levy funding than is currently the case with the Money Advice Service. I hope that the Minister can understand that there is considerable concern about this in the advice sector, given the increasing demand that I have outlined. I would be grateful if she could offer an assurance that there will be an appropriate ring-fence around debt advice funding in the new arrangements, including in the case of the devolved Administrations.

The third issue is the nature of the debt advice that the SFGB will provide through its delivery partners. The continuation of the current commissioning approach for debt advice is welcome but, in my view, it is

[BARONESS COUSSINS]

important that it is restricted to free-to-client, not-for-profit advice agencies only. The noble Lord, Lord Sharkey, touched on that issue. I believe strongly that no one in financial difficulty should have to pay for debt advice, and no financial gain should be made from people seeking government-backed help, whether that gain is direct or indirect. The commissioning of commercial providers by the new body, even where the activity being commissioned may be free to the client, risks undermining this principle. Clause 5 provides a mechanism through which this restriction could be implemented, through the Secretary of State's power to issue guidance and directions to the SFGB on the exercise of its functions. I would welcome the Minister's view on whether the Secretary of State would consider this approach.

On these three issues, there is much that the Government can do to offer reassurances that the SFGB will take the right approach for people in debt. I hope that the Minister will take this opportunity to do so this evening.

6.40 pm

Baroness Kramer (LD): My Lords, I first thank the attendants for lowering the air conditioning. It seemed as if, in this corner of the House, we had been sent to Siberia—it is now far more congenial. I join others in welcoming the Minister to her new role and thank her for the meeting she has already invited both me and my colleagues to attend, and for meetings that will follow in the future. She will gather from the overall mood of this House and from listening to the speeches that the Bill is regarded as worthy, significant and not contentious, and that across this House there is an intention to strengthen and improve it. We on these Benches join exactly in that approach.

A number of speeches have addressed issues that appear to be both relevant to the topic and essential background substance to the Bill, but which may be difficult to include in its current Long Title. In particular, the issues of pensions and financial exclusion were raised by my noble friend Lord Kirkwood, the noble Lords, Lord Haskel and Lord Holmes, the noble Baroness, Lady Altmann, and others. I say to the Minister, I once took a Bill through this house that was informally known as the “dump it in here” Bill, which had new clauses added at almost every stage of its progress. Would the Government consider amending the Long Title in such a way that other issues that seem so relevant could be included in a slightly more generous fashion, particularly given the amount of time available for the Bill to be discussed and pursued? I recognise that this would be a government decision.

The noble Lord, Lord McKenzie, described this so accurately as a Bill in two parts. Part one creates the single financial guidance body, and I pick up on a couple of related issues. The noble Baroness, Lady Altmann, focused on the potential it creates for joined-up thinking and for a people-focused approach to guidance and advice that stretches across the continuum, whether it be on debt, savings or pensions investment, all of which are now captured under this overall body. It is crucial that we have mechanisms in the Bill that allow

the relevant body to take advantage of that possibility of much more holistic thinking.

The noble Lord, Lord Hunt, and others, including the noble Earl, Lord Kinnoull, identified that important activities carried out by the existing bodies must not be lost. The phrase that the noble Lord, Lord Hunt, used was, “customer-focused”. We should reinforce that, because it might be easy, for example, for debt advice to be downgraded as the focus shifts towards aspects of pensions, or vice versa. To lose the strength of those existing bodies would be a waste, frankly, and I hope the Government are aware of that issue.

A number of speakers talked about the incredible indebtedness—indeed, over indebtedness—of a large part of the UK population. My noble friend Lord Sharkey and the noble Baroness, Lady Drake, talked particularly about this issue. The phrase that I think the noble Baroness used was “lack of financial resilience”: one in six people in the UK is over indebted and slow to seek advice, and many are vulnerable. The noble Baroness, Lady Coussins, just made the point that wage stagnation, sharply rising inflation, a collapse in savings and a very sharp increase in consumer credit are all adding to the pressures that require individuals to turn to debt management. I pick up on another point raised by the noble Baroness, Lady Coussins: it is really important that support and advice in this arena is free to consumers. Like others, I sometimes look rather askance at the idea that anyone would choose a paid option when a high-quality free option is available. I hope that this overall body will stress and advertise the quality embedded in that free advice. There is often a public perception that free equals second best, and I do not think anyone would argue that that was true in this case.

On the Money Advice Service, there are some questions that need to be answered. The noble Lord, Lord Holmes, talked about access for all, and the noble Baroness, Lady Coussins, and various others talked about the need for resource. Currently, the Money Advice Service commissions advice on a needs basis, adjusting the capacity for each region based on its pattern of overindebtedness. With devolution, it is hard to understand how this will operate—will it be according to the Barnett formula or on a needs basis? The two, very significantly, do not overlap. If it is on the Barnett formula, what would happen to areas that would presumably see a cut in the level of advice they receive, even though they have very high levels of local indebtedness? The Money Advice Service is currently funded by the financial services industry, and this raises the question of ring-fencing, including making sure that, in any new system, it cannot be dissipated. As we have seen, many councils have cut their contributions to debt advice and management because they are under broader pressures. If this is now to be on a non-ring-fenced basis, it creates concerns and would also raise questions within the industry providing that financing. I hope that the Government will address these issues.

At the moment, the Money Advice Service is largely funded through grants. Will there be government pressure to shift to contracts? Given the complexity of cases, these would seem to be the kind of clients for which contracts are not appropriate and grant funding is far more typically successful. My noble friend Lord

Sharkey—he was not alone but, I am sorry, I forget which other noble Lords raised the issue—called for a moratorium period, as in Scotland, for those who face a debt crisis and are seeking advice.

On the pensions issue, I think that we are all aware that Pensions Wise, at present, provides advice only to those over 50 and for defined contribution pensions. The Pensions Advisory Service, as I discovered myself through personal experience, limits its response to rather straightforward questions. Given the complexity of our population, I fear an awful lot of people fall between the various cracks in the structure of the service. Will this be an opportunity, as my noble friend Lord Sharkey recommended, for a much more comprehensive approach to providing guidance in this crucial area? We know that it is crucial—I am a great supporter of the triple lock, because it removed the disincentives to save for old age as well as, frankly, rescuing pensioners from pensioner poverty—but we have had such a proliferation of products. The noble Baroness, Lady Greengross, and others talked about the complexity of products that comes with pension freedoms. There are growing numbers of people with defined contribution pensions, which absolutely require investment decisions. We have a very complex pensions picture to cope with. It is noticeable, as various Member of the House have said, that although guidance is available, its take-up is relatively low, despite the complexity. This single body will hopefully become a mechanism to encourage far broader use, but we need some assurance that it sees this as a crucial challenge that it will address.

The noble Baroness, Lady Drake, referred to standards. The new body must set standards but the FCA has to approve them. She pointed out that the FCA's remit and that of the body are not identical. I hope the Minister will address how the tensions and issues will be resolved. Various Members of your Lordships' House talked about financial capability. There have been calls for that to be a standalone function within this single body because it is so important. There was discussion on the Floor of the House about the role of financial education in schools—I personally believe that it should be statutory—but how will this body tie in with post-school education? The point at which people need financial education tends to be when they start to save, invest in an ISA, join a pension scheme or engage with a mortgage. It is very hard to anticipate when that will happen for those aged 18 and under. Therefore, we have to recognise the need for ongoing education on financial capability.

The last section of the Bill addresses claims. I think the Minister will have picked up the message from across the House that claims management firms are not well favoured by Members of your Lordships' House, and that many have been victims of constant cold calling, whether on PPI or a whole range of other issues. The noble Lord, Lord Hunt of Wirral, took the approach that we should close every loophole. I suspect that very much reflects the mood in this House. I join others in supporting the transfer of supervisory authority over claims management companies to the FCA, and support the powers that it will be given to cap fees. However, the cold calling issue surely deserves a focus of its own. To echo the noble Baroness, Lady Altmann, this applies just as much to pensions as it does to debt

management, as my noble friend Lord Sharkey said, and to the range of other issues that claims companies exploit. I pick up the point made by the noble Earl, Lord Kinnoull, that some companies provide legitimate access to justice and come into a separate category. However, there is a very large group of essentially rogue companies that simply move from issue to issue where they reckon the public are most vulnerable, and seek to exploit any loophole in the law that they can. I hope that we are giving sufficient powers to the FCA to target all these groups, because if one area is closed off to them they will simply move their activities into another. I am not clear what happens to overseas-based companies that fall into this category. It would be good to hear the Government comment on that.

We on these Benches are very supportive of the Bill, which offers some important opportunities. However, we hope that the Government will consider whether there is an opportunity to use it to accomplish further aims that are not controversial and are generally agreed across this House, and which would allow us to respond more expansively to the issues around pensions, cold calling and financial inclusion.

6.53 pm

Lord Stevenson of Balmacara (Lab): My Lords, I add my welcome to the noble Baroness in her first substantive outing as a Minister. Of course, we have had many exchanges across the Dispatch Boxes on other Bills, where she occupied a more junior position, but now she is free to fly her own route on this. I hope that she is successful.

Others have mentioned the first Minister for financial inclusion, who was able to join us. I am afraid that he failed the Jo Johnson test as he has left before the end of the debate. Nevertheless, it was pleasant that he was able to hear much of it and I hope that he will come back for further instalments as we go forward.

This has been a very good debate. We have all been on roughly the same territory—I am afraid that I will not move away from it—in that we like what is in the Bill and we think that it is doing a good thing at a good time. However, it does not quite go far enough. I think that we all have issues tucked up our sleeves which we have raised on other occasions and failed to get across, but which we now see an opportunity to raise again. I have no speeches to quote from and no perorations to share with noble Lords, nor do I anticipate the speech which I believe the noble Lord, Lord Holmes of Richmond, will make tomorrow on a not dissimilar subject—financial inclusion in hyperspace. I think we all get the message that there is a little bit more to do on this. Indeed, we have already met the Minister privately and warned her that other issues could be added to the measure.

Let me declare my interests. I was a chair of StepChange, the debt charity mentioned by several noble Lords, and I am a current member of the Financial Inclusion Commission, along with the noble Lord, Lord Kirkwood of Kirkhope. I find that a very useful sounding board for many of the ideas and issues that have been raised today. It is a non-partisan, independent body of experts and includes parliamentarians from all parties. Indeed, until the

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last election, we had an SNP Member as well. The sharing of issues and ideas has been very helpful in formulating a policy in this interesting area of financial inclusion.

It is rather an interesting time to discuss what is, in truth, a non-political Bill. It is starting in the Lords, which changes the terms of trade in how it is to progress. We also have the benefit of an excellent Lords committee report on this issue—many of its recommendations have already been mentioned. They are obviously relevant and may need to be considered as we move forward. Given that the elected Government do not have a majority in the other place, many of our conventions do not apply. I do not necessarily mean to make much of that as a political point; I simply think that it is interesting as it opens up a range of options for making progress on this issue, as many noble Lords have said. By working together, we could make a huge difference. I hope that will be the spirit with which we enter the Committee and Report stages of the Bill.

These issues are in the public interest. For a variety of reasons they have not been given the full-scale consideration they need. However, I say to the noble Baroness, Lady Altmann, and to the noble Lords, Lord Sharkey, Lord Hunt of Wirral and Lord Holmes of Richmond, that we are available. If they want to come and talk to us, we would be happy to sign up to their amendments.

Why is financial inclusion so important? If you think hard about how this country is going to progress, whether or not the current state of concern about Brexit will be realised in practice, the availability and uptake of central financial services at affordable cost to every section of society is important in itself. It is very important that everyone in society has sufficient skills and motivation to use these services and to benefit from them. Financial capability—the awareness of the necessary skills—is key and must not be neglected.

As we have heard, the numbers are extraordinary. Nearly 2 million adults in the UK do not have access to a basic bank account. Financially excluded people pay a “poverty premium”, which I think is about £1,300 a year at present. Nearly 9 million people are overindebted and 13 million people do not have enough savings to support them for a month if they were to experience, for instance, a 10% or more cut in their income. The situation is not good. We have heard other figures in the debate illustrating the way in which credit growth is fuelling the expenditure we are seeing. Some serious consideration needs to be given to this. The Bill, which will help make progress in this area, is something we can all support, but I hope that it will be improved.

I will make some detailed points about debt and follow up a number of the points made by the noble Baroness, Lady Coussins, because I think that we come from the same place on many areas of this issue. I also acknowledge the expertise on pensions displayed by my noble friend Lady Drake; I endorse everything that she said. My noble friend Lord McKenzie covered many of the more general points in his introductory remarks.

On the question of whether the Government get this, as I have said already, it is important that there is now a Minister for financial inclusion based in the DWP, which is an interesting choice. However, I wonder whether that is sufficient. As I think has already been said, there may well need to be a Cabinet committee on this. I also think there is a case for trying to see whether it is worth having designated Ministers or champions in other departments such as the Treasury, Health and DCMS as a start, because without that group of interested and committed individuals at Cabinet level we will not get the purchase and buy-in across the various departments.

We have already said that we welcome the creation of the single financial guidance body, but I wonder whether the lessons about the problems with MAS have properly been learned. The Money Advice Service did not work successfully, and it is important that we pick up from that what worked and what did not—and mainly what did not.

It is relevant—although I would not want to make too much of it—that it took three consultations and a number of expert advisers to get us to this point. I was struck by the way in which the Minister felt that she had to rely on a lot of endorsements from outside bodies in making the case for what the Government are proposing. Usually when people have to rely on endorsements, that means that they are not terribly confident about what they are saying; I hope that that is not the case on this occasion. In particular, the focus of many of the contributions today has been about the debt space—I will concentrate on that, although I will touch on other things at the end.

The relationship to the bodies operating there, which are independent and separately authorised by the FCA—they are mainly charities, although not all of them are—in the free-to-client debt advice and debt solutions is not, or does not appear on the surface to be, compatible with what the Bill says in Clause 2(5):

“The debt advice function is to provide, to members of the public ... information and advice on debt”.

That implies some sort of direct traction. The Minister said that the Money Advice Service does fund debt advice. That is partly true, but only a very small proportion of the money is spent on that. The MAS funded some of that, but most of it was raised bilaterally by the individual organisations such as independent charities. Therefore, the MAS never really got to the heart of what its relationship was with bodies like the Money Advice Trust, Citizens Advice, StepChange and others, such as Christians Against Poverty. It could never really match the money, the aspirations and the organisational structures that would make that work.

In addition, the noble Lord, Lord Sharkey, made an important point about the way in which debt has changed. I mention this because I will come back to it on the funding side. The existing debt advice and solutions sector is financed largely directly by those who provide credit. Whereas before it was largely the credit cards and the banking sector, that is no longer the case. Increasingly, the debts being incurred in the

population come from store cards but also from the utilities, local government and from the Revenue—government—itsself.

It is important for the continuation of the model, which the noble Lord, Lord Sharkey, described as being under pressure, that these bodies continue to fund this. There are signs that that will not work through. In any case, the proportion of funding that goes on providing a service to those bodies which offer credit that is going wrong is relatively low compared to the overall costs elsewhere; I will come back to that point. The lesson that needs to be learned is that the combination of three functions into one—pensions, the operation of a proper financial education service, and the debt space—is useful. However, the way it has been done makes it seem that they have just been bolted together like some sort of mechanical tool, and I do not think that thought has been given to what will happen on the ground. We will need to come back to this in Committee.

On the funding, the change that has been proposed in the Bill is not clear; that has not been picked up, except by the noble Baroness, Lady Kramer. The system under which the Money Advice Service was funded involved raising a levy, which was paid to the MAS by the FCA. The new system is that the levy will be used but the companies are being taxed to provide a stream of funding to central government, which will then be passed to the new single body as a grant. That point seems to be a fundamental change to the way in which the operation is done. When we had a meeting with the Ministers before this Session it was explained why that was, and I understand it. However it radically changes the way in which people operate.

For example, if companies which are currently funding independent debt advice—for example, the Money Advice Trust—are already being taxed to fund a central body, are they not going to ask why they are paying twice for this? That has not been thought through properly, and we will need to return to it in some detail when we get to Committee. I am not against it but there are implications of changing to a non-departmental body, with all that that implies, which is grant-funded; we may be through with the financial problems that have been caused but we are surely not in a situation where the money will be found on trees—or are we? If we are, will it be enough to make sure that all the suppressed demand for debt advice can be funded? I estimate that 1 million people a year are probably getting advice, but there are figures which say that the number of people who need advice is probably double, if not three times, that. Where will the money come from for that?

It is obviously right that the new body should have a standard-setting aspect—it should certainly not fund anything substandard, and I am sure that we can all support that. Since all the bodies in the debt space have to be regulated by the FCA, and all are proud of the fact that they have been authorised to do whatever they do, whether it is holding client money or not, it is not obvious how the standards will operate. We cannot have two standard-setting bodies—that will not work.

A point that has been raised in other places is that a number of commercial companies—too many of them—operate in the debt space, and, as some noble Lords

have said, their charges are outrageous for people who are under pressure anyway. Will this system look at those, or will it be restricted to only the free sector or the free-to-client sector? We will return to those points in Committee with, I hope, a chance to debate them.

We have not talked much about banking: the need to make sure that people in vulnerable circumstances receive banking services and that those services meet the needs of low-income consumers. Banking is in some senses a utility, and we have never really come to terms with whether that issue should be taken up. There were a number of debates a few years ago about whether models that apply in other countries, such as the Community Reinvestment Act, might be applied to our banking system. Clearly, banks are a part of everyday life—it is impossible to do things without them. You have only to look at the fallout from the terrible disaster in north Kensington, where it was said that those who were affected would receive £500 in cash and the rest through their bank accounts. How many of those people have bank accounts, and was that question even asked? I suspect that a very large number of them do not. Obviously, it can be settled, but the instinctive reaction does not meet with what low-paid people have to live through. We need a better approach, maybe along the lines of the broadband universal service obligation. Perhaps this will be picked up in the debate tomorrow.

On credit and debt, there are still problems with how we deal with people who get into unmanageable debt. The statutory breathing space has been mentioned; this already works successfully in Scotland and it would be easy to introduce it down here. Indeed, last Session a Private Member's Bill gave us the main mechanics of it. We will want to see whether we can get that into the Bill. The question also has to be asked about other systems which are operating; for instance, the debt relief scheme, which is currently running at a cost to the charities which are involved with it—mainly Citizens Advice and StepChange—of about £2 million per annum. It is an important part of the debt relief solutions but it does not stack up in financial terms, and that needs to be addressed. We also need to think about the way in which the credit rating industry deals with financially vulnerable people, particularly when they are emerging from a debt repayment process but may be barred from accessing credit for many years.

Finally, we support the proposal to transfer responsibility for supervision of claims management companies to the FCA, and I echo calls from many noble Lords around this House and from outside for this to be done speedily and efficiently so that there is no question of a loophole remaining. We will also probe, as others have done, why the Government are not taking steps in the Bill to ban cold calling and cold texting.

I will end on the following point, even though others have mentioned it. The excellent report by Carol Brady on claims management, which many noble Lords have mentioned, had a wide-ranging number of recommendations but only two or three have been implemented in the Bill. What is happening to the rest of them? That report needs to be taken up and taken through to its conclusion. I would be grateful if the

[LORD STEVENSON OF BALMACARA]
Minister could respond on that.

7.09 pm

Baroness Buscombe: My Lords, I was expecting some excellent contributions to this debate, and I was not disappointed. I thank all noble Lords who welcomed me to this role. It is somewhat a baptism of fire, with such a technical Bill, but I look forward to further debate and to the opportunity to meet again with noble Lords between now and our first day in Committee. That would be most welcome.

I agree with the noble Lord, Lord Kirkwood of Kirkhope, that the presence of my honourable friend Guy Opperman MP from another place was most welcome. He brings considerable energy, experience and passion to his new role as our first Minister for Pensions and Financial Inclusion.

My noble friend Lord Trenchard was very much hoping to speak but unfortunately, due to pressures of time, he had to scratch. He looks forward to contributing to our debates in Committee.

I join noble Lords in acknowledging the excellent work done by TPAS, of which the noble Baroness, Lady Drake, is a board member. As she, my noble friend Lady Altmann and others said, it is concerning to know that the financial resilience of the public is getting weaker. That being so, as noble Lords have said, clearer signposting and an increased awareness of financial guidance is important. As the noble Baroness, Lady Drake, said, there is a real need for a single cohesive strategy, and we, the Government, must provide leadership of that strategy. As the noble Baroness, Lady Greengross, said, particularly with regard to retirement, we need to encourage more people to give proper thought to their financial future.

I agree with the noble Earl, Lord Kinnoull, about simplicity. If we can keep this simple, that will enhance accessibility and trust in the new body and increase rigour in the regulation of CMCs. I hear what my noble friend Lady Altmann says with regard to language and its consequences—we will need to give further consideration to advice versus guidance. The contribution of the noble Baroness, Lady Coussins, as president of the Money Advice Trust, accentuated the need for us to ensure that we can reach a consensus on the language that we use in the Bill.

A number of salient points have been made this evening and I hope that I will be able to cover as many of them as possible. There are many points that we need to consider with care, and I apologise up front if I cannot cover absolutely everything that was raised in the time available.

A number of noble Lords questioned the seamless transition to the new body of the existing services provided by the MAS, TPAS and Pension Wise. The Government want to build on those bodies' wealth of experience. These services will continue to provide information and guidance until the SFGB has been set up, and this will allow for an uninterrupted service to the public. The DWP and the Treasury are working closely with the three bodies to make sure that plans to go live are reasonable and practical, and that existing services are maintained throughout the transition. A

programme has been set up in the DWP with membership from the existing services to enable a smooth transition to the new body. TPAS services are covered by the SFGB's pensions guidance function, and there is a specific requirement for the SFGB to include guidance on pensions flexibilities—a service currently delivered by Pension Wise.

Several noble Lords raised the question of the Government responding to the Select Committee on Financial Exclusion, including on the role of the FCA in promoting financial inclusion and the possibility of a duty of care by financial institutions towards their customers. The Government are planning to respond formally to the committee's report in the very near future, with full responses to each of the committee's 22 recommendations.

A number of noble Lords also asked why the Bill does not include a provision for a breathing space scheme. We recognise that the cost of living can sometimes become too great. Problem debt is hard to escape and can compound family breakdown, worklessness, stress and mental health issues, and this Government remain entirely committed to supporting people in problem debt. A breathing space scheme could help people affected by serious debt by stopping creditor enforcement and freezing further interest and charges on unpaid debt. However, breathing space legislation would be lengthy and complex. As such, any breathing space legislation would need to be properly prepared and consulted upon, and Treasury Ministers will outline further details in due course.

A number of noble Lords asked why the Government are not taking action to ban pensions cold calling through this Bill. The Government take the threat of pension scams very seriously. Such scams can cost people their life savings and leave them facing retirement with a limited income, with little or no opportunity to build up their pension savings again. That is why the Government launched a consultation in December 2016 looking at three potential interventions to tackle this issue, including a ban on cold calling in relation to pensions to help stop fraudsters contacting individuals. The Government plan to publish our response to the consultation shortly, setting out our intended next steps. It is a complex area that requires careful and detailed consultation with stakeholders during the year. In particular, there are questions of how to define existing relationships and how to deal with referrals and third parties. As such, we do not propose to include a cold-calling ban in the Bill at this time.

A number of noble Lords asked why the Bill does not include measures on preventing nuisance and cold calls from CMCs. We believe that strengthening the regulation of claims management services should reduce the number of nuisance calls made by CMCs, as they will have to comply with the FCA's tougher regulatory rules on marketing and advertising. CMCs are already banned from introducing claims or details of potential claims to solicitors if these have been obtained through an unsolicited approach by telephone or in person. The Information Commissioner's Office—the ICO—also enforces restrictions on unsolicited direct marketing calls, and the upcoming data protection Bill will include updated powers and sanctions for the ICO.

A number of noble Lords, including the noble Lord, Lord McKenzie, my noble friend Lord Hunt and the noble Baroness, Lady Drake, referenced a pensions dashboard. This is an exciting idea. The Treasury worked with industry to deliver a working prototype of the dashboard in April 2017 but it is still at a very early stage, with many policy questions outstanding. As the noble Baroness, Lady Drake, said, the purpose of the dashboard is to provide a clear picture of all your pensions entitlement in one place online. The successful demonstration of a prototype dashboard in April proved that providing pensions information from different schemes in one place is feasible. However, because it is still early days and work is needed to address the several outstanding questions before consumer-facing dashboards can be rolled out, we feel that we should proceed with this with care.

The single financial guidance body may choose to provide a dashboard or direct consumers to a reputable dashboard in the future if it deems that to be appropriate. Nothing in the Bill limits its ability to do that, but legislating for the SFGB to provide a pensions dashboard at such an early stage in its development and before it is possible for consumer-facing dashboards to be developed would, we feel, be a little overzealous and a little risky.

The noble Lords, Lord McKenzie and Lord Sharkey, particularly questioned what delivery channels the SFGB will use. Our response document, published yesterday, indicates that we do not wish to specify how the SFGB should deliver its functions. The SFGB will be best placed to design its own service delivery and to refine its approach over time based on evidence of what works best for people.

I turn to the question raised by the noble Lord, Lord McKenzie, about whether the SFGB's capability function should be altered to give it a duty to develop and deliver a strategy. Through its strategic function, the SFGB will bring together interested partners with the aim of improving the ability of members of the public to manage their finances. The premise of the strategy is that one organisation working independently will have little chance of greatly impacting financial capability but many working together will—a point that the noble Lord, Lord Haskel, also touched on. As such, the new body will be responsible for bringing the sector together on a UK level but it will not attempt to deliver all the strategy, as this will be delivered through industry, the voluntary sector and the devolved authorities. The body may deliver some aspects of the strategy if it sees a gap, but this is very much a collective effort requiring the body's support and co-ordination.

The noble Lord, Lord Haskel, also asked whether the SFGB will provide guidance and support for microbusinesses. The SFGB will provide information, guidance and debt advice for individuals who are struggling with their finances, not businesses—the focus is entirely on individuals. However, the Government recognise that microbusinesses often face financial difficulty and often need extra support. Support is currently provided by the Department for Business, Energy and Industrial Strategy.

The noble Lord, Lord Sharkey, and others asked whether the SFGB will monitor compliance with its standards on an ongoing basis. The answer is yes. We

have set up a programme to develop the governance and accountability arrangements for the SFGB. This will include assessing the existing performance measures of MAS, TPAS and Pension Wise to develop a robust set of qualitative and quantitative indicators for the SFGB. These standards are likely to form part of those indicators.

Financial education, which I personally feel is incredibly important, was raised by a number of noble Lords. Under the strategic function, this refers to the co-ordination of projects and initiatives delivered by the private, public and third sector aimed at children and young people. Under the function, the body will promote the sharing of knowledge and will evaluate the impact of financial education initiatives to ensure that best practice is acknowledged and shared as widely as possible.

I take on board, however, the issue of what we do following the age of 18—a question raised by a number of noble Lords, including the noble Baroness, Lady Kramer. We need to consider this point further. It may be a fanciful idea that someone aged 16 would take their pension particularly seriously, but we all know, possibly from personal experience, that we have to consider how we can encourage people moving into their 20s and 30s to think much more about the future and, as the noble Baroness, Lady Greengross, so eloquently said, their retirement.

A number of noble Lords asked how people take up the opportunity of the financial guidance offered to them. At present, not enough people are aware of or taking notice of the signposting which I referenced earlier. They are not doing enough to avail themselves of the opportunity for guidance. I absolutely agree that nudges are an effective way of encouraging members of the public to use the services of the SFGB, as suggested by the noble Baroness, Lady Drake. As noted in their recently published consultation document, the Government expect the FCA to review its rules so that individuals are signposted by industry at moments when they are most likely to benefit from guidance.

The noble Baroness, Lady Drake, also asked why there is no criminal offence for imitating the SFGB, as there is for the Pension Wise service. The brand and service offer of the new body will be protected by existing stringent criminal offences under fraud and copyright laws. We believe there is no evidence to support the creation of a criminal offence for the SFGB. Existing offences will help protect people, and the SFGB, from those who seek to exploit the brand and name to commit offences.

In response to my noble friend Lady Altmann I touched very briefly on the difficult issue of language, which we may wish to explore further. Having set out what I believe to be the clear difference between advice and guidance in opening this debate, I take on board her questioning whether we should be using the word “advice” at all. I want to take that away and consider it further between now and Committee. I would also welcome the opportunity to speak with my noble friend and others about some of these issues in our meetings before we begin Committee.

My noble friend Lady Altmann also raised the issue of the secondary annuities market. The Government

[BARONESS BUSCOMBE]

engaged extensively with industry and consumer groups on how they could establish the conditions for an effective secondary market in annuities to develop. Over the course of this engagement it became increasingly clear that creating the conditions to allow a vibrant and competitive market to emerge, with multiple buyers and sellers of annuities, could not be balanced with sufficient consumer protection. I have been reading up on this subject considerably and it seems that the risks attached are considerable. Allowing this market to proceed could have produced poor outcomes for consumers. As noble Lords have rightly said, we must remember that our focus must be the consumer. For that reason, we decided not to take this policy further, and this position has not changed. Therefore, the SFGB is not being required to give guidance on this market.

Further questions were asked by the noble Earl, Lord Kinnoull, and my noble friend Lord Hunt, on the idea of applying FCA regulations only in England and Wales, meaning that Scottish-based CMCs could cause consumer detriment across the UK. That is a very insightful question. We have engaged with both the Scottish Government and the Northern Ireland Executive at ministerial and working levels. Both have confirmed that they do not want the regulation to extend to Scotland or Northern Ireland as there is limited evidence of malpractice, they say, in these regions. The Bill gives the Treasury a power to define when a person should be treated as carrying on claims management activity in England and Wales. This gives government the flexibility to adapt the definition should the CMC market change. The Government will keep this position under review. The intention is that CMCs approaching consumers in England and Wales and taking forward their claims should be subject to FCA regulations as far as possible. However, I take on board the example given by the noble Earl, Lord Kinnoull, of what would happen if someone just north of the border were to make these calls and claims, and direct them to people living in England and Wales.

My noble friend Lord Hunt and the noble Earl, Lord Kinnoull, asked whether I would commit to examining whether the definition in any order could be extended to close loopholes, including credit hire, the commissioning of medical reports, holiday sickness claims and so on. The issues my noble friend raises concerning credit hire agreements and the commissioning of medical reports are separate to that of claims management regulation, although they are related through the impact they can have on the cost of insurance premiums and other fees for consumers.

The Government agree that these are important issues, and sought views on credit hire as part of the call for evidence on the whiplash consultation that was published in November 2016. Responses are currently being considered and the Government will respond in due course. MedCo, a not-for-profit company, was established to enhance the quality and independence of initial medical reports in support of whiplash claims. Good-quality medical evidence supported by the MedCo system is, and will continue to be, an integral part of the Government's whiplash reforms going forward.

I want to quickly cover a few more points. The FCA will develop an appropriate, proper and tough regulatory regime, and will begin consulting on this in due course. It will undertake a full cost-benefit analysis before implementing rules. We do not want it to be handicapped by regulatory burdens.

What about CMCs that contact people from overseas? The Bill gives the Treasury a power to define when a person should be treated as carrying on claims management activity in England and Wales. The intention is that CMCs approaching consumers in England and Wales and taking forward their claims should be subject to FCA regulations as far as possible. Perhaps that begins to cover the question of the noble Earl, Lord Kinnoull.

I should make it clear that pension taxation is a matter for HMRC. The Pensions Regulator provides guidance to employers choosing a pension scheme for their staff. This guidance covers the choice between net pay and relief-at-source schemes, and the implications of net pay schemes for employees who do not pay tax.

There were several questions on the funding of debt advice. The SFGB's debt advice function will be funded by the levy on the financial services industry. Free-to-client debt advice is currently provided by a range of organisations, mostly from the third sector. The debt advice levy funding currently makes up 40% to 50% of the free-to-client debt advice providers' total budget, and the Government have no plans to reduce this funding contribution. The remainder of the budget comes from voluntary contributions made by organisations in different sectors. A levy-funded model remains appropriate, given the benefits that firms will gain over time from effective debt advice, money guidance and financial capability interventions.

The Money Advice Service is working closely with partners in the debt advice sector on the plans for an independent review of the funding arrangements for the sector. The development of a more coherent approach to funding from organisations that benefit from debt advice is expected to be within the scope of this work.

I hope I have covered the issue of the general funding of debt advice, a number of other questions and the questions raised by the noble Lord, Lord Stevenson.

There is no doubt that this small Bill contains a great deal of detail. In addition to ensuring that people are able to access high-quality claims-handling services, the Government are committed to ensuring that action is taken when markets work against consumer interests.

I again thank all noble Lords for their contributions. I commend the Bill to the House and ask that it be given a Second Reading.

Bill read a second time and committed to a Committee of the Whole House.

Balfour Declaration Centenary

Question for Short Debate

7.31 pm

Asked by Lord Turnberg

To ask Her Majesty's Government what plans they have to mark the centenary of the Balfour Declaration in November.

Lord Turnberg (Lab): My Lords, I am delighted and overwhelmed in equal measure that so many noble Lords have agreed to speak in this debate. The topic is clearly of wide interest, and I will have to listen very carefully indeed if I am to catch everyone's fleeting words.

Arthur Balfour would have despaired to know that, 100 years after the British Government's declaration bearing his name, the Arabs and Jews had still not settled their differences over who has the right to what he described as a "small notch of land" that the Arabs could not possibly begrudge, given their vast Arabian Middle East. There remains considerable controversy both about the declaration itself and about its significance. There are still those who believe that it was the biggest error of judgment that a world power could make, while there are many others who believe it was the most magnanimous gesture by an imperial nation for an oppressed people.

The Zionists see Palestine as the biblical homeland of the Jews, who had been repeatedly driven out, always returning and always yearning for it in their prayers, while the Palestinians see what they believed was their land being given away by a western power whose land it was not theirs to give to someone else—seemingly incompatible aims that the wording of the declaration tried to overcome by offering a home for the Jews with the proviso that,

"nothing shall be done which may prejudice the civil and religious rights",

of the indigenous population. It was a hopelessly optimistic idea and, at the time, little thought was given to how one group, the Jews, were supposed to protect the right of another group, the Arabs, who were immediately trying to kill them off.

It was not Balfour alone, of course. He had the full support of Lloyd George's wartime Cabinet—a remarkable phenomenon given that in 1917 the Brits were bogged down in a war in Europe that was going badly wrong. They obviously thought it was important enough to produce the declaration.

It is sometimes said that the declaration was a purely British affair, but that would fly in the face of the evidence. Despite their history of anti-Semitism, the French had already given their written approval for a Jewish home in Palestine, as had the Italians, the Americans and the Japanese, and even the Pope was favourably disposed. So it was not simply Britain and Balfour.

However, it was not a legal document in any way. It was not a treaty and had no status in international law. It was simply an expression of support—the Government

looking with favour on a Jewish homeland—sent in a letter to Lord Rothschild. It could easily have got lost at any time.

It was only in 1920 at San Remo and two years later in Geneva when the League of Nations gave the mandate for Palestine to Britain and, furthermore, mandated it to provide the Jewish home there. All 51 nations of the league voted for it, with none against. The League of Nations spoke of a Jewish nation for the first time and of "reconstituting" it in Palestine. Balfour had only spoken of "establishing" it, yet here it wrote of "reconstituting" its ancient rights. It was this basis in international law that gave legitimacy to the Zionists' claim to a Palestinian home, and it was this agreement that was accepted in full by the UN in 1947. Balfour and his Prime Minister, Lloyd George, had continued to make their presence felt in San Remo and in Geneva, so Britain should be proud not only for the Balfour Declaration but for pursuing it so assiduously in San Remo and at the League of the Nations.

And here is the surprise: the wider Arab leadership were at first very favourably disposed to the Jewish influx, modest though it was at the time, into what they regarded as a small, neglected corner of Arabia. They had welcomed the Jews as their brethren—there was a written agreement between Prince Faisal and Chaim Weizmann saying as much—and the daily newspaper in Mecca wrote of the two branches of the Semitic family, Arab and Jew, who understood each other. It was only when the Grand Sharif Hussein and his son in Mecca realised that they had been duped by the British and French that all that sweetness and light melted away.

Hussein had been led to believe that, if he and his tribes revolted against the Turks, he would be rewarded with a vast kingdom in the whole of Arabia after the war. However, when they heard that their land had been carved up by the French and British in their mandates, they knew they had been cheated. First in the Sykes-Picot agreement and then at San Remo and the League of Nations, the allies agreed that they could not trust the Arabs to rule themselves in such a strategically important part of the world. The Brits remembered that many Arab tribes in Palestine had sided with the Turks against them during the war. However, it was the characteristic British attitude that they knew how to rule over—this is a quote from the League of Nations—

"peoples not yet ready to stand by themselves under the strenuous conditions of the modern world",

that justified their actions. Only then did Hussein and his son realise what had happened, and only then did they begin to see the Jewish influx as just another symbol of western colonisation—just another sign of British perfidy—and they turned against the Jews.

It was after that that there was a change in British government attitudes. In the 1930s and 1940s, severe restrictions were placed on Jewish immigration to try to placate the Arabs. The devastating consequences for the Jews of Europe, as they were herded into the gas chambers during the Second World War, changed Jewish attitudes towards Britain from gratitude to hostility, as they saw the escape route for the Jews

[LORD TURNBERG]

being clanged shut. However, despite all that, and the attitude of the British Foreign Office after the war when boatloads of refugees were turned away, it remains the case that Israel owes an enormous debt to Britain for what it offered them earlier in 1917, 1920 and 1922.

Britain, too, has a lot to be grateful for. We should celebrate the fact that we in Britain provided the foundations of a democratic state in a part of the world where democracy is in very short supply. I like to think that, despite the problems that have to be overcome if we are to see a just and peaceful resolution of Israel's differences with the Palestinians, Britain should celebrate the fact that it was instrumental in providing the foundation of this democracy, where religious and ethnic differences are fully tolerated, the only Middle East state where the number of Christians has risen, where gay parades are a feature of life—indeed, the current British Ambassador to Israel was able to mount a float in a recent gay parade in Tel Aviv—and where 17 members of the Knesset, a supreme court judge, many academics, doctors and professionals of all sorts are all Arab, to say nothing of its leading place in science, technology, medicine, the arts and commerce. It is a country with which we share intelligence on cybersecurity and other threats to security, and in which trade links are increasingly important as we move into the post-Brexit era.

It is fascinating to note now that, 100 years ago, it was the British Government that opened the door for a Jewish home in Palestine. A century later, and after years of conflict with the Arab world at large, we are beginning to see the more pragmatic Arab states of Saudi Arabia, Egypt and the Gulf states recognise a Jewish Israel. The Arab peace initiative is being offered provided that there is a meaningful peace between the Israelis and the Palestinians. The enormous advantages to both of them and to the wider Arab world of a peace deal are there for all to see.

Mr Abbas has to be able to bring himself to recognise what Balfour was aiming at—a Jewish state in Palestine—and Mr Netanyahu has to stop further encroachment on Palestinian land in the West Bank. Will it happen soon? We should not hold our breath, but the fact that we now have a range of Arab countries keen to see it happen must be a positive sign. Will it require new and braver leaders on both sides? I fear that it will. Is it worth all the effort? It absolutely is.

Meanwhile, surely we should be celebrating the critical role we played in the creation of a stable, democratic state in the Middle East that now more than ever needs one. Does the noble Baroness the Minister agree?

Baroness Sugg (Con): My Lords, this is a time-limited debate and, with 29 speakers, the limit is just two minutes each. I respectfully remind the House that when the Clock shows two minutes, the permitted time has already been exceeded.

7.40 pm

Baroness Sheehan (LD): My Lords, my visit to the region in February is why I believe that, to mark the centenary of the Balfour Declaration, our Government must address the appalling humanitarian situation

there, pressure Israel to stop changing the map of the Occupied Territories and progress a two-state solution.

Physicians for Human Rights-Israel at the al-Makassed Hospital in East Jerusalem have highlighted the inhumanity of back-to-back ambulance transfers at checkpoints even for critically ill people as well as the increasing difficulty of getting checkpoint permits for senior medical staff, violating the right to health of patients. In Hebron, with Breaking the Silence we saw the shell of what used to be the largest Palestinian city in the West Bank where 200,000 Palestinians are violently dominated by 850 settlers. The Israeli human rights organisation, B'Tselem, took us to Silwan in East Jerusalem where Palestinians face an ongoing policy by the Israeli authorities to remove them from their homes in favour of settler organisations, and to the East Jerusalem periphery where dozens of Bedouin communities are being forcibly transferred. Of the 2 million people trapped in Gaza, approximately 1 million are children. In any other place in the world, they would be evacuated from such a toxic environment where 96% of the water is unfit for humans.

Let me end with something that really impressed me. It is young Jewish people themselves who are documenting human rights abuses, so that others in Israel can know what is being done in their name. They tell me that they are doing it because creating a home for Jews while violating international standards of human rights demeans their proud religion. They want no part of it, and nor should we.

7.42 pm

Lord Warner (CB): My Lords, 100 years ago the population of Palestine was Christian, Arab and Muslim. The Balfour Declaration changed that because the UK Government promised land in a non-European territory to a group with minimal presence in it and against the wishes of the people who lived there. On publication, the majority of the population protested vigorously against the declaration and continued to do so.

In 1919, the King-Crane Commission told the British Government that:

“No British officer, consulted by the Commissioners, believed that the Zionist programme could be carried out except by force of arms”.

How prescient that was. There followed a persistent campaign of terror against Palestinians, those administering the British mandate and even Jews who opposed the Zionist approach.

This terrorism was often sanctioned by future Israeli leaders and Prime Ministers. An example of this was the slaughter in April 1948 of 90% of the 400 Palestinians living in the village of Deir Yassin by Irgun. The purpose of this terrorist strategy was made clear in a press statement on 13 April 1948 by Irgun, then led by the future Prime Minister Menachem Begin, which stated:

“We intend to attack, conquer and keep until we have the whole of Palestine and Transjordan in a greater Jewish state”.

The evidence for all this is in the National Archives.

The Balfour Declaration has created endless misery for generations of Palestinians, with millions displaced. Those who remain are prisoners in their own land and forced to watch continuing illegal land confiscation.

Gaza is a collective prison on the cusp of a humanitarian disaster. The West Bank has been occupied militarily for 50 years, with Palestinians daily victims of serious breaches of human rights and international law tantamount to war crimes.

The declaration and its aftermath are among the most shameful in our history. In the USA, Canada, Australia and New Zealand where indigenous people have been mistreated, Governments have apologised and tried to make reparations. We have done nothing similar for the Palestinians, despite failing to protect them under our mandate. No British Government are willing to apologise to the Palestinians, recognise an independent Palestinian state or support proper deterrents to further land confiscation.

I suggest to the Minister that the Government might mark the declaration centenary by addressing some of these issues. I would be glad to hear the Minister's comments.

7.45 pm

The Lord Bishop of Chester: My Lords, I want to make two points in my tuppenceworth of time.

First, the Balfour Declaration did not arise in a vacuum and in part reflected the very considerable contribution made by Jewish people, mainly recent immigrants of course, to Britain and the then war effort. To take an obvious example, it was a Jewish chemist at the University of Manchester who devised a clever new way to manufacture acetone from sugar and carbohydrate. It was a vital chemical in short supply for the manufacture of cordite. That chemist, Chaim Weizmann, went on to become the first President of the State of Israel.

Winston Churchill saw this and was among the strongest supporters of the Balfour Declaration both at the time and, significantly, during the inter-war years when the British Government actually tried to row back from the declaration. Churchill was not a particularly religious man, but he had a great admiration for the Jewish contribution to British life and the extraordinarily creative results, especially in agriculture, of Jewish resettlement in Palestine. All of this is set out in Martin Gilbert's splendid book, *Churchill and the Jews*, which is available in our Library.

In marking the Balfour Declaration, we are marking more than just the success—and it is a great success—of the modern State of Israel, but we also need to acknowledge the difficult history of Palestine since 1948. In part, it is because the United Nations did not properly oversee and own the consequences of its resolutions. The British, too, essentially walked away and watched the conflict between Jewish settlers and their neighbours develop. The necessary peacekeeping force and, indeed, money to ease the issues of displacement and resettlement were not put in place—and, frankly, the rest is history.

7.47 pm

Lord Polak (Con): My Lords, I refer the House to my registered interests. It took me a while at primary school, the King David Primary School in Liverpool, to understand why the four houses it was divided into

were Hillel, David, Cromwell and Balfour. Hillel and David are well-known Jewish figures, Cromwell allowed the Jews back into this country, and Balfour. This shows the importance that the Jewish community attaches to Balfour. In fact, my niece has just named her new puppy Balfour.

I wish to pay particular tribute to Dr Jacques Gauthier, who has spent 20 years researching and writing on the subject of the Jewish claim to Jerusalem. In April this year he invited the noble Lord, Lord Turnberg, and me to a conference held in San Remo. It was at the San Remo conference of April 1920 where the principal powers—the US, the UK, Italy, France and Japan—gathered to make a decision about the sharing out of the Ottoman Empire. Previously, on 6 February 1919 at the Paris peace conference, the allied powers had received submissions from the Arabs, as well as from the Jews on 27 February of that year. The Arabs asked for independence for the old Arab territories under Ottoman rule while the Jews asked for recognition of the historical connection to the land and the right to reconstitute what they used to have. They urged the principal powers to set up a mandate in Palestine because they were not ready for statehood. The principal powers met again in April 1920 in San Remo to make the decision. They said yes to the Jews to establish a national home for the Jewish people in Palestine and later put that into the Treaty of Sèvres in August 1920. The transfer of title was made to the principal powers, which now gave the rights to the Jewish people, and the wording of the Balfour Declaration was incorporated into Article 2 of the Mandate for Palestine and became binding in international law by the League of Nations in 1922.

Last night I explained to the House that there are those who suggest that the second part of Balfour has not been fulfilled—the part of that resolution concerning, “the rights and political status enjoyed by Jews in any other country”.

Will the Minister confirm, in the words of the Prime Minister, that we will be marking the 100th anniversary with “pride”?

7.50 pm

Lord Kestenbaum (Lab): My Lords, standing as we do the day after another great anniversary, it is fitting to reflect on President Woodrow Wilson's words of 4 July 1920, when he famously said that the anniversary of an independence should be seen as a beginning, not a conclusion. So what might the centenary anniversary of this document be a beginning of? To what does it aspire? For Britain that day, 2 November 1917, recognised the strong historic Jewish links to a land while also setting out a vision for the kind of society that could be built there.

It was Churchill just three years later, when reflecting on the declaration on his first visit to Jerusalem, who said:

“It is manifestly right that the Jews... should have ... a national home”,
in a land,
“which for more than 3,000 years they have been intimately ... associated”.

[LORD KESTENBAUM]

Yet even Churchill could not have imagined that less than 25 years later two out of every three Jews in Europe had been murdered—6 million killings in total. It would be right to consider that without the opportunity the Balfour Declaration gave in the pre-war years to come to that national home, soon to be Israel, it would have been three out of three Jews murdered in those barbaric times.

History always casts a long shadow, anniversaries often a longer one. But what we take from anniversaries are the choices we make, so let us choose this centenary to rededicate ourselves to the aspiration of this document, which, like every democracy, remains a work in progress. Let us use the centenary to promote that positive vision for the future, finding a vocabulary that is sensitive to conflicting emotions and, above all, strengthening courageous moderate voices of both sides will work tirelessly to end the conflict.

We enter this centenary year inspired by two things. We are inspired by the pioneering spirit of those who wrote those 67 words into history and in doing so saved lives by the millions, and equally inspired by and committed to the task of building a lasting, just and secure peace for all the inhabitants of that blessed land.

7.52 pm

Lord Palmer of Childs Hill (LD): My Lords, I draw attention to my entry in the register of interests, including being president of the Liberal Democrats Friends of Israel. I speak as an Orthodox British Jew and a Liberal. I am proud that it was a Lloyd George Liberal-led coalition Government who produced the declaration. I will be celebrating the centenary and I am sad if any speakers undermine this significant event.

Various other noble Lords have mentioned that the declaration became binding at the San Remo conference and was ratified by all 51 countries of the League of Nations in 1922. However, as proof of the adage that Rome was not built in a day, it was not until 1948 that the State of Israel was created.

The final phrase of the declaration says that nothing shall be done to harm,

“the rights and political status”,

of Jews “in any other country”. Sadly, since 1948 more than 800,000 Jews were expelled from Arab lands in the Middle East and north Africa, the majority finding refuge in Israel. Non-Jewish citizens of Israel are guaranteed equal rights under law. They make up 20% of Israel’s population. They can vote and in the Knesset the Arab List is the third-largest party bloc. Israel is the only country in the region where it is safe to be an apostate, gay or indeed to be Christian.

There were large Jewish communities in Syria, now down to 18 people. In Iraq they are now down to 13 people. Egypt has gone from 80,000 down to just six people. In Jordan it is down to none. In Libya the last Jews left in 2003. In Lebanon almost if not all Jews have fled. Then there is Tunisia, Algeria, and Morocco.

There is still work to do to carve out a lasting peace in the Middle East, but we should none the less

celebrate our role in supporting self-determination for the Jewish people and the remarkable country Israel has become.

7.54 pm

Baroness Deech (CB): My Lords, the wording of the Balfour Declaration referred to the preservation of certain rights for non-Jews in Palestine and Jews in other countries. The Arabs who stayed in Israel are now 20% of the population, 17 members of the Knesset, judges, university professors and army officers, with equal rights. But 800,000 Jews were driven from Middle Eastern states in the aftermath of the creation of Israel, most of whom were resettled in Israel—unlike the deliberate abandonment of the Palestinian refugees, rejected by the countries in which they are resident and kept as supplicants and pawns by the UNRWA and other Arab nations. Before the establishment of Israel, there were hundreds of thousands of Jews in Morocco, Algeria, Egypt, Iraq and Libya. Where are they now? They are all gone, bar a handful—cleansed and expelled in defiance of the Balfour Declaration.

What do we regret and what do we celebrate? We regret that Israel was not established 10 years earlier, which would have largely prevented the Holocaust. We regret the 1939 White Paper, which all but halted Jewish immigration to Palestine when most needed. We regret that anti-Semitism continues to thrive, often in the guise of anti-Zionism—an extraordinary phenomenon when one considers that there is no anti-Turkeyism, anti-Chinaism or anti-Saudiism, to quote but a few egregious examples of repression of the population.

We celebrate self-determination for the Jewish people after thousands of years of dispersal and persecution. We celebrate the miraculous success of Israel; its world leadership in innovation; its 13 Nobel Prize winners; its development of everything from the Intel processor to the five-minute cell phone charger, from radiation-free X-rays to desalination of sea-water, from genetic counselling for the Bedouin to the epilator; its diversity and freedom of speech. It has liberated Jews and given them pride and shown what a persecuted people can do when given control over their own destiny in a tiny state.

7.56 pm

Lord Shinkwin (Con): My Lords, I too thank the noble Lord, Lord Turnberg, for giving us this important opportunity to celebrate the immense progress achieved since the Balfour Declaration was made. How wonderful it is that our brothers and sisters of the Jewish faith once again have their historic home in an Israel that is prosperous, democratic and strong.

In preparing for this debate, I reflected on how indebted I am personally to a fine Jewish gentleman without whose orthopaedic skill in rebuilding my broken bones as a child I simply would not be here. Little did I know then of his escape from the Nazis on the very last train to leave Prague before the borders were closed in June 1939.

In contemplating the Balfour Declaration we should contemplate the alternative: a world without Israel. Celebrating this declaration is for me part of ensuring that the genocidal, anti-Semitic suffering of the

20th century is never again visited upon our world—a world to whom the Jewish people have revealed, and continue to give, as we have just heard, so much. They deserve a home. They deserve peace and recognition of Israel's right to exist, to build on Balfour for many years to come.

7.59 pm

Lord Mendelsohn (Lab): My Lords, the characterisation of the Balfour Declaration as the unilateral action of the British Government of the day misses a crucial point in its genesis and significance. The Balfour Declaration should properly be seen as one of the steps in the development of an international consensus with the leading democracies and powers of the day converging in their support for the establishment of a Jewish state.

The declaration was preceded by many expressions of support. In May 1917 Pope Benedict XV affirmed the support of the Catholic Church. Jules Cambon, the secretary-general of the French Foreign Ministry, issued a letter on behalf of the French Government affirming their support for the establishment of a Jewish state. President Woodrow Wilson, who was first sent the text of the declaration in September 1917, approved it that October.

Even after the issuing of the declaration and prior to the San Remo conference and the formal establishment of the British mandate, explicit support from countries such as Japan, Siam and China had added to the existing public announcements of support.

I hope the Minister can confirm that the Government's welcome celebrations will therefore also contain suitable participation and support from other members and institutions of the international community who should be credited with the existence and success of the State of Israel.

There is of course unfinished business in the declaration and we all hope that we are near time to usher in a two-state solution. However, for peacemaking to work, the international community would do well to recognise the achievements of public diplomacy that led to the Balfour Declaration and be sensitive to the potential footprint of its actions, ensuring that they do not undermine the capacity of Israel and the Palestinians to achieve what they can and what we all hope, in the 100th anniversary of the Balfour Declaration, they will.

8.01 pm

Lord Taylor of Warwick (Non-Affl): My Lords, I, too, thank the noble Lord, Lord Turnberg, for securing this important debate. In June last year, I was privileged to be invited as a guest speaker at the Israeli embassy in London. I spoke about the special role that Israel has in the world, a true democracy in the Middle East. My wife, Lady Taylor, and I have had the pleasure of meeting the brilliant Mr Mark Regev, the Israeli ambassador to the United Kingdom, on that and a number of other occasions. We were also delighted when our daughters were chosen to sing the Israeli national anthem at the Tower of David, the Jerusalem Citadel.

There is only one race: the human race. The centenary of the Balfour Declaration on 2 November provides an excellent opportunity for the British Government to renew their support for Israel and the Middle East peace process.

The holy scriptures emphasise: "Blessed are the peacemakers". Surely trade is one of the most powerful pathways to peace. The UK is Israel's second-largest trading partner, with bilateral trade worth £5 billion per year. Brexit opens the door for the UK to build on and expand its trading partnership with Israel. What plans do the Government have to further the already prosperous trade relationship that the UK has with Israel?

There are other road maps to peace which the centenary could be used to promote; for example, to feature educational organisations which bring together Israelis and Palestinians in harmony rather than division. One such organisation is the Middle East Entrepreneurs of Tomorrow. Another is the Warwick Leadership Academy, which I founded to provide mentoring for young people from different nationalities and cultures. So far, we have invested in the futures of young leaders from 50 nationalities, including Israeli and Arab.

Some of the amazing Israeli inventions and discoveries which have benefited mankind should also be highlighted. I am privileged to be involved in an exciting development where Israeli innovation has established renewable energy and water technology projects in a number of African states. Let us not forget that there have been black African Jews from Ethiopia, including the Falasha, settled in Israel since 1934.

The path to Middle East peace may not be easy, but as John F Kennedy said:

"Let us never negotiate out of fear. But let us never fear to negotiate".

8.03 pm

Baroness Redfern (Con): My Lords, I congratulate the noble Lord, Lord Turnberg, on securing this important debate, and I refer to my entry in the register of interests. The centenary of the Balfour Declaration presents a unique opportunity to revive the Middle East peace process.

The UK and Israel continue to have a close working relationship, in particular to counter terrorism and extremism and to commit to what has alone been talked about, a two-state solution, enabling Israel to be free from terrorism and to see a viable Palestine.

As we know, Israel celebrates democracy, has a liberal and open society and protects the rights of all minorities, including LGBT citizens, and today is a multicultural, multi-ethnic democracy which Britain shares together with the support and protection of the democratic State of Israel.

On my first visit with CFI last year, I had the opportunity to visit the Save a Child's Heart medical facility, which provides life-saving surgery for children with cognitive heart defects. It is a tribute to its humanitarian help and worthy to note that 50% of around 4,000 children who have received the life-saving treatment are Palestinians from Gaza and the West Bank.

[BARONESS REDFERN]

In Tel Aviv, I saw high-tech and research centres' digital communications businesses expanding at a phenomenal rate and witnessed Israelis' ingenuity, in particular in how the country has tackled one of its greatest challenges, water shortages, with desalination plants purifying drinking water in as little as 30 minutes. However, visiting the Holocaust memorial in Jerusalem was very moving as I gazed at all those pictures of the millions who were murdered. It will be a day that I shall never forget.

What I found invaluable was to hear at first hand from both Israelis and Palestinians their hope for peace to bring both sides together. Leaders will have to be brave and go that extra mile, with no preconditions, to achieve that elusive peaceful settlement.

8.05 pm

Baroness Ramsay of Cartvale (Lab): My Lords, in its history, the Balfour Declaration has been, and is, almost as much attacked, dissected and denigrated as it has been revered and respected. In two minutes, it is difficult to do it justice, but some salient points can be made.

The letter that Foreign Minister Balfour wrote to Lord Rothschild to transmit to the Zionist Federation should be seen against the background of the first Zionist Congress in Switzerland in 1897, where it was stated:

"Zionism seeks to establish a home for the Jewish people in Palestine secured under public law".

So the Balfour Declaration in November 1917 was hailed as,

"the much-awaited opening: narrow, conditional, hedged, but an opening all the same",

and, for all its vagaries, it constituted a first step towards the Zionist aim.

Abba Eban once said that the Balfour Declaration stands alone,

"as the decisive diplomatic victory of the Jewish people in modern history".

After the San Remo conference in 1920, which noble Lords have already spoken about, the Balfour Declaration was ratified in the League of Nations, when the Mandate for Palestine was approved in July 1922. If we fast-forward to 1947, when Great Britain relinquished to the UN the power to make decisions relating to the status of the Mandate for Palestine and UNGA Resolution 181 was accepted by the Jewish Agency and rejected by the Arab League, followed by the Declaration of the Establishment of the State of Israel by Ben-Gurion in May 1948, we have a direct line from the Balfour Declaration to the State of Israel.

Britain can rightly be very proud of the Balfour Declaration, which well deserves a happy and dignified celebration of its 100th anniversary, which I hope Her Majesty's Government will fully participate in and encourage.

8.07 pm

Baroness Hussein-Ece (LD): My own heritage, being Turkish, Cypriot and Middle Eastern, has shaped my views rather differently from those of the majority of

speakers here today. The Balfour Declaration has shaped the Palestinian experience and the wider Arab world. It has contributed to the disregard for the rights of the Palestinian people and is a document whose legacy continues to have devastating consequences for the Palestinians, Arab Muslims and Christians—who are infrequently referred to—5 million of whom are living displaced, mostly in poverty, around the Middle East. It is unfinished business.

The disregard continues today, with what has become an increasing charade of the "peace process", which allows Israel to continue its expropriation of Palestinian land and expansion of illegal settlements, while stating its pursuit of "peace". We all know that there is no current prospect of a peace plan or possibility of a two-state solution on the horizon—let us be honest about this.

The injustices are legion: more than 300 structures in the occupied West Bank were demolished by the Israeli authorities in 2016 alone, many part-funded by the EU or international NGOs. These are serious matters.

Britain has a unique historical connection and a moral responsibility to the people of both Israel and Palestine, and it needs to show leadership in how to resolve this matter. In yesterday's debate on the report of the International Relations Select Committee, *The Middle East: Time for New Realism*, many noble Lords spoke about this as the time to get real, and said that there is no possibility at present of the two-state solution. The UK needs to come to terms with the reality, especially in the way it presents itself to the Muslim and Arab world. Not to do so is not in Britain's interest; it is no longer a colonial power.

We should mark the anniversary of the Balfour Declaration, but there is no cause for celebration in my view and that of millions around the world, particularly in the Middle East. I ask the Minister whether she agrees with the respected journalist, Robert Fisk, who wrote:

"The British have grown used to apologising—for the British empire, for the slave trade, for the Irish famine. So why not for Balfour?"

8.09 pm

Lord Sacks (CB): My Lords, the Balfour Declaration in 1917 was a significant moment in history for three reasons. First, it was a momentous reversal of imperialism. It gave back to the Jewish people the home that had been seized by empire after empire: Assyrians, Babylonians, Persians, Greeks and Romans, and the Christian and Muslim empires that fought one another for centuries for control of the Jewish land.

Secondly, what eventually became the State of Israel was the only non-artificial creation among a host of artificial states, among them Jordan, Lebanon, Syria, Iraq and Libya, which had never been states before and thus still exist in a condition of ethnic, religious and tribal strife. Only Israel had previously existed as a nation state, which it had done 3,000 and 2,000 years ago.

Thirdly, it was a brave, if failed, attempt to prevent what later became clear at the Evian conference in 1938, when the Jewish people, facing what Hitler called Vernichtung—extermination—had not one square

inch they could call “home” in the sense defined by the poet Robert Frost as the place where, when you have to go there, they have to let you in. No people should lack a home: not Palestinians and not Jews. That is why it is tragic that a century after the Balfour Declaration, significant groups still seek to deny the Jewish people a home, among them Iran, and Hezbollah and Hamas—two groups that the leader of Her Majesty’s Opposition has in the past called “friends”. Friends of violence and terror, yes. Friends of humanity, no.

It is shameful that the Jewish people still have to fight for the right to exist in the land that for 33 centuries they have called home. Yet, constantly threatened though they are by missiles, terror and de-legitimation, they have achieved so much in science, medicine, technology and humanitarian aid that I urge Her Majesty’s Government to acknowledge the State of Israel as testimony to the power of hope to triumph over hate.

8.12 pm

Lord Clarke of Hampstead (Lab): My Lords, I add my thanks to my noble friend Lord Turnberg for obtaining this debate. When the Minister replies, I hope that we shall hear what the Government’s plans are to celebrate this. It is a cause for celebration, and not to be pessimistic and abandon any hope of a two-state solution.

Within the Balfour Declaration, the dreams and aspirations of so many people, Jewish and non-Jewish alike, had a chance to become real. The hopes of so many, and the endeavours of statesmen and nations, became a real possibility when the declaration was announced on that day a hundred years ago.

The few minutes that we have to speak prevent me and others from paying a full tribute to the nation state that came to fruition following the declaration. One hundred years—a century dogged by the activities of its enemies. Yet against all odds Israel and its people have achieved so much. A brief glance at the achievements and the contribution to the international world made by Israel since its creation show a nation striving and succeeding as it progressed through the past 60 years. It is a nation that played its part through the United Nations, from its pioneering work in the fields of science, technology and medicine, to the international aid it gives and humanitarian relief given so often following tragedies and disasters.

I urge the Government to celebrate this historic anniversary with a reaffirmation of their support for Israel and to find ways to show just how much its achievements are welcomed by decent, fair-minded people throughout the world.

8.13 pm

Lord Beith (LD): My Lords, I declare an interest as a former chairman of Liberal Democrat Friends of Israel. It is absolutely right to celebrate the Balfour Declaration. As a Liberal, I am proud of the part that members of my party played in it, notably David Lloyd George and Herbert Samuel. Does that mean I am an unequivocal supporters of all the policies of all the Governments of Israel? Of course not: I am as critical as many Israelis, particularly of the settlement

policy in the West Bank. However, I honour the fantastic achievements of Israel in so many fields of human endeavour.

The Balfour Declaration must be understood in its context, a time when national boundaries were being ripped up and redrawn. Whole nations and ethnic groups were on the move, fleeing war and persecution. National boundaries scarcely existed in the region, and British and French officials were drawing new lines on maps, installing dynasties from among Arab tribes, and pursuing their rival, strategic interests. Persecution of Jews was a reality, especially in Russia, but what no one realised then was that while the Jewish homeland in Palestine was still in its early days, there would arise not just a threat but the terrible reality of the Holocaust. The slaughter of millions made so many more Jews than before believe that there had to be somewhere in the world where Jews would always be welcome and safe.

Israel respects the human rights of its citizens, Jewish and non-Jewish. However, the occupation of Gaza and the West Bank, by its very nature, denies human rights. That occupation is in turn a direct consequence of the attempts to destroy the State of Israel, from the 1948 war to more recent rockets and bombs aimed at the civilian population. Balfour will not be fully implemented until there is a negotiated solution. I believe that will have to be a two-state solution. That will take a lot of vision and some political risks on both sides. There is not sufficient evidence at the moment that leadership on either side is available and ready to make those kinds of visionary moves and take those political risks.

8.15 pm

Lord Bew (CB): My Lords, I first declare my interest as chairman of the Anglo-Israel Association. In Isaiah Berlin’s diaries, there is an interesting letter from Alistair Cooke, the famous journalist and author of “Letters from America”, on the subject of the Balfour Declaration. Cooke says to him, “You know, Balfour really wasn’t a very nice man. He had many illiberal views, particularly with respect to Ireland”. Berlin is for a moment troubled by this and replies somewhat nervously, “Yes, he wasn’t a particularly liberal man. Nor was my great hero, Churchill, who I dined with once and was shocked by some of his conversation. Churchill is still my hero”. Berlin says, “Like the leaders of the British Labour movement in 1917, I still support the Balfour Declaration and the idea that the Jewish people should have a home”.

I will pick up that theme about Ireland, just for one second. Both Churchill, whose work in 1922 supported the principles of the Balfour Declaration, and Balfour himself were educated in the decades of turmoil of Irish politics in this Parliament. They learned that when you have two nations and two religious identities in politics, you are—in the phrase of the great commentator of this period, WF Money Penny—dealing with a clash of two great rights. That was not a clash between right and wrong, and nor is the clash between Jew and Arab. You can see Balfour struggling with this in the declaration, and Churchill struggling with it later, and not in a satisfactory way. Many people

[LORD BEW]

would say that what they did with respect to Ireland was not satisfactory, either.

However, there is one test here: the actual consequences. The consequence of the Balfour Declaration was the survival of hundreds of thousands of Jews who would otherwise have died in Europe. That is a crucial point and the absolute reason why we must celebrate the Balfour Declaration at this moment. It does not mean that the State of Israel's policies are perfect. In many respects they are highly imperfect. Many Israelis make this same point. We should respond to the situation by celebrating the Balfour Declaration but work even harder for the two-state solution. I accept that that is not imminent but it is the only solution.

8.18 pm

Baroness Altmann (Con): I, too, congratulate the noble Lord, Lord Turnberg, on securing this debate. Of course the Palestinian people deserve the right to live in peace and prosperity. A peaceful coexistence with Israel, neighbours living together, without ongoing war or bloodshed, is still the dream. My fervent wish is that this centenary of the Balfour Declaration could somehow be the beginning of new moves towards peace in Israel and the Palestinian territories.

Israel has shown its good faith and proved it wants peace. It returned huge swathes of land to Egypt in 1979. It has made peace with Jordan. In 2005, Israel unilaterally withdrew from Gaza. It has dismantled settlements. It offered peace to the Palestinians several times since 2000, but sadly has had no reliable partner with which to negotiate peace. The Palestinians keep trying to make war with Israel, not peace. If one side refuses to talk peace and does not even acknowledge the right of the other party to exist, how is a two-state solution to be achieved?

Israel shares our western values of freedom, justice and tolerance of difference. It protects and respects the rights of its non-Jewish communities. Where else in the Middle East is there a country which promotes and protects the rights of women, the LGBT community and all religions? I welcome the strong ties in trade and security between the UK and Israel. Technology, medical science and even our health service benefit from these. One in six of our generic prescription drugs comes from Israel and the NHS would face shortages without them. Israeli aid helps with disasters and development around the globe.

Of course there must be a homeland for the Jewish people and a state for the Palestinian people—when they are ready. Meanwhile, let us commemorate the Balfour Declaration centenary with pride and prayers for peace.

8.20 pm

Lord Haskel (Lab): My Lords, it is a pleasure to follow the noble Baroness, Lady Altmann, for the second time today—and, for the second time, to agree with everything she said.

With the declaration, Britain was the first state to support Jewish aspirations. This caused many Jewish people to look up to Britain—people such as my parents. Indeed, that is why I am here. I think Britain

can be pleased with the declaration because, as many noble Lords have said, Israel has many of our values: the rule of law, equal rights and all the freedoms. We have also passed on our spirit of humanitarian generosity towards people in difficulty or who are less well off—typical Jewish values. We can take pride in Israel's accomplishments, which others have listed. We have benefited from these accomplishments and achievements by creating a valuable partner in trade and security.

Yes, Israel does not get on with the neighbours. This has been well chronicled in my noble friend's recent book, on which I congratulate him. I also agree with his conclusion. In spite of intifada being the response to the generous offer made in Oslo, the resolution still lies in having two states. The pressure of resolving this gives rise to behaviour of which not all of us may approve. But let us take pride in the good as well as disapproving of the bad. We have every reason to celebrate this significant birthday.

8.22 pm

Baroness Tonge (Non-Aff): My Lords, in thanking the noble Lord, Lord Turnberg, for securing this debate, I say to the Minister that to have a debate in which we are allowed only two minutes to express our thoughts about a declaration made by our Government 100 years ago, which led to 50 years of suffering, brutal occupation and the illegal confiscation of Palestinian land, is an insult to Palestinian people all over the world. It is also a disgrace that, according to an Israeli lawyer I met yesterday, our Government now put trade before anything else—before human rights, international law or justice. Is this the new philosophy?

We need our Government to take some action against the Israeli Government before the two-state solution is dead. But if they refuse to take any action—they are very rich on words but there is never any action—we the people must continue the boycott of Israel's goods and services, and we will do so, just as we did with South Africa to end apartheid.

But more needs to be done. I must express some anger towards the Palestinian leaders. The leaders of the Palestinian Authority act as the Government of Israel's puppets, and we should withdraw aid from the Palestinian Authority until new elections are held throughout the West Bank and Gaza, with a guarantee from us that we will recognise the result of a democratic election process—whoever wins—which is what we did not do last time.

8.24 pm

Lord Grade of Yarmouth (Con): My Lords, Zionism is the right of the Jewish people to self-determination and is right at the heart of the Balfour Declaration. However, sadly, in some quarters the term has become a proxy for anti-Semitism. I am not one of those who immediately brand any critic of Israel an anti-Semite—far from it. However, some critics of Israel leave themselves open to such accusations when they single out Israel for criticism but refuse to contextualise.

Suicide bombings, knifings and missiles are daily occurrences for the citizens of Israel, who live in a constant state of siege. Surely, such acts against innocent

civilians require some criticism from those who are continually on Israel's case. But no, there are those critics of Israel who by their silence on the terror inflicted by Hezbollah and its ilk condone it. When Israel acts in self-defence, the narrative is distorted to fit their narrative of Zionist aggression.

On 16 June two Palestinians, unprovoked, attacked Israeli police officers in Jerusalem with guns and knives, while a third stabbed to death Border Police Staff Sergeant Hadas Malka, aged 23. The BBC's headline on its news website was: "Three Palestinians killed after deadly stabbing in Jerusalem". The BBC eventually changed its headline to: "Israeli policewoman stabbed to death in Jerusalem". The BBC accepted its mistake and subsequently changed it. Of course, I am not accusing BBC journalists of anti-Semitism but this example demonstrates the drip-drip effect of unqualified, uncontextualised singling out of Israel for criticism. If the BBC can get this wrong, it is little wonder that Israel finds it so hard to put aside the idea that some critics are motivated by something more sinister than political commentary.

Meanwhile, 100 years on, as we are hearing, there is much to celebrate in Balfour's visionary declaration. If I may end on a plug, I recommend to everyone the excellent book of the noble Lord, Lord Turnberg.

8.26 pm

Lord Judd (Lab): My Lords, I believe that, following the Balfour Declaration, we in Britain have very special and heavy responsibilities for ensuring the well-being and security of the people of Israel. That means talking honestly to the people of Israel and explaining that the world is not always as they might like it to be.

What are we celebrating? The Balfour Declaration said quite clearly that,

"nothing shall be done which may prejudice the civil and religious rights of existing non-Jewish communities in Palestine".

Are we celebrating that? I hope so. But it is here that the problems arise, because what about the settlements? What about, in the name of security, the regular transfer of Palestinians out of Palestine into Israel, in contravention of the Geneva Convention? What about the military courts, particularly their treatment of children, and indeed the security forces' treatment of children? Geneva Convention issues come up again in that context. What about the harassment of courageous and highly committed people in non-governmental organisations fighting for human rights?

If we are to look to the security of the people of Israel—and I take second place to nobody in wanting to do that—I can think of nothing more urgent to be considering, alongside our other concerns tonight, than speedy and effective action to establish a state of Palestine for the Palestinian people. This would contribute like nothing else to their self-confidence, their well-being and their ability to play a role in the Middle East—which is so essential—as partners.

8.29 pm

Lord Roberts of Llandudno (LD): My Lords, one reason that I support Israel on most accounts is because it is a democratic country. If you try to change regimes

in other Middle East countries, you have great difficulty. You have bloodshed, but in Israel, you have a democratic system. It is a PR system that goes to extremes but at least you can change the Government. If we do not agree at present with the Netanyahu Government's programmes, and many people of Israel do not, we know that there will be an opportunity when they can vote against them and change the Government. For the sake of a democratic system, we should give all our support to this country at present.

When I was in Israel some years ago, I went to the Mount Herzl museum. Walking through I saw, in a frame, a photograph of David Lloyd George. His eyes were twinkling. I thought, "Gosh, that's my man". In 1903 he wrote, on paper headed "Lloyd George, Roberts and Co"—I am not that Roberts—a proposal that East Africa provide a home for the Jewish people. That was not to be because the dream was "tomorrow in Jerusalem". They say that when Welsh people are out of their own country they are far more patriotic than they are when they are at home. I sometimes go to festivals in the United States and Canada. The people are far more patriotic as Welsh people than I am. They want to go home. Israel is where the Jewish people wanted to be. It was their land for hundreds of years. We know that there are examples of ill treatment of other peoples—Palestinians—that we would not accept, but we must be more vigorous in trying to achieve that two-state or even three-state solution. I sometimes look at Gaza as a separate country from the West Bank. We need a more vigorous humanitarian approach to achieving this. I support the Balfour Declaration. I am glad it is there. As has already been said, I am sure that millions of those who saw it as a gateway to safety and refuge were happy with it.

8.32 pm

Lord McInnes of Kilwinning (Con): My Lords, it is important that we as Britons feel immense pride in the Balfour Declaration and its consequences. I think so for two reasons. I am an optimist, so I will try to get them out in two minutes.

First, we as a country were able to offer the Jewish nation a country and we were the first to do so. I think that makes up why we should celebrate this important declaration. We as the British Empire failed the Jewish people in the 1930s and 1940s and then most egregiously, probably, in the way that we treated those refugees who had survived the Holocaust by refusing them permission to come to the mandated territories. It was the Balfour Declaration that gave hope to many Jewish people throughout eastern Europe who faced pogroms and oppression and for whom there was no viable option other than emigration, and emigration to the Jewish homeland was surely the best hope for those individuals.

My second point is a more contemporary one. Without the Balfour Declaration the pluralism which defined the Middle East for 2,000 years would have been lost. What would have become of the Jews who lived in the Arab lands and who were already facing riots and pogroms in Baghdad and Tehran in the 1930s and 1940s? Those people could not sustainably

[LORD MCINNES OF KILWINNING]

remain in the Middle East beyond that period, which was before the State of Israel was created.

As we have heard already, there is pluralism in religion and sexuality and democracy in Israel that does not exist in a viable form anywhere else in the Middle East. For that, we should take immense pride in the Balfour Declaration.

8.34 pm

Lord Beecham (Lab): My Lords, I declare my interests as vice-chairman of the New Israel Fund UK and as a member of the UK task force on issues concerning Israeli Arabs.

We have had an interesting debate tonight. I think few of us would do other than reject the policies of the current Israeli Government in terms of settlements and their failure to move sufficiently to promote the two-state solution. There is a bit of a paradox about two states: there are, in effect, two Palestinian states, one on the West Bank and the other separately in Gaza. Gaza is ruled by a vicious regime which tolerates no political dissent and persecutes its political opponents and people of whose sexual orientation it does not approve.

We have heard something about conditions in the State of Israel. When a former President of Israel was put on trial, the trial judge was an Israeli Arab. Is it conceivable that in any Arab state now a comparable judge would sit in any kind of court, let alone a court trying the former President of the country?

We also have the tragic situation in Syria, which I do not recall has yet engendered a debate in your Lordships' House. Millions of people have been rendered homeless, many more than the very sad 700,000 who fled from or were driven from Israel in 1948. Incidentally, Israel has provided medical treatment for, I think, 2,000 Syrians who are casualties of the present disastrous situation in that country.

There is no clear path to a two-state solution, and I hope the Israeli Government recognise that their policies on settlements need to be changed. Having said that, I very much look forward to reading my noble friend's book, which will be launched formally a week on Monday and which will give us more information about the development of the Balfour Declaration and the consequences of it.

8.37 pm

Baroness Northover (LD): I too thank the noble Lord, Lord Turnberg, for securing this debate and for his very measured introduction of it, and also for his work through the Daniel Turnberg Memorial Fund to bring together medical scientists across the divide in the region and the UK.

This has been a keenly felt debate. The Balfour Declaration favoured,

“the establishment in Palestine of a national home for the Jewish people”.

A number of noble Lords have clearly marked out Israel's achievements; others have referred to the terrible history which drove forward the creation of Israel. But the Balfour Declaration also stated that it should be,

“clearly understood that nothing shall be done which may prejudice the civil and religious rights of existing non-Jewish communities in Palestine”.

This part of that proclamation remains unresolved. UK Governments and others have long said that they seek a two-state solution, but as the recent House of Lords Select Committee on International Relations noted,

“the Israeli-Palestinian dispute is on the verge of moving into a phase where the two-state solution becomes an impossibility and is considered no longer viable by either side”.

My noble friend Lord Alderdice, with all his experience of Northern Ireland and other conflicts, argued yesterday for a new realism: that the time had already passed for such a two-state solution, with all that this implies. Does the Minister agree? If she does not, how does she think a two-state solution can come about? Is she aware of how long Ministers in her position have been arguing for this? She condemns, for example, as others have here, the expansion of illegal settlements, but they continue apace. How does she think that the second part of the Balfour Declaration can be brought about, so that the rights of both Jewish and non-Jewish communities are on a truly equal footing?

A centenary after the Balfour Declaration, its principles remain to be fully delivered. In a tinderbox region, that has to be a threat to those in Israel, in the Palestinian territories, in the region and far wider.

8.40 pm

Lord Collins of Highbury (Lab): My Lords, although I have profound differences with aspects of the current Israeli Government's policies, I am proud to be a supporter of the right of the Jewish people to self-determination in the State of Israel—a right supported by the United Nations in 1947. I am proud of the record of my party in support of Balfour. I also support a two-state solution, which means a viable Palestinian state and opposition to settlement expansion by Israel.

My noble friend Lord Turnberg said yesterday that our wish for a two-state solution is, according to recent opinion polls, also the strong and heartfelt desire of the majority of both the Israeli and the Palestinian population. One way to commemorate the Balfour Declaration would be for the UK Government to promote and support intercommunity relationships in Israel and the Occupied Territories. There are many examples, such as the Middle East Entrepreneurs of Tomorrow, a three-year programme for Israeli and Palestinian youth run out of the Peres Center for Peace, which funds several projects. There are many more: the noble Baroness, Lady Northover, mentioned my noble friend's charity, the Daniel Turnberg Middle East Travel Fellowship Scheme, which in the last eight years has supported 200 young medical researchers from both Israel and Palestine to spend a few weeks in a research institute in the UK. Highlighting and backing such grass-roots initiatives is the way to bring the confidence needed on both sides to secure a lasting peace and in my opinion—I hope the Minister will agree—the most appropriate way to commemorate the Balfour Declaration.

8.42 pm

Baroness Goldie (Con): My Lords, first, I thank the noble Lord, Lord Turnberg, for tabling this evening's debate. The speaking list demonstrates the extent of interest taken by this House in this issue. I understand the frustration articulated by the noble Baroness on the Liberal Democrat Benches, but I can assure her it is a frustration that the Whips' Office is listening to. I beg your pardon: it was the noble Baroness, Lady Tonge—there is an array of Ladies over there in summer outfits, all very bewildering. It was an important point to make, and I just take the opportunity to reassure the noble Baroness that the administrators of business in the House are not deaf or blind to this, and some thought will be given to the matter.

The quality of the debate this evening has not only indicated the extent of interest but revealed some very positive and very constructive contributions. I welcome the contributions of all noble Lords to the debate this evening. I hope your Lordships will understand if I do not endeavour to address every contribution, but I will try to cover some of the principal themes which emerged.

The first thing I want to do is set the scene—the backdrop to the debate. The United Kingdom is a close friend of Israel. Our excellent bilateral relationship is built on decades of co-operation across a range of fields, from education and hi-tech research to business, arts and culture. At the same time, we are a long-standing partner of the Palestinian Authority, committed to supporting the rights of Palestinians and helping them to build a state. I am anxious to emphasise that the UK Government are trying to be even-handed. Sometimes we may condemn one side, and likewise be condemned the other. All I am saying is that, if we see something that we think is wrong, we feel we must express our disquiet about that, and that is the right thing to do. Still, we are trying to be even-handed in our approach.

I reassure my noble friend Lord Polak that Her Majesty's Government intend to mark the centenary of the Balfour Declaration with pride. The Prime Minister has extended an invitation to Prime Minister Netanyahu to come to the UK as a guest of the Government in November, although the programme for his visit has not yet been finalised.

While the UK is proud of its role in the creation of Israel, we recognise that the Balfour Declaration should have called for the protection of the political rights of non-Jewish communities in Palestine, particularly their right to self-determination. I suggest to one or two contributors who clearly had reservations about the declaration that that recognition by the UK Government is important. The Government are conscious of the sensitivities surrounding the declaration and the events that have taken place in the region since 1917, so eloquently described by many contributors.

I was encouraged that many contributors found much that was positive in the Balfour Declaration while acknowledging—I think it was the noble Baroness, Lady Ramsay, who used this phrase—the vagaries. I am trying to explain that it was not always perfect but on the whole it was a very good start, and it has led to something positive, albeit that attendant troubles have accompanied that in a turbulent passage. I think what

unites this Chamber is the conjoined desire that we try to find a route to peace in that region.

Looking to the future, our focus now is on encouraging the Israelis and Palestinians to take steps that bring them closer to peace. I thought the noble Lord, Lord Kestenbaum, articulated that optimism well, as did my noble friend Lord Maginnis. The best way to achieve that peace is through a two-state solution. Noble Lords will be aware that the UK Government are a leading donor to the Palestinian Authority. Our support helps to maintain stability, provide vital services and build and strengthen the institutions needed for a viable two-state solution.

With reference to the Middle East peace process, I was encouraged. Peace was a frequently reiterated theme of the debate, and I thought that was positive and helpful. We continue to support a negotiated settlement based on 1967 borders with agreed land swaps, with Jerusalem as the shared capital and with a just, fair and agreed settlement for refugees. That would mean a safe and secure Israel living alongside a viable and sovereign Palestinian state. I think that is a worthy and positive aspiration. The Government understand and indeed share your Lordships' deep frustration at the lack of progress towards such a settlement; the noble Lord, Lord Warner, reflected that frustration.

It is precisely because the conflict between Israel and Palestine is one of the central issues in the Middle East that the UK is strongly supportive of a regional approach to peace. We want to help but we are not in a position of barging in and interfering. The changing regional context, the Arab peace initiative and converging Arab and Israeli interests present an opening, a window, to develop Arab-Israeli relations and create the conditions for serious Israeli-Palestinian talks to resume. The noble Lord, Lord Turnberg, identified that opportunity. I do not share the pessimism of the noble Baroness, Lady Northover, but I will come to that in a moment. The UK Government recognise that new impetus is needed, and we welcome President Trump's interest in working for a peace deal that meets the requirements of both parties.

This June marked the 50th anniversary of the occupation. It is high time we saw a just and lasting peace agreement that ends the occupation and delivers peace for both Israelis and Palestinians. To reach that goal, both parties must take steps to build an environment conducive to fresh negotiations. They must also avoid actions that potentially obstruct the process by undermining the viability of peace. One such action is building settlements, which continues seriously to undermine the prospect of two states for two peoples. So far in 2017, the Israeli Government have advanced plans for over 8,000 settlement units, including a new settlement deep within the West Bank, the first for over 25 years. This represents a significant increase on the 4,200 new units announced in the whole of 2016.

We have repeatedly condemned settlement announcements as contrary to international law, but we also recognise that settlements are not the only barrier to peace. The July 2016 quartet report shows that the terrorist attacks and anti-Semitic incitement suffered by the people of Israel also gravely undermine

[BARONESS GOLDIE]

the prospect of a two-state solution. It is critical that the Palestinian leadership implements the recommendations of the quartet report. It must continue its efforts to tackle terror and incitement, strengthen institutions and develop a sustainable economy.

In the time available, I shall try to deal with some of the specific issues which arose. The noble Baroness, Lady Sheehan, and others raised humanitarian issues, not least the situation in Gaza. That is deeply worrying and there is an urgent need to address that situation. We know that about 33,000 people remain displaced from the 2014 crisis and, ultimately, Hamas's ongoing decision to embrace violence and reject the quartet principles lies at the heart of the Gazan tragedy. We need a durable agreement that addresses the underlying causes of the conflict and transforms that situation. The United Kingdom will continue to urge parties to prioritise progress towards reaching a durable situation for Gaza and to take the necessary practical steps to ensure Gaza's reconstruction and economic recovery.

Other noble Lords raised a variety of issues. The noble Baroness, Lady Hussein-Ece, while expressing her reservations about Balfour, raised the important issue of demolitions. I make clear that the Foreign Secretary expressed our concern about demolitions to Prime Minister Netanyahu in his visit to Israel on 8 March. We have equally expressed our concerns about the continued demolition of Palestinian property by Israeli authorities, including proposals to demolish the Bedouin village of Khan al-Ahmar.

Several contributors referred to the importance of Israel as a functioning democracy. The noble Baroness, Lady Deech, rightly condemned anti-Semitism—as we all do in this Chamber; we should be ceaseless in our condemnation of that conduct. It was rightly pointed out that Israel is an innovative, inventive state. My noble friend Lord Shinkwin movingly explained how he is indebted to the medical skills of his consultant.

There are many reasons to realise that Israel has a very important part to play as a functioning democracy; that has a powerful influence in the area. It was helpful to hear the contributions alluding to the advantages that that democratic process can offer.

The noble Lord, Lord Collins, made an important point—it struck a chord with me—about joint community projects, getting right down to grass-roots level. They are happening, they are a very encouraging development, they are to be applauded and I very much hope that we will see a great deal more of them. When people from different communities find themselves working together, bonded by a common interest and endeavour, there is great hope for what can be created out of that co-operation.

In conclusion, the United Kingdom is proud of its role in the creation of Israel, and we will therefore mark the centenary of the Balfour Declaration with pride. However, we also recognise the impact that the declaration has had on the Palestinian people—in particular, the omission of a reference to the protection of the political rights of non-Jewish communities in Palestine. We remain committed to encouraging both sides to revitalise the peace process. International action has an important role to play. Ultimately, however, an agreement can be achieved only by direct negotiation between the parties. Only the Israelis and Palestinians can bring about the lasting peace that their people seek and that is long overdue.

It was a privilege to listen to this debate; I thought that the contributions were powerful, eloquent, informed and helpful. It was very important that we in our own way reflected the democracy that this Chamber affords by allowing this very important issue to be debated and discussed—albeit, I appreciate, contributions may have been of a brevity that was slightly unwelcome to the contributors. I thank your Lordships for the contributions.

House adjourned at 8.55 pm.