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PARLIAMENTARY DEBATES
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OFFICIAL REPORT

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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 6 September 2017

3 pm

Prayers—read by the Lord Bishop of Southwark.

Oaths and Affirmations

3.05 pm

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

Electoral Spending Limits: Wales

Question

3.06 pm

Asked by *Baroness Humphreys*

To ask Her Majesty's Government whether they will encourage the Electoral Commission to review electoral spending limits in Wales.

Baroness Humphreys (LD): My Lords, I beg leave to ask the Question standing in my name on the Order Paper. In doing so, I declare an interest as chair of a constituency party in Wales.

Lord Young of Cookham (Con): My Lords, it is for the Electoral Commission, as an independent body, to decide whether to review spending limits for candidates, political parties and third-party campaigners at elections in Wales. Spending limits can be amended only in secondary legislation, in line with inflation or on the recommendation of the Electoral Commission. The type of expenses that count towards a spending limit are set out in primary legislation but could be amended in secondary legislation.

Baroness Humphreys: I thank the noble Lord. In many constituencies in Wales, all political parties communicate with their electorate using bilingual literature, reflecting respect for both languages of Wales and allowing voters to access information in the language of their choice. The cost of the larger paper size required together with translation costs, although happily borne by local parties, sees some constituencies sailing perilously close to the spending limits. Will the Minister encourage the commission to introduce an allowance to reflect these extra costs?

Lord Young of Cookham: I am grateful to the noble Baroness for her question. She may know that the Electoral Commission has recommended exactly what she has just proposed; namely, that the costs associated with translating from Welsh into English or vice versa should be exempted from the limits on candidates and political parties. As from next year, under the Wales Act, responsibility for taking this forward for elections to the Welsh Assembly and local elections in Wales will rest with the Welsh Assembly, which will be able to

do exactly what the noble Baroness has outlined. Parliamentary elections in Wales are a reserved matter but, as I say, the Government are broadly sympathetic to these recommendations. The next scheduled parliamentary election is not until 2022—

Noble Lords: Oh!

Lord Young of Cookham: We hope that between now and then there will be a suitable legislative vehicle to take this reform forward.

Lord Kennedy of Southwark (Lab): My Lords, there is a desperate need for the law in its entirety around elections to be reviewed, reformed and consolidated. With the advances in technology, among other things, the law has not kept pace with change. Does the noble Lord agree with that point and, if so, will he impress on others in government that, despite other pressures, this really is something for which the Government should find parliamentary time?

Lord Young of Cookham: There is indeed a broad view that our election law is fragmented, at times unclear and, as the noble Lord said, does not always reflect modern changes in communication. We are working with the Law Commission and other interested bodies, such as the Electoral Commission, to see whether we can streamline and clarify our electoral system, but we need to find the legislative time to take these reforms forward.

Lord Wigley (PC): My Lords, I thank the Minister for his helpful reply. He will recognise that on this timetable, elections to the National Assembly for Wales are likely to take place ahead of the Westminster elections. Does he accept that common sense dictates that there should be some form of common approach to these costs, otherwise those organising elections in constituencies could easily get confused between one set of rules for a National Assembly election and another set of rules for Westminster? Can he ensure that co-ordination takes place?

Lord Young of Cookham: My Lords, I am grateful to the noble Lord for his question, not least because it was in English rather than in Welsh. The proposals would exempt the costs of translation from a candidate's limits and I see no reason at all why the approach taken by the Welsh Assembly, if it goes down that road, and the approach taken by the UK Parliament, if it does so as well, should not be aligned so that there is no confusion among the candidates over what the rules are.

Lord Forsyth of Drumlean (Con): My Lords, given the enormous costs of the Electoral Commission, would my noble friend encourage it to review its own spending limits and levels? The last time I looked, the cost of the Electoral Commission was as much as half that of the entire cost of the Royal Family.

Noble Lords: Oh!

Lord Young of Cookham: I am not quite sure where my noble friend is taking me with that question. The cost of the Electoral Commission is roughly £30 million a year. Like all public bodies at a time of downward pressure on public expenditure, it should seek economies in the way it runs its operations, but it has an important role to play in monitoring the health of our democracy and, where necessary, in enforcing the law on elections.

Lord Bilimoria (CB): My Lords, in India, with 800 million voters in elections, the electoral commission is all-powerful during elections. It runs elections over a period of three weeks, using electronic voting in a very rigorous manner. Why can we not catch up with that over here? Secondly, as a businessman, if I advertise my brand and I make a statement that is not true, the Advertising Standards Authority asks me to pull it down straightaway. The Electoral Commission is toothless and does not seem to have any power over misstatements in elections, such as £350 million on the side of a bus. Will the Minister tell us why?

Lord Young of Cookham: On the first point, I think my party is committed to continuing to allow people to vote by pencil on a ballot paper. If one were to introduce electronic voting at the same time, there would of course be the extra costs of running two systems in parallel. At the moment, we are not committed to doing that. We are interested in pilot schemes, however, for example on voter identification. On the second point, I am not sure that the Advertising Standards Authority or, indeed, the Electoral Commission would like to get drawn into the heat of party-political battles during a general election.

Lord Roberts of Llandudno (LD): My Lords, I thank the Minister for his very encouraging response. It will encourage support for the Welsh language at general election times and others. If we can have this, it will show that we accept that bilingualism is not an easy thing and that it costs, but that the Government are totally behind the Welsh language and its continuance.

Lord Young of Cookham: The Welsh Language Act 1993 was passed by a Conservative Government. We remain committed to it and it ensures that in Wales the Welsh language and the English language have equal status.

Lord Tyler (LD): My Lords, the noble Lord referred to the report of the Law Commission. When does he expect the Government to respond to the commission's recommendations? Is it soon, shortly or in due course?

Lord Young of Cookham: It is more likely to be "in due course" than the other options but it is not quite as simple as that. We have not only the recommendations of the Law Commission but my noble friend Lord Hodgson's report on third-party campaigning and the report of Sir Eric Pickles on electoral fraud. It makes sense to look at them in the round along with the sensible recommendations from the Law Commission. It is not quite as straightforward as the noble Lord might have implied.

Financial Services: Regulation Question

3.14 pm

Asked by **Lord Leigh of Hurley**

To ask Her Majesty's Government whether it is their policy to reduce unnecessary regulation of financial services; and if so, whether they intend to review current Financial Conduct Authority practices to ascertain whether that regulator is going beyond what is appropriate and necessary to fulfil that policy.

Lord Leigh of Hurley (Con): I beg leave to ask the Question standing in my name on the Order Paper and draw your Lordships' attention to my register of interests.

The Minister of State, Department for International Development (Lord Bates) (Con): My Lords, the Government are committed to reducing unnecessary regulation in the financial services industry, but also recognise the need for an effective and proportionate regulatory regime to ensure that markets function well and consumers are appropriately protected. The Government do not believe that the FCA is going beyond what is appropriate and necessary to fulfil the Government's policy.

Lord Leigh of Hurley: I thank the Minister for that Answer and I draw his attention to the Queen's Speech. I am sure he will agree that the commitment to further strengthen our resilient economy, following press reports, means that a specific review in this Parliament of the somewhat opaque policies and procedures of the FCA will be most welcome, in particular to the financial services industry.

Lord Bates: We have to recognise that the review that took place in light of the situation that occurred 10 years ago, with the financial crisis, necessitated a wholesale reform of consumer protection and also of the strength and stability, including the systemic strength, of the financial services industry. That was why these radical reforms were brought forward: to put consumer protection at the heart of this and to improve the conduct and authority of the mechanism by which that is done. That comes at a cost, and the cost has to be borne, ultimately, by consumers. That is one reason that it is important that the FCA pays attention, which it does, to the fact that it is required, as well as protecting consumers, to create an efficient and effective market for consumers so that they get good value for money as well as protection.

Lord Tomlinson (Lab): Will the Minister undertake to tread very carefully in this area? We all know what we have been through in the last decade; it was as a result of being seduced by appeals for lighter-touch regulation, and we do not have any desire to go through that sort of process at all. Any change will have to be justified, not just because the industry

wishes it but as a way of respecting the needs of consumers in this country to have a properly regulated financial sector.

Lord Bates: The noble Lord is absolutely right. Virtually every adult in the United Kingdom is a consumer of financial services, be it for mortgages, credit cards, loans, insurance products or pensions. It is essential that consumers continue to have confidence in the institutions that provide those services so that they continue to do those things, which are very much a social and economic good for this country.

Lord Cromwell (CB): My Lords, does the Minister agree that, at a time when many of our major financial institutions are embroiled in scandals over how they have treated their customers, this is not the time for deregulation but for more effective regulation and, in particular, the use of more personal accountability for malefactors?

Lord Bates: It is certainly a time for better regulation; I very much agree with that. There has been a suggestion that the way in which the FCA has conducted these matters has not focused on the areas of greatest risk. One area it has looked at is the small businesses, in particular, that have been affected by the regulation, whereas perhaps, historically, they are at lower risk. That was why the Enterprise Act 2015 required the FCA to look at the proportionality and the cost of regulation, particularly on those small businesses, which I think was the right step forward.

Baroness Kramer (LD): My Lords, does the Minister agree that in fact the FCA is becoming an effective protector and guardian of individual consumers in regard to the financial services industry? Does he also agree that it is time now to consider expanding its remit to small businesses, especially microbusinesses? We do not need a repeat of the abuses that have happened with RBS and HBOS, and an expanded, proactive role for the FCA in this arena would be very much welcomed by small businesses, the backbone of the country.

Lord Bates: Those major banks, of course, are covered by the Prudential Regulation Authority, through the Bank, but the FCA has a prudential role as well as its regulatory role. As I mentioned, it is important that we recognise that where regulations apply it is done in a proportionate and appropriate way for consumers and also for the businesses that are being dealt with.

The Lord Bishop of Southwark: My Lords, when do Her Majesty's Government intend to implement in full the principal recommendations of the Parliamentary Commission on Banking Standards, published in June 2013?

Lord Bates: I do not have an answer for that, but I am very happy to write to the right reverend Prelate.

Baroness O'Cathain (Con): My Lords, does my noble friend agree that one way to reduce regulation would be to review the excessive checks being made on politically exposed people in the UK, including me?

Lord Bates: I suppose we can all declare an interest in that. My noble friend may be encouraged to hear that as a result of the money laundering regulations that were laid before the House in June 2017, the FCA has issued guidance on politically exposed persons to ensure that they are dealt with on a case-by-case basis and in a proportionate way, and that organisations focus on those individuals who would be at highest risk and recognise those who are at lowest risk, which I am sure would include all Members of your Lordships' House.

The Earl of Kinnoull (CB): My Lords, UK non-life insurance brokers are regulated by the FCA and bear the costs of that regulation. Is the Minister aware that the relative cost in the UK is more than twice that in Ireland, Hong Kong and Bermuda? The multiple is bigger in France and Germany. Does he agree that this is unhelpful to the industry and is actually evidence of overregulation?

Lord Bates: I respect the knowledge the noble Earl has in this area but there are differences in the way that the regulation is funded in different jurisdictions. I come back to the point that we need to look at how regulation is applied effectively on those who are at highest risk and recognise those who are at lowest risk. The FCA has a statutory duty to establish and consult a small business practitioners' panel on policies impacting on small and medium-sized enterprises, and I think that is the right way forward.

Lord Soley (Lab): The Minister will know that the European Banking Authority, currently located in London, has a duty to maintain financial stability and ensure the integrity of the system. That authority will go after Brexit. What thinking have the Government done on whether we should seek equivalence or strike out on our own on a further strand of regulation?

Lord Bates: All those matters are being dealt with through the repeal Bill which is going through the other place, but we have made it very clear that financial services are extremely important to this country. Access is extremely important. We want to be able to continue to offer the UK's world-beating export of financial services to the eurozone area and around the world after exiting the European Union.

Prevent Strategy Question

3.22 pm

Asked by *Baroness Warsi*

To ask Her Majesty's Government whether the Prevent strand of CONTEST is part of a counterterrorism strategy or counterextremism strategy.

The Minister of State, Home Office (Baroness Williams of Trafford) (Con): My Lords, Prevent is part of the UK's counterterrorism strategy, Contest. It safeguards people from being drawn into terrorism.

Baroness Warsi (Con): I thank my noble friend for that Answer. I also welcome the Government's statement that they intend to tackle all forms of extremism. Does my noble friend agree that, to tackle hate crime effectively, we must define those acts, words, conduct and attitudes that we consider to be extreme? Therefore, what is the Government's working definition of Islamophobia? When, if at all, do they intend to agree and publish a definition of far-right extremism?

Baroness Williams of Trafford: I thank my noble friend for that question. On Islamophobia, the Government are absolutely clear that hatred and intolerance on the grounds of race, religion, sexual orientation, disability or transgender identity have absolutely no place in our society. Our hate crime action plan sets out our commitment to defeating all forms of hatred. Generally, the Government's counterextremism strategy defines extremism as,

"vocal or active opposition to fundamental British values, including democracy, the rule of law, individual liberty and mutual respect and tolerance of different faiths and beliefs".

This applies to all forms of extremism, including the far and extreme right wing.

Lord Rosser (Lab): Of course, the Prevent strategy to counteract extremism and acts likely to incite extremism applies across the board and to the whole community. Recently, some of our national media have carried a news story about alleged cultural impositions on a Christian child in the care of Muslim foster parents—a story that was subsequently revealed, following court proceedings, to be inaccurate in significant aspects, as well as being accompanied by a contentious mocked-up photograph. The way the story was presented and headlined was hardly designed to lower the temperature as far as attitudes about extremism are concerned. How exactly does the Prevent strategy apply to misleading reporting of such stories in our national media?

Baroness Williams of Trafford: My Lords, it is extremely unhelpful and can be divisive when such stories hit the media. With regard to how that might fit into Prevent, the Prevent programme is fundamentally about supporting vulnerable individuals and safeguarding them from being drawn into terrorism. It is safeguarding in a similar way to how we would safeguard people from drug abuse or physical and sexual abuse. I will not comment on individual cases, but that would be the clear distinction between the two.

Lord Paddick (LD): My Lords, can the Minister remind the House why the Government refuse to allow an independent review of Prevent, as recommended by the former reviewer of terrorism legislation, and why they refuse to publish their own review? At the moment, we have criticism of Prevent which the Government say is without foundation, but that assertion is in itself without foundation.

Baroness Williams of Trafford: My Lords, we are absolutely clear that Prevent is working. Since 2010, 280,000 pieces of illegal terrorist material have been removed from the internet. A thousand people have received support through the Channel programme. In addition, we have absolute evidence of delivery of Prevent working across sectors. We have 850,000 frontline staff, including NHS staff and teachers, trained in spotting signs of radicalisation, so we are happy that Prevent is actually working.

Baroness Afshar (CB): My Lords, are the Government aware that, by defining Muslims as the real focus of Prevent, Prevent has an incentive to be an agent provocateur—to actually find Muslims who are defined as other and as potential terrorists? This in itself creates a sense of otherisation which alienates many law-abiding Muslims and makes them feel as if they are defined as the enemy within.

Baroness Williams of Trafford: My Lords, we need to be absolutely clear that Prevent is in no way targeting Muslims. Prevent is aiming to safeguard people who are actually vulnerable to radicalisation, so it is a mechanism to protect people and not to target them. I think it is incumbent upon all of us to try not to make that connection.

Lord Ahmed (Non-Aff): My Lords, the noble Baroness will be aware of the arrest of four serving members of the British armed services belonging to a neo-Nazi terror group. Could the Minister assure the House that there will be adequate measures taken to make sure that there are no extremists serving in the armed services?

Baroness Williams of Trafford: My Lords, the Government take all the steps possible to make sure that there are not extremists serving in the Armed Forces. Clearly, some people hide those sentiments and the events of yesterday were clear to see. Just as we are tackling Islamist extremism, so we must tackle the far right.

Lord Marlesford (Con): My Lords, is my noble friend's Question not in danger of making a distinction where there is actually little difference? In the case of political Islam, which she referred to, is this not rather well represented in both cases by the Muslim Brotherhood, which seems to me to be rather like Sinn Fein was to the IRA?

Baroness Williams of Trafford: My Lords, there clearly is a distinction between people who hold extremist views and promote those views to others, and those who actually go on to commit acts of terrorism. That is why we make a distinction between the two, with the former group being tackled on all sides by some of the programmes and engagement that we have with communities throughout this country.

Psychoactive Substances Act 2016

Question

3.29 pm

Asked by **Lord Howarth of Newport**

To ask Her Majesty's Government, in the light of the failure of prosecutions brought under the Psychoactive Substances Act 2016, whether they will review the legislation.

The Minister of State, Home Office (Baroness Williams of Trafford) (Con): My Lords, the outcomes from the two recent cases involving nitrous oxide are not legally binding, and the Government have no plans to conduct a formal review of the Psychoactive Substances Act 2016 following the two recent cases. We are working closely with the Crown Prosecution Service and the Medicines and Healthcare products Regulatory Agency on our approach to future prosecutions involving this substance.

Lord Howarth of Newport (Lab): My Lords, it has not taken long for the courts to expose the unworkability of part of the legislation. Faced with the very serious and pressing problem of new psychoactive substances, will the Government now see reason and accept that prohibition—the orthodoxy of the last half-century and reiterated, on a peculiarly crude model, in the 2016 Act—has failed, with disastrous consequences for the growth of crime and the blighting of innumerable lives, not to mention the chaos in our prisons? Will the Government now base their policy not on wishful thinking and populism but on the evidence of science, the analysis of specific harms and the experience, here and in other countries, of what does and does not work?

Baroness Williams of Trafford: My Lords, I disagree with the noble Lord about the Psychoactive Substances Act not working because we have managed to close down more than 300 retailers across the UK which sold psychoactive substances. In 2016, there were 28 convictions in England and Wales and seven people were jailed under the new powers. Additionally, coming from Manchester, I would have to disagree with him, having seen some of the sights that I have on the streets of Manchester recently.

Baroness Meacher (CB): My Lords, the UN changed the basis of global drug policy in April last year at its special session. We now know that banning drugs will never create a drug-free world. The UN therefore wants nations to pursue evidence-based policies, as the noble Lord, Lord Howarth, mentioned, and public health policies to reduce addiction and the harms to our young people. The Psychoactive Substances Act runs counter to the evidence. It does nothing to reduce addiction; it increases the risks to young people. Yes, the head shops were closed but they were the last vestige of any kind of protection for young people, pretty inadequate though that was. I therefore reiterate the point: will the Minister give an assurance to this House that she will give the most serious consideration

to instigating an independent review of all our drug policies? What are we doing? We are simply making matters worse. Will she come forward with evidence-based policies?

Baroness Williams of Trafford: I do not disagree, and on previous occasions I have not disagreed, that evidence-based policies are absolutely the right way forward. In fact, WHO is undertaking some work of its own and it will report next year on the various elements of cannabis. We await with interest the results of that work.

Baroness Hamwee (LD): My Lords, there was plenty of criticism of the Government's approach to the Psychoactive Substances Bill, as it was, and the substances it covered. First, did the Government not seek advice on differentiating between the use and misuse of medicine? Secondly—this is one uncritical point about the Act—is it not a good thing that it is dealers and not users who are the focus of the Act, and should we not extend that approach to other areas of drug policy?

Baroness Williams of Trafford: I wish that I had been there for the passage of the Psychoactive Substances Act now. It would have benefited me greatly, although some people seem to have scars on their backs from it. We have been talking about nitrous oxide, which has a medicinal benefit. However, in this case it was clearly used for recreation.

Lord Elystan-Morgan (CB): May I observe that the Act is not working quite as well as it might, and that in its Section 3 there is a specific reference to the Advisory Council on the Misuse of Drugs? I urge the Government to have discussions with that body, which has performed so well and served the public so well since the passing of the Misuse of Drugs Act 1971.

Baroness Williams of Trafford: Again, I wish I had been present for the debates that took place. I certainly take on board what the noble Lord said. I have not got an answer for him today, but I will look into the question that he asked.

Lord Rosser (Lab): The Government's 2017 drugs strategy states on page 4:

“While use of new psychoactive substances among the general population is low ... they continue to appear rapidly on the market, and use among certain groups is problematic, particularly among the homeless population and in prisons”.

What exactly is “problematic” meant to convey in this context that could not have been conveyed in more specific, clearer language? If the problem is among the homeless and in prisons, would a solution not be more social housing and affordable housing to rent and buy in the first instance, and a review of the lessons that should be learned from an excessive reduction in the number of prison officers over the past seven years in the second instance?

Baroness Williams of Trafford: I guess that “problematic” means causing a problem to society. It is a particular problem with homeless people because

[BARONESS WILLIAMS OF TRAFFORD]
such drugs are very cheap—ditto in prisons—and some psychoactive substances are not easy to detect, particularly spice. I forget the end of what the noble Lord said. Ah! It was about prison officers. Certainly, from some of the documentaries we have seen on television, it needs to become harder to get drugs into prison and there are more and more ingenious methods of secreting them into prison.

Telecommunications Infrastructure (Relief from Non-Domestic Rates) Bill

First Reading

3.36 pm

The Bill was brought from the Commons, read a first time and ordered to be printed.

Armed Forces (Flexible Working) Bill [HL]

Order of Commitment Discharged

3.36 pm

Moved by Lord Taylor of Holbeach:

That the order of commitment of 11 July 2017 committing the bill to a Committee of the Whole House be discharged and that the bill be committed to a Grand Committee.

Lord Taylor of Holbeach (Con): My Lords, on behalf of my noble friend Lord Howe, I beg to move the Motion standing in his name on the Order Paper. Following discussions in the usual channels in recent weeks, we have made time available on Tuesday 12 September for an additional debate on exiting the European Union, this time with particular focus on the position papers and future partnership papers that have been published by the Government over the summer. A speakers list is now open and will not close until 6 pm on Monday evening. The Motion before us today will simply allow us to move the previously advertised Chamber business for that day—the Armed Forces (Flexible Working) Bill—into the Moses Room.

Motion agreed.

National Shipbuilding Strategy

Statement

3.38pm

Baroness Goldie (Con): My Lords, with the leave of the House I shall now repeat a Statement made in the other place by my right honourable friend Sir Michael Fallon, the Secretary of State for Defence, on the national shipbuilding strategy. The Statement is as follows:

“This Government are committed to a strong Royal Navy and a strong economy that benefits every part of the UK. Today, I am publishing the national shipbuilding strategy—the means by which we plan to bring these two strategic goals together. Copies have been placed

in the Library of the House and on the government website GOV.UK. The strategy will transform the procurement of naval ships, enable the fleet to grow by the 2030s, energise the UK’s maritime industry and increase skills, exports and prosperity across our country.

In the 2015 strategic defence and security review, we committed to developing a national shipbuilding strategy because we acknowledged that previous procurement of surface ships had been problematic. Sir John Parker, a well-respected expert in the sector, was appointed to produce an independent report to inform the strategy. This report was published in full on 29 November 2016. Sir John analysed where previous approaches had fallen short, and identified a renaissance in UK shipbuilding. He made 34 recommendations in total. I am pleased to report that we have accepted all of Sir John’s recommendations for government and have either implemented them already or have a plan of action to do so. I would like to place on record once again my thanks to Sir John for supporting us.

The strategy focuses on surface ships and makes clear this Government’s commitment to an ambitious programme of investment in a growing Navy. In the post-Brexit world, the need for us to project our influence and to keep reaching out to friends and allies alike will be more important than ever. That is why we propose now to invest billions in the Royal Navy over the coming decade. Our future fleet will include: our two mighty flagships, the “Queen Elizabeth” aircraft carriers; next-generation “Dreadnought” submarines; Type 45 destroyers; and a phalanx of new frigates including not just Type 26 global combat ships but a flexible and adaptable general-purpose light frigate, the Type 31e, as well of course as our “Astute” submarines and five new offshore vessels.

I am pleased to announce in the House today that this Government plan to procure the new Type 31e frigates. We will order a first batch of five such vessels. The first of these is to be in service by 2023. The Type 31e will enable us to refocus offshore patrol vessels and other craft on their core patrol and protection roles, while the Type 31e ships will maintain and project the presence we require to deliver security in an uncertain world. This then will allow the high-end capabilities of the Type 26 frigates and Type 45 destroyers to focus on maritime task group operations, particularly carrier strike, as well as the protection of the nuclear deterrent. Type 31e, as its name implies, will also be designed from the start as an exportable vessel, meeting global needs for a flexible and adaptable light frigate. We will test the concept of distributed block build during the procurement competition.

This procurement will be the first demonstration of our new strategy in practice. The new frigate will be procured competitively, providing an opportunity for shipyards across the UK to bid for this programme of work. The strategy confirms, in the clearest statement of this policy for a decade, that all warships will have a UK-owned design and will be built and integrated inside the UK. Warship build will be by competition between UK shipyards. We will encourage UK yards to work with global partners, where they meet our national security requirements, to ensure that the vessel is fully competitive on the export market.

We also encourage UK yards to participate in the ongoing fleet solid support ship acquisition programme. These several programmes will secure hundreds of highly skilled and well-paid jobs on the Clyde and throughout the United Kingdom, bringing opportunities for high-wage and high-skill employment, growth and prosperity. Our research indicates that the maritime industries in the UK employ around 111,000 people, in 6,800 companies, contributing £13 billion to the economy. The shipbuilding and repair element of this contributes around £2 billion.

This is a strategy for industry as much as for government. Delivering these new ships means that we need a strong shipbuilding sector, as part of a wider marine engineering sector. That includes the shipyards, their suppliers and those that manufacture and support the equipment for the ships, and the skilled workers who support these companies. Industry and the trade unions were involved as we developed the strategy, and I would like to thank them too for their contribution.

This programme of investment represents further opportunities for the sector to compete for and win work for the Royal Navy, and for overseas customers—enabling in turn further investment, greater productivity and growth.

The strategy makes clear how the Government now intend to work with the marine engineering sector to support and enable its growth. In turn, we expect industry to raise productivity and innovation and improve its competitiveness in the domestic and overseas markets, which will insulate shipyards from the peaks and troughs of Royal Navy business and bring more sustained growth and prosperity to the regions where those businesses are based.

The strategy also makes clear how defence will grip and drive pace into ship procurement. The department has already implemented a new governance structure that ensures early and senior oversight of ship procurement programmes. Additional expert external support will be provided to Navy Command and the Type 31e project team to ensure that they can execute their responsibilities at speed. There will also be a new structure to oversee delivery of Type 31e and Type 26, building on the lessons learned from the carrier programme.

We will reap the benefits of these changes as we build and support a modern Royal Navy that will grow in size by the 2030s. We are committed to meeting the undertakings set out in the strategy. Delivering its ambitious vision will require a joint effort between the Government and industry. I commend this Statement to the House”.

3.45 pm

Lord Touhig (Lab): My Lords, I think this is the Minister’s first time at the Dispatch Box representing defence and I am sure it will not be the last. I welcome her.

I am tempted to say, “Eureka!”. We have it at last—the Government’s national shipbuilding strategy. It was promised in the spring but, like so many government promises, that one did not materialise. Why is it so late in coming? Why has so much valuable time been lost?

After all, it was first trailed in the SDSR 2015. Was it worth the wait? I am hoping the Minister will be able to convince us today that it was. In 2015 we were told the strategy would support innovation, allow SMEs to bid for defence and security contracts more easily, enhance and support exports and train at least 50,000 apprentices by 2020. How will this strategy paper deliver on those pledges?

In November last year, Sir John Parker produced a report to inform the drafting of the shipbuilding strategy. It was damning, to say the least. He said the MoD lacked an overriding master plan for each project, resulting in fewer and more expensive ships being ordered too late. Ageing ships were retained in service, resulting in expensive refits and maintenance costs. Not enough effort was put into exports. There was a lack of assured capital budget per ship, and this was subject to annual arbitrary change. There was a lack of empowered governance and a lack of continuity as people moved to new roles. Most crucially, he said the MoD had lost the expertise in both design and project contract management.

That last point is very important because on the “Today” programme this morning, the Defence Secretary again spoke about supporting the defence budget by finding money from “efficiency savings”. Does that mean sacking more civilian staff and replacing them with service personnel? Is that the Government’s plan to fill the black hole in the defence budget? That would have massive implications for maintaining the capability and readiness of our Armed Forces. It would be tantamount to ignoring one of Sir John’s key observations.

In 2015 the Government said they would slash staff numbers by 30% by the end of the decade. That is three years from now. In 2015 the MoD employed 58,860 civilians. Two years later, that has been reduced by 270. Are the Government having a rethink on this policy? I hope they are, because I agree with my noble friend Lord Tunnicliffe, who said the pre-2015 cuts in civilian roles were short-sighted.

How long will it take for the report to be implemented? Will Sir John continue to review its progress and, if so, how often? Will a Minister be put in charge of overseeing the strategy and taking it forward? We welcome the commitment to build the new frigates, but can the Minister give more details on the timescale for the development of the Type 31e? There is a stated aim of getting them into service by 2023—just six years away—in order to replace the Type 23s as they are decommissioned. In the Statement the Minister said industry needed to improve its competitiveness. Can she confirm whether the £250 million ceiling for Type 31e is achievable if productivity increases do not materialise?

We welcome the potential increased use of block building, as it can spread employment opportunities and economic gain across the regions of the United Kingdom, but with the apparent heavy reliance on exports, is the Minister confident that there is enough work for multiple shipyards? Similarly, we welcome the increased focus on the export market, but it is hugely important that the Government ensure that the shipbuilding industry is not negatively impacted by

[LORD TOUHIG]

Brexit and the declining value of sterling. The Government need to work to promote British shipbuilding to secure a steady flow of orders.

The United Kingdom has the potential to be a centre of excellence for shipbuilding once again, and we certainly welcome the ambition to secure existing jobs and create new jobs across the country, not just on the Clyde, but I press the Minister to say something more about the use of British steel. Paragraph 55 of the strategy states that about 50% of the total value of steel needed for the Type 26s will be British-made, but is that not somewhat lacking in ambition? The national shipbuilding strategy should fit into a wider defence industrial strategy. Will the Government bring forward a defence industrial strategy, which could streamline our procurement policy?

Finally, remembering that more than 4,000 naval personnel were made redundant in the 2010 SDSR, from which the Royal Navy has never fully recovered, can the Minister assure us that we will have enough personnel to crew all the new ships?

Baroness Jolly (LD): My Lords, I join the noble Lord, Lord Touhig, in welcoming the Minister to the Front Bench on her first defence Statement. As a general rule, we welcome the shipbuilding strategy, which is all to do with the delivery of the 2015 SDSR. We welcome the boost that it is likely to give to British engineering and the use of the distributed build model, which was so successfully used with the carriers. We welcome the opportunity that should come from this to spread enterprise and employment to shipbuilding yards across the UK, and the opportunities to export.

I should welcome some clarity from the Minister about the opportunity to open the market. I have not read the detail in the strategy, but can she indicate how this might work? As she outlined, the timescale is really tight if we are to have our first Type 31e frigate by 2023, so how long is the procurement process expected to last, and how long the build? Here, I echo concerns about efficiency savings. We clearly need to be effective and efficient, but if we start cutting corners, we will rue the day.

What gives the Government confidence that there will be men and women available to build the ships and, once built, to man them, given that unemployment is pretty much at an all-time low at the moment and the Royal Navy is not attracting recruits or retaining young men and women? Finally, what mechanism is envisaged to report to Parliament on the progress of the strategy outlined in the document?

Baroness Goldie: My Lords, I thank the noble Lord, Lord Touhig, and the noble Baroness, Lady Jolly, for their questions and express my appreciation of their kind words about my taking on this brief. I am very much dependent on the sympathy of your Lordships. It is clear that my expertise does not lie in the design, construction or build of naval ships, but I shall do my level best to deal with the issues arising. First, I will take the points raised by the noble Lord, Lord Touhig, which were comprehensive, and deal first with the issue of delay. I remind the House that when Sir John

Parker produced his far-reaching, forensic and profoundly analytical report in November 2016, the Government published it without redaction. We thought it important that everybody should understand, as the noble Lord said, exactly what the challenges had been for Governments of all political hues.

It is a measure of the reaction to the report that the Government have placed such importance on trying to build a strategy on the main recommendations of the report. Yes, there was a delay. A general election intervened and, naturally, that inevitably distracted from getting on with the business as the country went to vote and had to return a new Government. But what is important now is how the Government take forward, in a very comprehensive manner, the recommendations of Sir John Parker. It is worth reminding the House that the Government have accepted all the recommendations in the report that concern the Government.

A number of issues arose and I shall try to deal with them as best I can. I was asked how we can deliver on pledges about growth, apprenticeships and training. What has been announced today is reflective of a very healthy procurement programme, and one with a certainty about it that perhaps has not attended previous procurement exercises. Our shipbuilding industry in the United Kingdom is in very good health, I am delighted to say, which is manifest in the activity reflected throughout all parts of the United Kingdom. To answer the point made by the noble Baroness, Lady Jolly, there is now within the United Kingdom good competition for seeking to build ships for the Royal Navy. Also very importantly, there will be an international competition, because we shall be looking to engage with international shipbuilders, along with our United Kingdom shipbuilders, on the building of ships that are not warships and where there are not issues of national security. That is to ensure that we get the best possible choice of vessel, at the price that is the best possible option for the taxpayer.

On the growing defence capability, the issue of employment was raised by the noble Baroness, Lady Jolly, and the noble Lord, Lord Touhig. My understanding is that the Royal Navy is at 97% levels of manning, which is very good—and it also means, if my memory serves me correctly, that we are at the lowest unemployment for the Royal Navy in 40 years. That is a very positive development but, notwithstanding that, the Secretary of State announced in the other place this morning that we shall engage a further 400 service personnel for the Royal Navy.

On the important matter of review that was raised, Sir John Parker will review progress in a year's time. MoD directors are responsible for implementing the strategy outlined today.

An important issue was raised about apprenticeships. There are a variety of initiatives in place across the UK to allow individuals to develop the skills needed to deliver the ships. We hope that shipbuilding in the UK and the pledges that have been made today and which will come for the future will allow the industry to train skilled workers of the future. Our shipbuilding industry is in good heart, which is a very important and positive attribute to remember.

The issue of sourcing materials was raised, and again that is important. Sir John Parker referred to what he described as a “regional renaissance” of shipbuilding, which is an interesting description of what many of us know to be the case throughout the United Kingdom. I know that the Government will take an interest in discussions with shipbuilders as to how they source materials—and I think that there would be a desire, if it was possible, to source materials locally, to help local economies. But there will also be cases where specialisation and a specialised need means that that may not be an option. We have to understand that that is one of the practical obligations on shipbuilders to ensure that they have the materials that they need to produce the vessels of a quality that we require.

I hope that I have managed to deal with the main issues raised by the noble Lord and the noble Baroness, but if I have omitted anything I shall have a look at *Hansard* and undertake to write.

3.59 pm

Lord King of Bridgwater (Con): I had the privilege of working closely with Sir John Parker during his leadership of Harland & Wolff, and I was not surprised to see the quality of the report that he produced. I was particularly interested, given the seemingly inevitable increase in the cost of frigates, which is more and more prohibitive, in the proposal for the Type 31e as a utility, general purpose frigate, which might have some export potential.

I add one point, which the noble Lord, Lord Touhig, raised: there is a reference in, I think, paragraph 55 about the steel supply. I thought that I might not be the only one of your Lordships who, having admired enormously the opening by Her Majesty of the new Forth bridge, saw with some disappointment that all the steel for that bridge was Chinese. I hope that, certainly in the shipbuilding policy in the years that lie ahead, we can see a much greater contribution from British suppliers for British ships.

Lord West of Spithead (Lab): My Lords—

Baroness Goldie: Such excitement—we all have to await our turn. I will respond to my noble friend Lord King, who raised a very important point about the flexibility and the export potential of these new frigates. This is a departure from the practice that obtained over decades. We are very clear that these new Type 31e frigates have to be constructed in a modular, cellular fashion that will enable them to be attractive to the export market. That will be a very important consequence of the tender discussions with the shipbuilders who seek these potential orders.

On the Forth bridge, that is not my responsibility. The noble Lord would have to refer his remarks to the Scottish Government; they have to take responsibility for the procurement of the structure of the new Forth bridge. It is, I have to say, a very fine edifice. It is a tribute to all the designers and engineers involved that the bridge has come in, I understand, at cost. Although it was slightly delayed because of weather conditions—nothing surprising about that in Scotland—it is a very fine testament to engineering and construction skills

and, indeed, a very fine reflection on the banks of the Forth of what is already happening with Babcock, for example, at Rosyth.

Lord West of Spithead: My Lords, any day that the Government say they intend to order new warships is, by definition, a very good day, but my 52 years in the Navy have made me realise that, until you stand on the actual quarterdeck of the ship, you do not have it. My noble friend Lord Touhig has come up with a number of uncertainties and concerns. I am rather worried, and I would love to have the Minister’s answer on this. If we order these five, we have orders in place for eight frigates. We are going to lose 13 Type 23 frigates at the rate of one a year—they are already old—and we have not got the orders for the other ships to make up that 13. It is commonly accepted that 13 frigates is not enough for our nation. Within the Statement it was said, at least three if not four times, that the Navy will grow in size by the 2030s. I cannot see how that can happen with the orders as they are at the moment. It will grow in weight, because the new carriers are so heavy, but the numbers of ships will not grow. If we intend to increase the number of ships, then I ask the Minister: what is the number of frigates that we will be aiming at, in terms of increasing the numbers within the Royal Navy?

Baroness Goldie: I thank the noble Lord for his question. I am probably even less familiar with quarterdecks than I am with the design and construction of ships. On the question of frigates, my understanding of the position is that, at the moment, we have 13 Type 23 frigates and that there will be eight Type 26 and five Type 31e frigates—that is 13 frigates if my arithmetic is correct. These will be supported by six Type 45 destroyers. I hope that answers the fundamental question about what is replacing what.

On the other aspect of the noble Lord’s question about how do we know that we can grow the Navy, I point out that if we take the total of eight Type 26 frigates, five Type 31e frigates and six Type 45 destroyers, it is 19 ships. We are committed to maintaining 19 destroyers and frigates—that is a government commitment and it brings balance to the Royal Navy. The Secretary of State is very clear that we want not only to energise the whole process of shipbuilding but to energise what we are doing with defence and to look to enlarge our defence facility. What we have today, with the pledges and commitments made by the Government and the explanation given as to how it proposes to develop and implement the strategy, will, I hope, reassure the noble Lord that there will be many quarterdecks to pound in the medium-term future.

Lord Lee of Trafford (LD): My Lords, there is a huge amount to welcome in this strategy today, but, on first reading, there is also a huge amount of hype. I very much endorse what the noble Lord, Lord West, said just a moment ago. The key sentence in the whole package that is available today is:

“The Government is committed to a surface fleet of at least 19 frigates and destroyers”.

[LORD LEE OF TRAFFORD]

Many of us are concerned about that figure, as we just do not believe that 19 is sufficient to meet all our commitments.

Baroness Goldie: On the back of Sir John Parker's report, a very careful assessment has been made of what he recommends. His recommendations carry considerable authority and are based on profound experience and a great degree of expertise. What the Secretary of State for Defence announced earlier goes a long way towards putting flesh on these proposals, not just announcing the text of a strategy, but also making clear what we are already doing to begin delivering it.

For example, as regards the three Type 26 frigates—in which I have a personal interest as they are being built on the Clyde—the steel has been cut for the first frigate, HMS “Glasgow”, and the contracts have been signed for another two of these Type 26 frigates. The other five, which will make up the aggregate total of eight, will be built in the Govan and Scotstoun yards. There is 20 years of work in that. That is great news for the Clyde, but there are also huge opportunities for those yards that want to tender for the Type 31e frigates. It seems to me that very much provides substance to the aspirations and the text of the strategy. There is actually stuff happening in our yards as we speak, and that is down to the Government's commitment to make that happen and the desire of our shipbuilding industry to play a part in this and respond imaginatively to it. That is a very positive development.

Lord Robathan (Con): My Lords, I, too, welcome my noble friend to what she may find is the somewhat vexed subject of defence. In 2010, we reduced the cost of the Type 26 global combat ship to, we thought, something below £350 million. The eight of them will now cost £8 billion, which, by my maths, works out at about £1 billion each. What guarantees will the Government put in place to ensure that these new Type 31 frigates do not come in at a similarly inflated cost?

Baroness Goldie: I thank my noble friend for his kind words. On the specific question he raises, it is down, I suppose, to the law of contract. The Government are very clear that, building on what Sir John Parker has said, there now has to be much greater clarity about both design and specification, what we seek and what we ask the shipbuilders to indicate in their tenders that they can produce. At the end of the day, we need a price tag attached to that. Contracts have been signed for three of the Type 26 ships at a price of £3.7 billion. We anticipate that very rigorous and careful assessment will be made of any future contracts for the Type 31e ships, because at the heart of what Sir John Parker recommends is that we not only have to have a modern facility suited to the needs of the modern age and the threats posed by it, but we have to have an efficient means of procuring these ships, paying for them and ensuring that we also ask our shipyards to contemplate sustainable futures by being able to diversify, and seek in many cases to tender for other vessels that may not necessarily be of the warship type.

Lord Campbell of Pittenweem (LD): My Lords, whenever I see the words “ambitious vision” in reference to defence expenditure, I am afraid that my scepticism is aroused because, like several in the Chamber, including the noble Lord, Lord King, I remember the days when we were promised about 50 surface ships but that promise was never fulfilled. I am interested to know what effect there will be on other parts of the budget of the Ministry of Defence in the raiding which is necessary to fund this programme. Since I see the noble Lord, Lord Dannatt, in his place, I very much hope that it will not be a case of the Army helping to fund this programme. Finally, on Type 31, surely this vessel is not being built unless markets for it have already been identified. It would make little sense to embark on that part of the programme if we did not know where and to whom we were going to sell them.

Baroness Goldie: The noble Lord, Lord Campbell, raises two interesting points. On the back of the defence reviews, there is more clarity about budget. No one is pretending that budget is an easy subject—it is not—but, equally, there is a responsibility to take seriously, with regard to one of our primary services, the Royal Navy, the recommendations of Sir John Parker, and that is what the Government are endeavouring to do. The whole point about having a naval facility is that we cannot have a kind of naval facility; we have to have one that is relevant to the needs of the current age. Sir John Parker has greatly assisted in identifying not only what that should be but how we do it.

The Type 31e will be a different kind of vessel and will have an innovatory, modular type of design. It will be specifically built to introduce a flexibility that we hope will be attractive to potential export customers. The expectation in the industry is that that is a reasonable assessment, and it will be rigorously prosecuted by both the Government and the shipbuilding industry.

Lord Sterling of Plaistow (Con): My Lords, I very much welcome this announcement. As some of your Lordships will be aware, I had a project done by King's College London on the advantages of sovereign purchases in this country. It will give a huge amount of business to a large number of small suppliers, apart from the major companies we are talking about. From the point of view of how successful it will be, taking into consideration the points made by noble Lords, Sir John and I worked together for many years, building ships all over the world. I will make two points. First, if you are going to deliver well, you cannot have interference—too many cooks in the kitchen—as regards what you should or should not be doing. Secondly, can we do it? Do we have expertise in this country to do it? Unquestionably, yes, we do. A great deal of that expertise today is in design firms. One of the biggest problems we have had in the past in this country is that we have “prototypitis”—we go on trying to do it. That has happened, and I am afraid that, frankly, Type 26 is an extremely good example of it.

On the points which have been made by other noble Peers here, will it be enough? Many of us have said in previous debates on defence that, unquestionably, it will not. Following Brexit, the Queen's Speech and the Prime Minister's speeches, we are going global again—we are going back to our old responsibilities worldwide.

That means presence; you need presence if you are to be seen to have hard power. I do not believe that the number of those frigates or workhorses—call them whatever you want—will be enough. When we are talking about the time it will take, we need many more. I would like to see us coming up to at least 25 of those frigates in years to come.

Finally, if you are really going to get an industry going in this country, the only way it happens from a business point of view and everything else we are involved in is that you have to have continuity. They have to know that shipping orders will be given for the next five, 10, 15, 20 or 30 years. That is how you build up the expertise, knowledge and resources to be able to do it. However, having said that, I very much welcome this announcement. If we can get our act together to get more moneys for the armed services, which are absolutely vital, and if we can get the people to join us—this will be key in the future—that will be marvellous.

Baroness Goldie: I thank my noble friend very much for making a number of helpful observations. There is the idea that you can have too many cooks and maybe that is what plagued previous processes and procedures. What Sir John Parker recommends is a new clarity, a focus and a simplicity so that everybody knows exactly how the whole business of procurement is to proceed.

A very important point is how we sustain our shipbuilding industry in the United Kingdom. Coming from Scotland, I know that there have undoubtedly been anxious moments over the past few decades, and the commissions by the Ministry of Defence for the Clyde shipyards have been of huge importance. Interestingly, many shipyards in the United Kingdom have managed to diversify, taking on other forms of engineering activity to make them slightly less reliant on Royal Naval contracts. That is a healthy development because, as the Statement identified, we want to try to protect the shipyards from the troughs and peaks of when Royal Naval tenders are available and when they are not.

Going back to the point that the noble Lord, Lord Campbell, raised and the general matter of budget, I can say only that the defence budget is growing year on year. It is very important that against that background—certainly in relation to the whole area of the procurement of vessels for the Royal Navy—we know exactly what we are trying to do and how the structure is going to work, and it is important that the shipbuilding industry knows that as well. That is why I think that today's Statement and announcement are a watershed in how the United Kingdom embarks upon the procurement of these naval vessels.

As to what the optimum or desirable number of vessels is at any given time, I doubt that that is an issue on which there will ever be agreement. However, I think that the commitments given by the Government, particularly regarding the baseline of frigates, are very important, and in conjunction with the two new Queen Elizabeth class aircraft carriers, not to mention our submarine presence, that all amounts to a significant and important naval defence capability.

Lord Wrigglesworth (LD): Is the Minister aware that the national shipbuilding strategy will be very much welcomed in the old shipbuilding areas, not least those in the north-east of England on the Tyne, the Wear and the Tees? Is she aware that the expertise still exists in those areas and has been kept alive by the enormous amount of offshore engineering work carried out in the oilfields of the North Sea? So the expertise and the culture remain in those areas. I make a special plea for Teesside, where we have one of the biggest estuaries and deepest rivers in the United Kingdom and which has been devastated by the closure of the steel industry at Redcar. The engineering skills that exist in that area could very much fulfil the sort of shipbuilding work foreseen in this strategy. Will the Minister and the Government please bear that in mind as they pursue the strategy in the years to come?

Baroness Goldie: I thank the noble Lord for making a very important point. Obviously, I cannot make any specific commitments and undertakings, and I know that he would not expect me to do so. However, I go back to what has been described by Sir John Parker as a sort of regional renaissance of shipbuilding. That, I think, is a very healthy indicator of where the shipbuilding industry is in the United Kingdom. When shipyards tender for these contracts, I know that there will be an interest in where they source the materials and equipment. Wherever it is practical and sustainable and not subject to specialisation issues, I think there will be an expectation, and we would like to hope, that as many of them as possible will be sourced domestically within the United Kingdom.

Lord Dannatt (CB): My Lords, it may surprise some noble Lords that I welcome today's announcement—I would welcome any increase in Armed Forces capability—but, as the noble Lord, Lord Campbell, suggested, one is properly fearful of not just the cost but the opportunity cost of this enhanced maritime capability, and I hope that it is genuinely an enhanced maritime capability. Costs always rise. I recall that, at the Defence Board in 2007, the two aircraft carriers were voted in at £3.6 billion; they are now costing £6.2 billion, and I am sure that that will be replicated.

In the 2010 SDSR, the Government perfectly reasonably put a priority on equipment programmes. But when one prioritises equipment, one has to find savings in manpower and most of the manpower is in the Army, so the Army has been reduced by 20%. I am concerned that, in order to meet this increased maritime capability, it is not at the expense of our land forces, or indeed our air forces for that matter.

Surely, is there not a case to increase our defence budget above the 2% of GDP, to 2.25% or 2.5%? I have raised that point in your Lordships' House before. But when we are leaving the European Union, it would be a tremendous signal within the wider context of NATO for the United Kingdom to increase its defence budget marginally to show that we are interested not just in national security but in European security and in worldwide security to boot. I ask the Minister to take that message back. As someone who was formerly head of the Army, I welcome the increase in

[LORD DANNATT]

maritime capability, but if it is at the expense of other aspects of our Armed Forces capability, this is a bad day for the UK and not a good one. The solution is an increase in our defence budget.

Baroness Goldie: I thank the noble Lord, Lord Dannatt, for his question. I reiterate that the defence budget is rising. I suppose that many organisations, not least government departments, would like to be able to say the same thing. That the defence budget is rising is a reflection of the importance that the Government place on our defence capability.

On the specific issue of raising the percentage of budget that we spend on defence above 2%, that is a NATO commitment. We are one of the relatively few countries that have managed to do that. It is important that we are open and transparent about what we are trying to do, which is what this whole strategy is about, and how we are trying to attend to the issues of procurement, governance and fairness to the taxpayer, while attending to the very necessary needs of the security and stability of our country. At the same time, we must combine all of that in a way that gives value for money and which provides us with what we need.

I am sure that, like many other departments, the MoD would like a purse without any strings attached, but I am afraid that that is not the world in which we live. The Government have indicated that they have a responsible attitude to funding our defence needs, and this is a very positive contribution to what the Government are endeavouring to do on the broader front of defence.

Free Childcare Entitlements

Statement

4.22 pm

The Parliamentary Under-Secretary of State, Department for Education (Lord Nash) (Con): My Lords, with the leave of the House, I will now repeat a Statement made in the other place earlier today by my honourable friend the Minister of State for Children and Families.

“Thank you very much indeed, Mr Speaker, for allowing this Urgent Question, which gives me the opportunity to highlight this Conservative Government’s determination to support as many families as possible with access to high-quality, affordable childcare and early years education. We are investing a record amount. Our support will total £6 billion per year by 2020.

My department is committed to ensuring that all three and four year-olds have access to free childcare. All parents—regardless of income and employment status—are entitled to 15 hours of free childcare for their three and four year-olds. Take-up of this universal entitlement is 95%. In addition, take-up of 15 hours of free childcare for disadvantaged two year-olds is rising, and it is fantastic that over 70% of eligible two year-olds are benefiting from this.

On 1 September 2017, the Government reached a major milestone in delivering their key manifesto pledge to double the free childcare entitlements for working parents of three and four year-olds from 15 to 30 hours. Today I have laid a Written Ministerial Statement

updating the House on delivery of the 30 hours offer. By 31 August, more than our target of 200,000 30-hour codes had been issued to eligible parents wishing to take up a place this autumn. Indeed, the actual figure, I can update the House, is 216,384 codes issued.

These families starting their places join the existing 15,000 families who are already benefiting from 30 hours of free childcare in our 12 early delivery pilot areas. Independent evaluations of these areas were encouraging, showing that over three-quarters of parents reported greater flexibility in their working life as a result of 30 hours, and more than eight out of 10 childcare providers who were offering the existing 15-hour entitlement went on to offer 30 hours. During the autumn I will closely monitor the delivery of all free childcare entitlements to ensure continued improvements to all our offers for parents and providers. I will continue to work closely with Ministers at HM Treasury to ensure that parents are able to access the HMRC-run childcare service smoothly.

The majority of parents have successfully applied using the childcare service, but some parents experienced difficulties accessing the service through the system by the 31 August application deadline. However, those parents who are eligible and applied before the deadline will have a code to allow them to access our 30 hours of free childcare. They will not lose out. I am pleased to report that this is yet another key manifesto pledge delivered for working families”.

4.26 pm

Lord Watson of Invergowrie (Lab): My Lords, I thank the Minister for repeating that Statement as well as for his Statement on the same subject on 18 July. The Government then responded to an Urgent Question on the process of applying for the 30 free childcare hours. The Minister’s response included the admission that the childcare service is a complex IT system which had “experienced technical issues”. He went on to state that:

“HMRC, which developed the service, has been working hard to resolve these issues and as a result the customer experience has improved”.—[*Official Report*, 18/7/17; col. 1525.]

I have to say that it has not improved enough in the intervening seven weeks to avoid many parents being unable to get their code to access the 30-hour entitlement. None the less, I note what the Statement says in respect of no one losing out. However, according to figures given by the Minister in another place today, six days after the new entitlement began, only 152,000 out of 390,000 eligible parents have been able both to get a code and to find a place for their children. That represents a success rate of under 40%. What plans do the Government have to increase that rate dramatically? I suggest that re-evaluating the policy’s funding would be one means of doing so.

I hope that the Minister will also be in a position to provide an answer to a key question asked earlier by my colleague Tracy Brabin in another place. She did not receive an answer, but three hours have elapsed and I am confident that the Minister’s officials will have ensured that he arrived at the Dispatch Box fully briefed and able to provide an answer. The question was: can the Minister guarantee that he will not allow

a two-tier system to emerge whereby parents who can afford to pay extra will have access to the new entitlement and those who cannot pay will not?

Lord Nash: I am grateful to the noble Lord for his comments. I think it is fair to say that no Government have done as much as this one to develop childcare. We have delivered a massive increase in childcare provision and the sector has handled that well. Our evidence from the 12 live pilot projects—not surveys but live projects—is that they are handling this implementation well. As I said, this is a complicated project, which the noble Lord also referred to, but overall it is going well. Of course there are teething problems, as there always are with a new provision, and we apologise to those parents who may have experienced them. We will do all we can to help them.

The evidence from the 12 pilots, however, is that the vast majority of providers are engaging, parents are happy and, for many of them, this project has had a life-changing impact. We have heard some moving stories of parents who have experienced this. Almost a quarter of mothers have reported that they have been able to increase their working hours, along with a 10th of fathers. The fact that some 150,000 or so places have been taken up reflects that these are very early days. It is inevitable when one has a deadline that there is always quite a rush up to it, and the fact that 70% of these children have already had their codes validated by nurseries is pretty good, given that only a few days have elapsed since the deadline and obviously not all parents will want to take up the offer immediately.

We have no desire to preside over a two-tier system. The Government have done all they can to support less privileged children. We have the early years pupil premium, the free entitlement for two year-olds and tax-free childcare. It is certainly not our intention to preside over that kind of system.

Lord Storey (LD): My Lords, I welcome the Minister's Statement. As he rightly said, getting these extra free hours—the 30 hours and the 15 hours—is life changing for many families, particularly working families who perhaps could not afford the extra costs of childcare or did not have the family networks to support them.

I am pleased that the Government have apologised for the problems—the website crashing and the difficulties of the eligibility codes, et cetera. The fact is, mistakes will occur in any new system. The fact that they have resorted to doing some of the eligibility codes by manual means shows the determination to sort this out and ensure that every parent gets the financial support they need.

I have two other issues to raise. The first is not the financial aspect or the application, but whether the places are there to provide for families. I raise the impact of the introduction of free childcare for three and four year-olds on availability of places for one and two year-olds. Two year-olds from the most disadvantaged backgrounds are already struggling to access places in many areas. If we are to create more places for three and four year-olds there is a danger that the places for two and three year-olds will be reduced.

There is also concern about the sector facing quite serious financial problems. The number of nurseries forced to close has almost doubled. The parliamentary Public Accounts Committee found that many private and voluntary providers were finding that the funding they receive does not cover the costs. Are there plans for government to meet with local authorities and the private sector to see what extra support can be provided?

Finally, I would be interested to know what proportion of children eligible for the 30-hour week of free childcare received the eligibility code by 31 August. The Minister might have given that in his reply, but if he could repeat it I would be grateful.

Lord Nash: I am grateful to the noble Lord, Lord Storey, for his realistic comments on this complicated but important new provision. As far as availability is concerned, as I said, in the 12 live pilot schemes 80% of existing providers have engaged and another 10% say that they are considering it. Obviously there will be some areas where there may be gaps in provision and we will work with the sector to see that they are filled.

We did a detailed study of the amount of money that should be paid, which the National Audit Office described as thorough and wide-ranging. The recent independent survey from Frontier Economics said that we were more than covering the costs of the extra provision.

So far as support for providers is concerned, the noble Lord makes a very good point that we need to do all we can to help providers develop their businesses. We have a package of support to help providers to ensure that their business remains stable. This includes a document of key insights from successful providers, guidance on marketing, managing finances and business planning, and an online directory of organisations that can provide business and finance support. We have also awarded grants to the National Day Nurseries Association and the Professional Association of Childcare and Early Years to develop new business sustainability resources. We will do whatever else we need to do.

On the percentage, we anticipated on the basis of a 75% take-up that we would get 200,000 applicants at this time. We have had 216,000.

The Earl of Listowel (CB): My Lords, I pay tribute to the Minister who has taken this policy through from the beginning—he took the Bill through the Lords and has taken pains to listen to concerns from around the House. I think I speak for us all when I say that we are very grateful to him. On the issue of quality, maintained nursery schools, in particular, where the staff are qualified teachers, find that they have higher expenses and overheads than much other provision, because of their highly qualified staff. Will he pay particular attention to concerns raised from that sector as this is rolled out, and be sensitive to its particular needs?

The Minister was good enough to listen to concerns about homeless families and their access to this provision. Will he also keep an eye on how effective we are at reaching out to them and how the pilots have worked in that area? If he could say some more reassuring words about high-quality provision and assure us that the rollout will not lead to a dilution in quality, it would be very welcome.

Lord Nash: I am grateful to the noble Earl for his comments. I should apologise: I promised him a letter last time we discussed this to confirm my point that whether the parents are in temporary accommodation, or even homeless, will have no impact on the provision because it is not based on residence. Perhaps I can save the taxpayer the cost of a stamp by confirming now that that is the case, rather than writing. Of course, we are very keen to preserve the quality of childcare. The figures, as I am sure he knows, are very encouraging. The proportion of children with a good level of development has gone up since 2010 from 56% to 69% and the proportion of childcare providers rated good or outstanding has gone up from 69% to 93%. The gap between disadvantaged children and others has narrowed quite significantly and we have a workforce in which 79% of staff in group-based providers and 69% of childminders are qualified to at least level 3. We are determined to maintain, indeed to increase, the standard of the workforce.

Financial Guidance and Claims Bill [HL]

Committee (2nd Day)

4.37 pm

Clause 2: Functions and objectives

Amendment 19

Moved by Lord McKenzie of Luton

19: Clause 2, page 2, line 32, at end insert—
“() financial inclusion,”

Lord McKenzie of Luton (Lab): My Lords, I shall also speak to our other amendments in this group, namely Amendments 22, 25 and 39. Amendment 19 adds “financial inclusion” as one of the matters which the national strategy should specifically seek to improve. Amendment 22 sets out a range of factors which the SFGB must address as part of this national strategy. Amendment 39 offers definitions of financial inclusion and financial exclusion for this purpose. Amendment 25 takes us back to issues of financial education, which we discussed at the end of our previous Committee day.

As will be readily identified, these amendments draw heavily on the recommendations of the House of Lords Select Committee on Financial Exclusion. We acknowledge that the Government have already dealt with one of its recommendations—that there should be a clearly designated Minister for Financial Inclusion, and we support this. However, this opens the way for other recommendations of the Select Committee report to be taken forward, two in particular. These are that the Government should lead and set a clear strategy to improve financial inclusion in the UK as one aspect of a wider strategy to tackle exclusion, and that there should be an annual progress report submitted to Parliament. A Minister should have lead responsibility, but work is needed across government. The role of the SFGB in these circumstances would be to support the production of the annual report in conjunction with

the devolved Administrations. This is exactly what Amendment 22 provides. However, if the Government were not minded to proceed with leading on a strategy and routine reporting, how will they take these matters forward? Can the Minister say more about when the Government will respond to the totality of the Select Committee’s report, and set out in particular what they see as their role in tackling financial exclusion and promoting financial inclusion?

As the report sets out, the precise use of the terms “financial exclusion” and “financial inclusion” has varied over the years, but we warmed to the approach adopted by the Select Committee, which we have set down in Amendment 39. This might be broadly characterised as financial exclusion representing the problem and financial inclusion the solution—that is, what we should seek to achieve.

One of the objectives of the SFGB is that it must have regard to improving the ability of members of the public to make informed financial decisions. Those who struggle to do so face the risks of financial exclusion, such as the inability to access what might be considered everyday financial products and services. As we know, such individuals can face significant barriers to engagement in modern society. Hence Amendment 22 requires the SFGB, as part of its role in developing a national strategy, to work widely with financial institutions and technology companies to support hard-to-reach groups in accessing financial support and products online.

At the same time as internet banking is growing, causing more financial services to move online, we are experiencing a programme of significant bank closures: 53% of UK bank branches closed between 1989 and 2016. It is suggested that this is a particular problem for older age groups who, we are told, place a high value on face-to-face contact, tend to be more reliant on cash and experience challenges in travelling, and one-third of people over 80 either have never used a cash machine or prefer to avoid them. Some of the high-street banks are responding to this by helping to develop the digital skills of their customers, and there is an obvious role for the SFGB in encouraging and promoting this.

Exclusion is not only a consequence of the digital challenge. The House of Lords committee heard about the difficulties for some, such as those without a passport or driving licence, in meeting rigorous requirements for bank accounts. These matters particularly affect the homeless, ex-offenders and migrants, to name but a few. Amendment 22 also highlights some of the financial exclusion issues which affect those suffering with mental health conditions. The report describes how certain behaviours, such as,

“disengaging ... from contact with creditors and financial services providers”,

lead to the build-up of debt and problems with credit ratings, and that,

“excessive spending during manic episodes”,

can also lead to the build-up of debt. It is important, therefore, that arrangements include “control options” for customers.

However, as recent events demonstrate, the existence of control options does not guarantee provider compliance. One especially disturbing issue reported on by the Select Committee is the communication strategy pursued by some online retailers. This involves potentially “predatory behaviour” in the early hours of the morning, when lonely and isolated individuals are at their most vulnerable. This is a matter for the Government, the SFGB and others to be concerned about. Is the Minister satisfied with the current state of regulation and its implementation in this regard?

Finally, Amendment 22 calls for a review of the impact of the Welfare Reform Act 2012 on financial inclusion. While it calls for an annual review, we accept that it might better call for, as did the committee, “a detailed, comprehensive cumulative impact study of how changes in social security policy resulting from the Welfare Reform Act 2012 might have adversely affected financial wellbeing and inclusion”.

Other organisations have tried, such as the IFS and the CPAG. A recent analysis by the latter showed that under universal credit and child benefit changes since 2013, families and children have lost more than any other group, with cuts far outweighing the increased support for childcare costs. Compared with the original design of universal credit, the average family with three children will be more than £2,500 a year worse off. The point is that the changes to universal credit will be heavily poverty-producing and lack of money is a feature of financial exclusion. While an annual review to monitor changes is helpful, the cumulative effect of all components of the changes to social security shows how mean-spirited and counterproductive they have been.

4.45 pm

Apart from the broad thrust of the universal credit system, particular aspects of the design impact very directly on the build-up of debt, such as the seven-day waiting period, which we believe should be abolished; more flexibility on monthly payments; more choice over the recipient of housing support; and the localisation of council tax support and the Social Fund at a time when local authority funding is being dramatically reduced. These matters, together with the impact of sanctions, need to be the subject of a comprehensive research programme.

Amendment 25 takes us back to education and, in part, to the debate we had at the end of our first Committee day. It is implied in our approach that if we are to achieve improved financial inclusion as a society—we have a long way to go—financial education is important. This amendment keeps the focus on children and young people. As far as secondary schools are concerned, we learned from evidence before the Select Committee that despite financial education being added to the national curriculum in England—the devolved nations being ahead of the game—the obligation to teach financial education applies to only 35% of state-funded secondary schools, the ones which are now maintained. Moreover, limited resources have been made available, including for teacher training. Notwithstanding this experience, we consider that the Secretary of State should be encouraged to have financial education added to the primary school education curriculum.

Early intervention is important in many areas, no less financial education. Money Advice Service research shows that attitudes to money are typically embedded by the age of seven. Notwithstanding that the current inspection framework sets out principles rather than a focus on individual subjects, part of the framework is concerned with supporting children to make career choices, and it is considered a sufficient nexus for Ofsted to take account of financial education provided in schools, hence the amendment urging that it does.

There is a major task here for the SFGB and we encourage the Government to support the issues we have outlined. I beg to move.

Baroness Coussins (CB): My Lords, I support the amendments in this group, particularly Amendments 19 and 22. I remind the Committee of my interest as president of the Money Advice Trust, the national charity.

These amendments have been tabled by the noble Lord, Lord McKenzie, and therefore carry a great deal of weight given his recent experience as a member of the Financial Exclusion Committee. I was pleased to see the Government follow that committee’s recommendation for a dedicated Minister for Pensions and Financial Inclusion, creating this additional ministerial brief within the DWP. That is a very welcome step.

Amendments 19 and 22 offer an opportunity for building further on that, by expanding the remit of the single financial guidance body’s strategic function to include improving financial inclusion. The amendments in effect implement several of the Financial Exclusion Committee’s other recommendations, which have particular relevance to the objectives that the Bill sets out for the new body. The ministerial brief for financial inclusion within the DWP, together with that department’s role in relation to the new body, seems a perfect alignment of policy. With the right resourcing, the new body’s objectives and its expertise could equip it very well to lead on financial inclusion, so I hope very much that the Minister will be able to respond positively to these amendments.

The Earl of Listowel (CB): My Lords, I offer my support for these amendments in considering the particular needs of young people in care and leaving care. Most young people leaving care do so by the age of 18—many are still under that age—and they have to run their financial lives. There is a duty on the local authority to provide support but many of them are plunged, too early in their lives, into the sorts of responsibilities that such education would help them to deal with more effectively. Half of children from run-of-the-mill families are still with their parents up to the age of 20, so I can see particular benefit from these amendments for vulnerable young people who may have to look after themselves very early in their lives.

Baroness Finlay of Llandaff (CB): My Lords, first, I declare my interest as chair of the National Mental Capacity Forum. I join in the comments of my noble friends Lady Coussins and Lord Listowel in welcoming the spirit of these amendments. Perhaps I may flag up, as I would be glad to have it on the record, that these amendments may not go far enough for those who have difficulty with financial issues.

[BARONESS FINLAY OF LLANDAFF]

Capacity impairments are related not only to mental ill-health. They may be related to frailty and there may be fluctuating mental capacity. For a group of people with communication difficulties, since banks are closing and local branches are no longer there, there is no one with whom they can communicate. If they have speech difficulties, they certainly cannot communicate well over the phone. They may have a mobility tremor, for example, which makes it difficult for them to use the internet without assistance, yet they may want to manage their affairs with a degree of privacy, which they can do in a face-to-face consultation with somebody in a bank.

In addition to impaired capacity and disability issues, there is another difficulty we increasingly see, particularly among the older population: coercion, which may be from other family members and a form of elder abuse. It can be very subtle indeed. I had a meeting this morning with Building Societies Association representatives, who are certainly detecting coercion in face-to-face encounters. But I also asked them whether there is any evidence of detecting coercion in the online systems that are in place. There is none, which becomes worrying. Although this group is right on the borderline of impaired capacity, they are inhibited from exercising their capacity because they are frightened of being intimidated by others.

Another group of concern is those with addictive behaviours such as the hypomania the noble Lord, Lord McKenzie, referred to in his opening remarks. For example, people may have a gambling addiction—a very defined addiction—and be increasingly enticed into spending more or doing a great deal of shopping during the night, when they are hypomanic. The control options on accounts should really be strengthened, so that someone can put them on but not have the ability to take them off themselves without a consultative delay period. The problem is that when they are hypomanic, they think it very reasonable to spend or gamble massively, but later they realise they did not have the capacity to do so. I hope the Government will look very favourably on these amendments and that when we come back on Report, they might even consider extending them a bit further.

Baroness Kramer (LD): My Lords, if I may join in the general chorus, the concern that these amendments express—that the single financial guidance body is not directed to look at the issue of financial exclusion—is a serious lost opportunity. This body primarily directs channels of communication to all kinds of people about how to manage their money, whether that is in time of crisis or to maximise the opportunity for a good pension in old age, for example. As a result, it is in contact with people and is therefore aware of them in a way that, for example, a formal regulator such as the FCA can never be. Not to try to tackle the very individual and human complexities of financial exclusion seems a lost opportunity, given the palette of opportunity being created by the structure of the body. Financial exclusion matters greatly. We all know about growing inequality within our society and how it undermines

the progress we wish to make. The contribution this body could make in this arena could help tip the balance in the direction in which we all hope to go.

Baroness Hollins (CB): I add my support, but I wish to take this a little further. Older people are not the only members of the public who rely on easy access to cash in order to manage their daily budgets. People are now being required to use chip and pin instead of a cheque to obtain cash in a bank, which is not possible in a post office. The risk of chip and pin for many vulnerable people who have limited capacity is that it opens them to exploitation. They are more at risk of scams and other kinds of financial exploitation. It is just putting some more vulnerable people at risk. This is a wonderful opportunity to address the risk that many people now being encouraged and empowered to live more independently in the community could lose some of that independence.

Viscount Trenchard (Con): My Lords, I well understand the objectives of the noble Lord, Lord McKenzie, and I have the greatest respect for what he is trying to achieve and for other noble Lords who have supported these amendments. However, we need to be careful not to make the legislation too complicated. I am not quite sure that I really understand the difference. The noble Lord is trying to include the need to provide information on financial capability. He is talking about financial inclusion and financial exclusion. The Bill already includes the need to have regard to financial capability. I am not quite sure that financial capability is the best way to describe what is meant. I think it is intended to mean financial literacy or financial awareness. Financial capability implies having financial assets. I therefore find it a little confusing. We have financial capability in the Bill anyway, which I do not think is perfect, and are now talking about adding financial inclusion and financial exclusion. The noble Lord's definition of financial exclusion in Amendment 39 includes reluctance to seek appropriate advice. I do not fully understand why, if somebody is reluctant to seek the advice or guidance that sensible people tell him he should seek, that means he should be regarded as being financially excluded.

Lord Kirkwood of Kirkhope (LD): My Lords, I am happy to follow the noble Viscount, Lord Trenchard. His point is understandable but it is more easily understood in the context of the ad hoc committee's report on financial exclusion. We have had some response to that, already adverted to by the noble Baroness, Lady Coussins, and it is a great leap forward to have a Minister to whom we can now address some of these issues. But as the noble Lord, Lord McKenzie, was saying, what is missing is an overall strategy into which the differences he was trying to analyse can fit more comfortably. Absent a strategy, the Committee is perfectly entitled to try to make what it can of this important Bill—which is an important part, although not the whole, of the strategy—in order to expand the envelope as much as we can. These amendments do that. The speeches we have heard so far from colleagues support that, and I support these amendments.

5 pm

I have two specific things to say, though. I remind the Minister that according to Clause 18, Part 1 of the Bill is United Kingdom-wide. Amendment 22, tabled by the noble Lord, Lord McKenzie, explains the importance of consultation and names a whole series of institutions, including the devolved legislatures, that need to be taken into account. I might get boring about this as the Committee stage unfolds, but I want to be reassured that the Minister understands that this applies to Scotland, Wales and Northern Ireland as well. Differences are emerging in those places, which is not an accident, as devolution was set up to do that. I know Scotland better than Wales and Northern Ireland, but the Programme for Government that was only yesterday advertised by the Scottish Government is very ambitious. You can have a political argument about where they are going to find the finance, but the one signal difference I note is the tone being adopted in Holyrood—a social justice, progressive approach to providing social protection and social security. For instance, it has tweaked the universal credit architecture in a way that helps deal with some of the late payment and rent arrears issues building up in the rest of the United Kingdom. It has mitigated the effect of the bedroom tax and some of the other effects of the Welfare Reform Act 2012—and indeed the Welfare Reform and Work Act 2016—in a way that is not happening in the rest of the United Kingdom.

For that reason alone, somebody should be required to be responsible for actively reporting to the United Kingdom Parliaments collectively on financial inclusion and exclusion, and matters of that kidney, and this is the only body that fits the bill at the moment, and is available to us in Parliament. If that is not done, there are joint ministerial committees that meet—not often enough—to exchange best practice, to put it at its best, and to resolve differences, to put it at its worst. There is a very important theme running through Part 1 of the Bill that I have some concerns about, which are addressed by these amendments. I hope the Minister can give a positive response to the overarching ambitions in these amendments, at least.

Returning to where I came in with the noble Viscount, Lord Trenchard, I accept that things will become clearer when we get a debate and a government response to the ad hoc Financial Exclusion Committee. That cannot come fast enough for some of us, who are wondering where it has been and when we can access it, but in the meantime the Minister should take note of some of the ideas in these amendments. They may be ambitious but they are certainly worthy of the department's careful consideration as the Bill progresses.

Lord Young of Cookham (Con): My Lords, the co-pilot is in charge of this leg of the legislative journey, and I apologise in advance for any turbulence. I thank the noble Lord, Lord McKenzie, for tabling these amendments and for the way he argued in support of them. As I listened to some of the contributions, it struck me that during this debate we have identified gaps in existing provision. One of the things we want the new body to do is to identify those gaps and then fill them. I will come back to this issue later on in

dealing with some of the specific points that have been raised. I am grateful for the contributions that have been made and I will try so far as I can to address them.

Clause 2 sets out the functions and objectives of the new body, including the role of the strategic function. In designing these functions, we have set the parameters so that the body has a clear remit to focus its efforts while at the same time ensuring that the scope is sufficiently wide so that it can respond to changing needs and circumstances in meeting that remit.

I begin with Amendments 19 and 39, which seek to integrate financial inclusion within the new body's strategic function and to set out in statute a definition of financial inclusion and exclusion, the case made by the noble Lord, Lord McKenzie. As my noble friend mentioned at Second Reading, we take the issue of financial exclusion seriously. The Government are grateful for the work of the ad hoc Select Committee on Financial Exclusion in highlighting this important issue. I am all too aware of the appetite of noble Lords to read the Government's response, and I recognise that the general election held this year and subsequent ministerial changes have, unfortunately, pushed back that response, which will be published shortly. None the less I am grateful for the comments from the noble Lord, Lord Kirkwood, and the noble Baroness, Lady Coussins, about the appointment of my honourable friend Guy Opperman as a Minister with responsibilities in his department.

I cannot anticipate the Government's final response, but in the meantime I want to be as helpful as I can to the noble Lord, Lord McKenzie, and others by outlining our understanding of the term "financial inclusion". I begin by picking up the point identified by my noble friend Lord Trenchard in looking at issues of definition. To quote the World Bank:

"Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs—transactions, payments, savings, credit and insurance—delivered in a responsible and sustainable way".

That is an internationally accepted definition of financial inclusion. When we consider that definition, it follows that the Government's policy regarding financial inclusion must be focused on ensuring that there is an adequate and appropriate supply of useful and affordable financial services and products. The Government therefore work closely with the industry regulator, the Financial Conduct Authority, to ensure that appropriate action is taken when the market fails to supply services and products. The noble Baroness, Lady Coussins, mentioned bank closures, which is an example of where the market has failed to supply what particular customers want. In passing, I note that in many parts of the country the Post Office is stepping up to the plate, and one should not underestimate its contribution.

On the matter of "financial capability", the term refers to the ability of the public to manage their money well, including the ability of members of the public to engage with services and products made available by the financial services sector. So there are two different concepts—capability and, as I shall refer to in a moment, the supply of services. Of course there is little value in ensuring an appropriate supply of useful and affordable financial services and products if

[LORD YOUNG OF COOKHAM]

people do not have the ability to actually use them. That is where financial capability comes in. It is the role of the single financial guidance body to improve the ability of the public to manage their money so that they have the skills, knowledge, motivation and confidence to fully use the financial products and services on offer.

Against the background of those definitions, the concern that we have about these amendments is that the reference to “financial inclusion” would fundamentally change the nature of the new body from an information and guidance body to more of a regulator with specific powers to intervene in the financial services market. At the moment the Treasury and the FCA have responsibility and the relevant powers to intervene when the financial services market fails to supply affordable products and services. Against that background, the attempt in the amendments to give the body a remit over financial inclusion risks duplication and confusion.

I think noble Lords will be aware of the FCA’s work in the area of financial inclusion. It is of the utmost importance that this progress is not impeded by unnecessary confusion over the role of different public bodies. Indeed, the FCA’s competition objective states that it may have regard to,

“the ease with which consumers who may wish to use”,
financial,

“services, including consumers in areas affected by social or economic deprivation, can access them”.

The FCA takes those objectives very seriously and has undertaken a number of pieces of work in recent years—

Baroness Kramer: Perhaps there is a slight misunderstanding here. The FCA certainly sees its role as regulating appropriately those financial services that exist, but where a gap exists, it takes no responsibility for filling it. Many in this House have had a long dispute with both the Treasury and the FCA about that, because the gap never gets closed. I draw that to the Minister’s attention, because often those who are not close to this matter assume that it has that role.

Lord Young of Cookham: My initial response is that if the gap is indeed not closed, it is one of the objectives of the FCA to address that. I was just quoting that it has to have regard to,

“the ease with which consumers who may wish to use”,
financial,

“services, including consumers in areas affected by social or economic deprivation, can access them”.

If it is not responding and ensuring access, that is a case not for giving that responsibility to another body but for holding the FCA to account to get it to discharge the responsibilities that we have given it.

The FCA takes its objectives very seriously, and has undertaken several pieces of work in recent years to increase access and protect consumers, including a report on consumer vulnerability in February 2015. To give one example, in June this year, the FCA published a call for input on access to insurance,

following a broader report on access to financial services that it published in May last year. The call for input seeks views on the challenges that firms face in providing travel insurance for consumers who have or have had cancer and the reason for pricing differentiations in quoted premiums.

I look forward to seeing that work develop, and I encourage all relevant stakeholders to provide responses to the call for input. It is important work and, in response to the noble Baroness, is an example of the sort of project to promote financial inclusion that the FCA can conduct in its role as industry regulator.

Against that background, I urge the noble Lord, Lord McKenzie, to withdraw Amendment 19 and not to press Amendment 39. I am grateful for the opportunity to address the important topic of financial inclusion, to which I am sure we shall return, but, as I said a moment ago, the Government are concerned that the amendment could create confusion between the roles of the FCA, on the one hand, and of the SFGB, on the other.

I turn to Amendment 25, which makes provision for the new body to advise the Secretary of State on the role of Ofsted and the primary school curriculum. I am aware that the Lords’ Select Committee on Financial Exclusion made a similar recommendation on the role of Ofsted and the primary school curriculum in its recent report. We will of course respond to each recommendation in due course and give them the close attention that they deserve but, for the time being, I just comment that the Government believe that this amendment could cause confusion about the remit of the new body with regard to the school curriculum.

As was stated earlier, the new body will have a role to help co-ordinate and support initiatives delivered by charities and other parties which are designed to improve the financial education of children and young people. It will be able to identify gaps in provision, identify best practice, and work with schools to understand how they are delivering financial education, in which lessons that is taking place, and explore further the barriers to school involvement. The Government are clear, however, that the school curriculum and monitoring of school performance is a matter for the Department for Education in England and those of the devolved nations.

In practice, this means that the body will be able to undertake activities to help schools to provide financial education. For example, the body will be able to undertake activities such as funding the project undertaken by the Money Advice Service and the Education Endowment Foundation to run a trial of Young Enterprise’s Maths in Context programme. Some 12,000 pupils in 130 English schools will take part in the trial, testing whether teaching maths in real-world contexts improves young people’s financial capability and attainment in GCSE maths exams.

5.15 pm

On Amendment 22 in more detail, it would require the body to report on progress in addressing financial exclusion. I note that an annual report on progress in tackling financial exclusion was a recommendation of

the Lords' ad hoc Select Committee on Financial Exclusion; we will respond to the report shortly. I understand the point that noble Lords are making with the amendment, but I reiterate my concerns regarding the use of the term "financial inclusion". As I have said, the body is designed to build financial capability by providing information, guidance and advice so that members of the public are equipped with the tools they need to handle financial matters. To take on board what my noble friend Lord Trenchard said, it is for this reason that capability is enshrined in the body's strategic function rather than financial inclusion, which is better tackled by central government working collaboratively with the Financial Conduct Authority as the industry regulator. The present amendment creates a possibility that the new body will duplicate work undertaken within central government and by other public bodies but perhaps less effectively, as it will not have the any powers to regulate or enforce activities.

Amendment 22 also sets out the actions that the new body must take as part of a national strategy to improve financial inclusion. For instance, it places a requirement on the body to work with banks and other financial institutions to ensure that hard-to-reach groups are able to access financial advice and guidance. I reassure the House that Clause 2(7) makes it clear that the body must work with others in the financial services industry, including banks, as well as the devolved authorities and the public and voluntary sectors to support and co-ordinate the development of a national strategy to improve the financial capability of the public. We have seen organisations, both private and public, which have failed in their delivery because they were stretched too thinly or trying to operate without the necessary powers or influence. The body has an important task in improving financial capability by providing information in the United Kingdom—in response to the noble Lord, Lord Kirkwood—as well as guidance and advice, so that members of the public are equipped with the tools that they need to handle financial matters. It should not be distracted from that significant and important challenge. I am aware that one amendment is focused on prioritising front-line services to improve delivery. Some of the amendments before us risk diverting the attention of the body, and its resources, from its prime task.

I turn to the important issue of mental health conditions, which a number of noble Lords mentioned. The Prime Minister has expressed her commitment to helping those with mental health conditions, and in January set out a range of measures to improve mental health services. In addition, the FCA has increased its focus on people with mental health conditions and held a TechSprint event on this theme in March. Over 100 developers, mental health and technology experts and around 32 organisations took part, and there was a strong focus from all teams on designing concepts that encouraged people to continue to manage their own finances but put in place safeguards to help them when they felt they needed it most. We welcome that work and are pleased that the FCA is facilitating increased industry engagement so that appropriate products and services are available to people with mental ill-health. I reassure noble Lords that the body's

money guidance and strategic functions enable it to provide help to those with mental health conditions, so that they engage with the financial sector and its services.

I take to heart the point made about aggressive online behaviour, calls at anti-social hours to people who are vulnerable, and potential financial coercion. I take on board the need to monitor this and have an appropriate response. The Government's view is that the body's functions are sufficiently broad to allow it to take appropriate action in this space, as noble Lords have identified, and we look forward to seeing it work with the industry and the voluntary sector on this important matter.

Finally, Amendment 22 requires the new body to conduct an annual review of the impact of the Welfare Reform Act 2012 on financial exclusion. The noble Lord, Lord McKenzie, made some critical comments about our progress on welfare reform. Universal credit is designed to mirror the world of work and the evidence so far is clear that, under UC, people are moving into work and staying at work for longer than under the old system. I understand the object of the amendment, which is to make sure that the Government's policies are monitored, but I have to say that I do not think it should be the work of this body to assess the impact of legislation. If I may say so to the noble Lord, Lord Kirkwood, nobody did this better than he did when he was chairing the Select Committee on Work and Pensions in another place.

In relation to the Welfare Reform Act 2012, the Government already have evaluation mechanisms in place. For example, the universal credit evaluation is a comprehensive programme of analysis designed to tease out the economic, social and behavioural impacts of the programme. Research and analysis are conducted to provide continuous tracking and inform the evaluation and the expansion of UC, focusing specifically on the effects that it has on both claimants and staff experience, behaviours and outcomes. That programme is externally assured by a panel of experts drawn from a number of UK and US academic research institutions. In addition, evaluation outputs are routinely published and provide an important and analytically robust evidence base for external observers. The department will continue to conduct extensive research, evaluation and analysis of individual reforms, which will be published in line with professional protocols.

I will try to respond to some of the issues raised during the debate with some in-flight refuelling. The Government recognise the importance of enabling access to financial services among older people. Issues regarding access and vulnerability are at the core of the FCA's mission and business plan, with the FCA due to undertake a number of projects, including its ageing population strategy, which will be published in the autumn—we may come on to the strategy in a later amendment.

On gaps in the market, the Government have the ability to ensure the availability of products. We have seen the example of what the Government did on flood insurance when there was a clear gap in the market for those living in flood plains who would not get insurance. The Government intervened in the market

[LORD YOUNG OF COOKHAM]

in order to make sure that an appropriate product was available. I am assured that the responsibilities of the devolved authorities are very clear. In many cases, the Bill makes it clear that the SFGB has to work with the devolved authorities and public and voluntary sectors where responsibility rests with them. For example, debt advice is already done by the devolved authorities.

I apologise for a somewhat lengthy response but noble Lords have raised some really important issues. I hope that the explanation I have provided will explain why we are concerned about the relationship between financial inclusion and financial capability. These proposals would greatly expand the function of the SFGB and risk causing duplication and confusion over the role of other public institutions. On that basis, I ask the noble Lord to withdraw his amendment.

Lord McKenzie of Luton: My Lords, I thank all noble Lords who have spoken on these amendments. With the exception of the noble Viscount, Lord Trenchard, who had some equivocation about them, and the Minister himself, all were in support and I am grateful for that. The Minister has given a very long, very full reply and I will certainly need to take *Hansard* away and have a read of that, but I would like to pick up one or two points. He referred to the evaluation already in place for universal credit and the welfare reform. What evaluation specifically has focused on the impact of these welfare changes—or social security changes—on the build-up of debt and on the relationship with preponderance of debt? I ask this particularly because there are a number of instances identified in the report where there is clearly a correlation between the social security provisions and debt. The issues around the seven-day waiting period is a simple example. There are issues around the payment of rent—a monthly payment for some. There are also issues around council tax support. That support has changed and is delegated to local authorities at a time when their budgets are being slashed. We will discuss the nature of debt shortly. One of the issues flowing from that is the changing nature of debt. For example, utility bills and council tax bills are featuring more prominently in debt. I believe that at least part of that is a direct consequence of the system that the Government have put in place.

The Minister was concerned about the definition of financial inclusion or capability and said that the amendments could introduce confusion into the standard international definition. Leaving aside the precise semantics, what does he see as the Government's role in all this? What are they going to do to improve financial capability—if that is the terminology he prefers—or financial inclusion to help people make better use of financial services and banking so that they can play a wider role in everyday life? That is what this is about at the end of the day. What will the Government do? What is on the Minister's agenda? How will that be shared across Governments given that the report talks about needing to join up these services? I believe that a financial inclusion task force used to do some of this work but the coalition Government abolished it a few years back. This issue

features as one of the strong recommendations in the report. Leaving aside terminology, these issues are not joined up at the moment and they need to be.

The noble Baroness, Lady Kramer, rightly pressed the Minister on the extent of the FCA's role when there is a gap—namely, precisely what it should be doing in these circumstances. I need to read the record but there seemed to be a dispute over the extent to which the Minister's assertions were correct in that regard.

A number of other points were made, including that of post offices filling the gap when banks close. However, I think there is some way to go before that happens. It is right to say that post offices are becoming more alert to these situations but I do not think that they are anything like clear substitutes for banks.

I thank the noble Baroness, Lady Coussins, for agreeing about the importance of financial inclusion—or whatever term we use—being an integral part of the strategy we adopt. That must be right. The noble Earl, Lord Listowel, mentioned the importance of this area to young people. The noble Baroness, Lady Finlay, rightly expanded the range of circumstances about which we should be concerned. I think the Minister said that nothing in the Bill prevents action being taken in relation to fluctuating mental health and disability issues and issues around coercion. Incidentally, the noble Viscount, Lord Trenchard, talked about people's reluctance to seek advice. I would have thought a clear case of that would be where it is available but they might feel intimidated—actually intimidated or intimidated by the environment.

The noble Baroness, Lady Finlay, touched on the important issue of gambling. There is quite a chilling paragraph or two in that report about online providers deliberately targeting vulnerable people at two or three o'clock in the morning, when they are most susceptible to spending and making their commitments.

The noble Baroness, Lady Hollins, supported the amendment and referred to the challenges of chip and pin. A statistic in the report says that one-third of people aged 80 or over have never used a cash machine or would not want to. That is quite a frightening level of disconnect.

We have been at this for quite a long time but it is an important subject. I propose to take the Minister's response away, and we may return to it on some basis at a later stage. In the meantime, however, I beg leave to withdraw the amendment.

Amendment 19 withdrawn.

Amendments 20 to 23 not moved.

5.30 pm

Amendment 24

Moved by Baroness Drake

24: Clause 2, page 2, line 34, at end insert—

“() The single financial guidance body must produce a report advising the Secretary of State on how government departments might best assess the impact on financial inclusion, financial capability and household debt of any proposals for a change to public expenditure, administration or policy.

- () The report must be published within the period of 12 months beginning with the day on which this Act is passed.”

Baroness Drake (Lab): My Lords, we all know that the UK faces a series of systemic challenges, which drives the need for the new financial guidance body as part of the armoury of response. Within the population there are persistently low levels of financial capability, rising indebtedness, falling financial resilience, and poor understanding of pensions and other complex financial products. The financial capability challenge is not restricted to the squeezed and financially struggling; it goes up the income value chain. The Money Advice Service figures, on a range of measures, reveal that the picture has got worse since 2005. The growth of these problems has many roots, but they are compounded by inefficiencies in the financial services market, such as the poverty premium paid by the poor to access credit; the asymmetry of knowledge and understanding of products and services, which disadvantages consumers across the income range; and geographic and digital access barriers.

I shall scope the scale of the national challenge. ONS statistics reveal that the proportion of disposable income that goes into savings has fallen to a record low. Wages have been weak for much of the period since 2008, and the Bank of England’s chief economist has observed that the structural factors contributing to weakening wages are unlikely to reverse any time soon. Household debt is rising. Recent Bank of England figures reveal £200 billion owed in consumer credit, excluding mortgages, and the biggest surge in the number of customers missing loan repayments and default rates on credit card overdrafts since 2008. Figures for unsecured loans and car finance are even worse, and some 3 million people are struggling with severe debt.

The Lords Select Committee report on financial exclusion sets out clearly the multiple causes of exclusion and its effect on different groups of society, compounded by the barriers that the low-incomed, elderly and disabled face in accessing financial services. Auto-enrolment has seen the rise of defined contribution workplace pension savings as a mass market, involving some 16 million workers, their savings expected to reach £1.7 trillion by 2030. The largest increase in workplace pension participation rates has been for those earning between £10,000 and £20,000. That is all good news on pension savings but over time, as more workers save into defined contribution schemes, the financial capability challenge gets greater. In future, individuals will bear more risk than previous generations of pensioners, yet many are ill equipped to manage those risks and make complex decisions. Many accessing defined contribution pension pots today have other main sources of retirement income, such as a defined benefit pension. That will not be true for future generations.

The financial resilience of the public has weakened. A growing sense of unfairness and heightened insecurity across both low and moderately incomed households is eliciting behavioural responses. The Bill gives the financial guidance body a strategic function to co-ordinate the development of a national strategy on financial

capability and managing debt. However, that remit cannot displace the need for government leadership and overall co-ordination. The lessons of the past confirm that substantial funding of national financial capability programmes does not deliver the step change needed in the absence of government ownership and drive.

The new body will be an executive non-departmental public body—a delivery arm of government. One has to be realistic about how far its authority and resources can reach. It will have a demanding focus on delivering front-line support for millions of people. The new body can map, measure and identify problems, and it can provide insight, give guidance and support a national strategy, but it cannot manage the process of government—it will have neither the means nor the resources.

Public policy in many areas can be looked at through the lens of financial inclusion and capability, such as taxation, welfare, education, the regulation of markets, health and transport. The whole tanker of government has to be moved to mainstream consideration of the problem and to get departments to assess how their policies, administration and expenditure impact the financial capability of the UK population. Indeed, the Prime Minister herself observed in January that the Government needed to,

“recalibrate how we approach policy development to ensure that everything we do ... helps to give those who are just getting by a fair chance—while still helping those who are most disadvantaged ... they need a government that will make the system work for them”.

An important way in which the new body can discharge its function to support a national strategy is to give it a remit to produce a report advising the Secretary of State on how government departments might best assess the impact on financial inclusion, capability and household debt of any proposal for a change to public expenditure, administration or policy. The concept is not novel—impact assessments are already required from departments on a range of matters, such as regulatory burden or equalities. There are impact assessment toolkits in use; the NAO audits their quality and effectiveness.

This amendment gives a new ingredient by placing a requirement on the guidance body to deploy its expertise and report to the Government on how departments might best assess the impact of their actions on financial capability and household debt. Giving the new body a duty to produce such a report, to which the Government will need to respond, will contribute to achieving greater government ownership and engagement in delivering a national strategy.

I return to the theme of my opening comments. The UK faces a series of systemic challenges which require a shift in the nature of government engagement—something on which I think the Prime Minister and I agree. Without the formal discipline of government mainstreaming and assessing the impact of public policy, a national strategy on financial capability and household debt will not deliver the desired outcomes. Just giving a large budget to an NDPB is not going to do it. The Government have to buy in to mainstreaming and delivering a strategy to meet these challenges. I beg to move.

The Earl of Listowel: I support Amendment 24, to which I have added my name, and I hope that the Minister will find it helpful. I am particularly concerned about parents and children involved in indebtedness and the pressure on families that arises from that—something that we discussed during the first day in Committee. At a time of crisis, when Governments have to make very difficult decisions, they often seem to make short-term decisions that can have a long-term, adverse impact on society, particularly on families. There are many routes to productivity or failure to be productive, but family dysfunction is a core basis of the failure to produce productive citizens.

More and more evidence is becoming clear that if children—even those up to the age of 25—experience adverse circumstances or difficult relationships within the family, particularly during the pregnancy or immediately after birth, their ability to do well at school, make and keep relationships, and have good physical and mental health well into adult life is impaired. This is a helpful amendment to give us a bit more breathing space and think more about the decisions that we as parliamentarians come to in the heat of very difficult economic circumstances, and about what impact they have on the long-term success and productivity of our society.

I visited Germany earlier this year and was impressed to learn that none of the shops is open on Sundays. It is not permitted for businesses to send emails after 8 pm at night. It is a cultural norm not to work beyond 6 pm in the evening. It is seen as inefficient to do so. Germans seem to have a far better work/life balance than us and are renowned to be more productive than we are. I am sure that there are many more factors to take into consideration, but under pressure and in the heat of the moment, with the short-term decisions that seem so important, perhaps we lose sight of the fundamentals.

I give credit to the Government for recognising the fundamental importance of family life and the significant investment that they have made in supporting couple relationships. The high levels of employment that the Government have achieved have reinforced couple relationships. Professor Melhuish makes clear that high levels of employment tend to conduce to less family breakdown. These are complicated matters, but a report of this kind could give us space to step back and think about the implications of the decisions that we are feeling pressed to make at the moment, particularly what impact they may have on families and the ability of our children to thrive in the future. I hope that the Minister can give a sympathetic response to this amendment.

Lord Stevenson of Balmacara (Lab): My Lords, I support the amendment introduced forcefully by my noble friend Lady Drake. I am not sure who is responding from the other side—whether it will be a transatlantic journey or just a short hop—but I am sure that it will be entertaining nonetheless. I have three points to make and I hope that the Minister will be able to fit them into the very brief swoop around the skies that he is about to make.

The amendment tries to flesh out a little more of our earlier discussion. In so doing, it makes this point: there needs to be a body that has responsibility for assessing many of the activities that either advertently or inadvertently are made by government at all levels, whether regional or national, and by other bodies involved in the space that we are talking about—people's lives and their capabilities to cope with the financing of them. The method chosen by my noble friend in her proposal, supported by the noble Earl, Lord Listowel, is to think about how other policies initiated by government as a whole need to be measured and impacted.

My noble friend mentioned the impact assessment. I have the impact statement for this very Bill. Those who have read it—and I have—can see that, as well as the broader discussions about the intricacies of the costs of this provision, there are statements around the impact of the measures that we are discussing on competition, innovation, the wider economy, equality, the environment, and social and sustainable development. This is not new ground, in terms of what the Government have to do to assess that the proposals they are bringing forward for legislation are properly considered.

I have reflected a little on what was said in our earlier debate this evening. The noble Lord made a point in relation to trying to sort out the impact that it could have been alleged was being made on the SFGB, as opposed to the FCA or indeed the Government. It would be sorted if more work were done by those preparing policies across the range of government activities in the manner specified in this amendment. Therefore, I commend it to him.

5.45 pm

Lord Young of Cookham: My Lords, I will try to reflect the German work/life balance referred to by the noble Earl, Lord Listowel, by sitting down well before six o'clock. I am grateful to the noble Baroness for introducing her amendment, and as I do so often, I found myself in agreement with nearly all of her analysis of some of the challenges out there: the fall in the savings ratio and the need for a holistic approach to these challenges. I also agree with what the noble Earl said about the problems faced by young families. Where I parted company with the noble Baroness was when she sought to place this extensive new duty on the single financial guidance body. Basically, what her amendment does is to require the new body to produce a report within its first year advising the Secretary of State on how government departments might best assess the impacts of any changes in public expenditure, administration or policy on financial inclusion, financial capability and household debt.

I have a lot of sympathy with the intent behind the amendment. I agree with much of what the noble Lord, Lord Stevenson, has just said about the need to stand back and take a holistic approach to the issue, and of course the Government do not want to do anything that would have an adverse impact on financial inclusion, financial capability or household debt through any of the policies that they pursue. However, I have real difficulty with the point that the noble Baroness is trying to make here, and I do not think that the amendment is either necessary or appropriate.

As I implied a moment ago, the scope of the report proposed in the amendment is very far reaching indeed. The definition of,

“public expenditure, administration or policy”,

is very broad. I have to ask the noble Baroness whether she will compel the body to produce a report for the Secretary of State which considers how to assess the impact if, for example, the Chancellor chooses to adjust expenditure on infrastructure, defence or healthcare. I am really worried that the amendment could overstretch this body’s resources in its first year and expand its remit far beyond that which was originally envisaged. In its first year the body is going to have to prioritise resources into bringing together three disparate bodies, identifying gaps in the market, as we heard earlier, and building on its primary task. If we start going down this road, I see a real risk of diverting resources away from the front line of providing services, bringing together and co-ordinating the functions of the three pre-existing bodies, and from front-line delivery.

The second point is one that has already been touched on. Ministers already review a range of issues when they assess new policies. The financial impacts on individuals and families are considered as a normal part of policy-making, and as noble Lords know, impact assessments are also produced to accompany legislation. I am not convinced that this broad requirement is in keeping with the body’s strategic function of working with others to support the co-ordination and development of strategies to improve people’s financial capability, their ability to manage debt, and the provision of financial education for children and young people. This function is about identifying the most important issues and possible interventions in financial capability, personal debt management and financial education for children and young people working through others.

In response to the point made by the noble Lord, Lord McKenzie, in winding up the last debate and in part response to the issues raised in this debate, a lot will become clearer as to where the Government are coming from on this when we publish our response to the ad hoc Select Committee. The noble Lord, Lord McKenzie, asked me where the Government are coming from, and given the number of recommendations made by the ad hoc Select Committee, I think that that is the right place to reply.

On government leadership, we take the issues of capability and inclusion very seriously, and perhaps I may reiterate my comments about government leadership. In addition, the Secretary of State can request guidance or advice from the new body under Clause 2(2), which will help co-ordination between the Government and the body. I am grateful to the noble Baroness for giving me the opportunity to put the Government’s view on this important issue on the record and to underline our concerns about the potential diversion of resources if we go down this particular route.

Lord McKenzie of Luton: May I receive a bit of clarification on the Government’s response to the House of Lords Select Committee? I think the Minister said that it would be soon, but can he give us an assurance that we will receive it before we get to Report? We are going to have a little gap after next week. I hope that that will be enough time for the Government to respond.

Lord Young of Cookham: I would love to give a direct and helpful response to the noble Lord’s very reasonable question. It would be irresponsible of me so to do. There are a lot of government departments involved in this. I cannot give an exact timetable at the Dispatch Box today, but I will make some inquiries and see whether we can shed some light on a publication date perhaps later in our proceedings.

I think I was at the end my peroration, imploring the noble Baroness, Lady Drake, to withdraw her amendment.

Baroness Drake: I thank the Minister for his reply. I totally disagree with most of what he said. I thoroughly agreed with the bit where he agreed with my analysis—it was just the bit about the amendment not being practical. This will be neither onerous nor expensive, which is really his only argument against it. This is not saying to map every problem that contributes to financial capability or financial exclusion, but to give a report that sets out in the methodology how best to make an impact assessment across government departments when they are pursuing their policy.

This is not novel; it is a methodology and a discipline that operates in a range of areas. A huge amount of work has already been done. A national strategy has already been created by the work of the Money Advice Service—there is already its capability survey. It has mapped the problem. I was rereading it over the weekend. There is no need to reinvent the wheel. A lot of that work exists and it is an organisation that is going into the new organisation. The Bill already gives to the new financial guidance body responsibility for co-ordinating and developing a national strategy. The Government have already given it the heavyweight bit, which is to co-ordinate and develop the national strategy, but ensuring that that strategy is effective and delivered—ensuring that the whole machinery of government is responsive to the challenge—is a methodological challenge in terms of what I am proposing on how you assess the impact so you can take it into account.

I do not accept that it is expensive or onerous. It is a challenge of how one guides departments to make those impact assessments. There is plenty of advice and guidance from the NAO, other government departments and other bodies that have given guidance to the Government on how to make impact assessments. If there is such a resistance to making impact assessments, how is the Prime Minister to meet her commitment? If she wants to make the Government function better she has to stand back, look at the problem and make an assessment. All I am saying here is that simply giving a budget to an NDPB and saying, “Get on with developing and co-ordinating a strategy; we as a Government have now discharged our function”, is not sufficient. The whole machinery of government has to be told that when it comes up with its actions or policies that it has to assess the impact it will have on capability and debt. The Government will go on to make their policies, but they have to put a discipline in. Just handing over the more labour-intensive bit to the NDPB, not the least labour-intensive bits that I am suggesting, will not get good outcomes for the country.

[BARONESS DRAKE]

I reject the premise of the Minister's argument that it will be very expensive and labour intensive to do. A lot of the groundwork has already been done by the MAS. None the less, I beg leave to withdraw my amendment.

Amendment 24 withdrawn.

Amendment 25 not moved.

Amendment 26

Moved by Lord McKenzie of Luton

26: Clause 2, page 2, line 34, at end insert—

“() As part of undertaking its strategic function to improve the financial capability of members of the public, the single financial guidance body must carry out research on a periodic basis, in collaboration with other bodies with an interest in debt issues, to determine—

- (a) the level of unmanageable debt across England, Wales, Scotland and Northern Ireland,
- (b) the causes of unmanageable debt, and
- (c) ways to prevent unmanageable debt.”

Lord McKenzie of Luton: My Lords, in moving Amendment 26 I will speak also to Amendment 40. These amendments concern unmanageable debt, which we seek to define in Amendment 40—with some trepidation given my last attempt to define something. Amendment 26 would require the SFGB to carry out research from time to time relating to unmanageable debt and to do so in collaboration with other bodies with an interest in debt issues. The focus of the research should be to determine levels of such debt across the whole of the UK, the causes and the ways to prevent it.

Unmanageable debt is defined to recognise those situations where individuals are not routinely able to, or heading for circumstances where they will not routinely be able to, meet their financial commitments when they fall due. Research into such matters would not be new, but it is of particular relevance given the levels of unsecured personal debt in the UK. Citizens Advice reports that unsecured debt, after falling from its peak in 2008, is now growing faster than incomes and faster than secured debt. It cites an OBR forecast that levels of unsecured debt will return to pre-crisis levels by the end of the decade. These have implications for the individuals and families concerned, as well as the aggregate impact on the national economy. Citizens Advice research shows that unmanageable debt is unevenly distributed, taken as a measure of unsecured debt equivalent to six months or more of a person's income but taking into account savings. Not surprisingly, those in the lowest income group are three and a half times more likely than the highest fifth to have unmanageable debt, those who are 20 to 29 years old are twice as likely as those who are 30 to 39 years old, and private renters are twice as likely as those with a mortgage.

Amendment 26 would require not only that the level of unmanageable debt be recognised but that the causes of the debt and ways to prevent it be determined. That is a more challenging requirement but would

reflect changing circumstances over time. Evidence given by the Money Advice Trust to the House of Lords Select Committee was to the effect that, 10 years ago, the problems reported by 69% of callers to its National Debtline were to do with loans, overdrafts or credit cards, but that this percentage has fallen significantly to 42%. However, the service has seen a dramatic 140% rise in calls concerning household debts such as rent arrears, energy and water bills, telephone bills and, as we have discussed, council tax. This analysis was echoed by others, including StepChange.

We discussed in a previous amendment consequences of the abolition of council tax benefit and the detrimental effect that this has had on council tax debts. Another feature highlighted was the impact of the tax collection practices of different local authorities and how this could impact debts generally. We are, of course, coming on to discuss the importance of a breathing space. It has been suggested that the loss of debt advice and benefit advice services, particularly those funded by local authorities, has exacerbated the problem.

In seeking to bring research to bear on ways of preventing unmanageable debt we also need to focus on the wider consequences of individuals and families living with unmanageable debt, including family breakdown and poor physical and mental health, as well as on the fundamental issue underlying much of this—low and erratic pay. Research is not only about looking back. The Money Advice Service, together with CACI, published research on the design of a model to estimate the probability of an individual being overindebted. It concluded that the overindebted population is younger and more likely to rent and have children; feels the impact of macroeconomic changes more significantly; and is more exposed to changes in the welfare system. Unsurprisingly, they claim that, together with partners, this research will enable services for overindebted people to be provided earlier to help resolve crises and support them to stay out of debt in the longer term. We know that debt advice can be effective. Research can assist in channelling that advice in the most effective and efficient way. I beg to move.

6 pm

Lord Sharkey (LD): I have a small additional question arising from Amendment 26. As things stand, I understand that the kind of research that it calls for is already undertaken by the MAS and forms the basis of the budget requests made by the MAS and of the distribution of funds coming through the MAS. If this research is not to be done I am curious about how budget requests will be made and how funds will be distributed across the regions.

The Parliamentary Under-Secretary of State, Department for Work and Pensions (Baroness Buscombe) (Con): My Lords, I thank the noble Lord, Lord McKenzie, for tabling these amendments. Amendment 26 relates to the strategic function of the body and would add a requirement for the new body to conduct research on levels of unmanageable debt across England, Wales, Scotland and Northern Ireland, the causes of unmanageable debt and ways to prevent it. Amendment 40 then seeks to provide a definition of unmanageable debt. It is

right that this House takes great interest in seeking to understand the causes of debt and how the Government can best help those who are struggling. I thank noble Lords again for their important contributions on this matter at Second Reading, in the meetings we have conducted since and in their amendments. I have given them a great deal of thought. I assure noble Lords that the Government take problem debt very seriously.

We understand, as the noble Lord, Lord McKenzie, has said, that the cost of living can sometimes become too great and that problem debt can be hard to escape and can compound family breakdown, worklessness, stress and mental health issues. The Government are committed to supporting those who are struggling with their finances and, as we have previously outlined, work is ongoing on this area. Indeed, during the Recess I paid a visit to the Money Advice Service to see for myself some of the work that it is doing in this regard, particularly the different areas of research it is carrying out. I also take this opportunity to acknowledge the work that Citizens Advice is doing in this area, and particularly the report they published last week, *Stuck in Debt*, which highlights the problems faced by many. The report highlights the risk of people taking on debt that they cannot repay and clearly shows the impact of unaffordable debt.

The strategic function of the single financial guidance body will be critical. It will give the new body the ability to work with others in the financial services industry, the devolved authorities and the public and voluntary sectors to identify the most pressing issues and possible interventions in financial capability, personal debt management and financial education for children and young people. I understand the very worthwhile aims of this amendment; however we do not believe that it is necessary to specifically reference one area of research in legislation. Clause 2(3) enables the body to conduct research on,

“anything that is conducive or incidental to the exercise of its functions”,

so it could conduct research into anything that noble Lords have raised this afternoon, for example. Furthermore, the body will, under its strategic function, be expected to work with stakeholders across the financial services industry, the devolved Administrations and the public and voluntary sectors to share and pool research evidence and knowledge among each other to inform the national strategy on financial capability.

Let us not forget that the whole purpose of this new body is to improve the financial capability of the public, through both its delivery and strategic functions. In order to deliver its objectives and functions effectively, this body, like any other delivery organisation, will need to conduct research to understand the issues it is addressing, test and learn new approaches to determine what works and continuously improve the services it is providing. I would find it hard to believe that this body would not conduct research on the very issues that the noble Lord has raised. The question here is not whether the body should conduct research on this and other matters—the Government are clear that, of course, it should. The question is, is it necessary to have it defined in primary legislation?

There are several topics that the body may wish to look into, but I am concerned that specifying just one could risk limiting its ability to look widely and strategically at issues across the whole sector. It must also have regard to emerging issues in the future. Amendment 40 seeks to provide a definition of the unmanageable debt levels that the body would be tasked with researching under Amendment 26. The noble Lord’s amendment undoubtedly highlights some of the key characteristics displayed by those who are struggling with their finances, such as being able to make only minimum repayments on outstanding credit commitments, difficulty in paying for essentials and a reliance on credit. The question here is not whether the Government agree with this definition; it is about whether this should be defined in legislation. As I have already explained, the Government believe that the new body should have the ability to choose the specific topics it researches in relation to its functions, and that these should not be specified in legislation.

Should the new body choose to research the causes and effect of unmanageable debt, it should also have the ability to define what it is researching. Although I understand the intention behind the definition suggested in the noble Lord’s amendment, defining unmanageable debt in legislation could unintentionally limit the scope of the body’s research. It is envisaged that the body will continue to support the aim of reducing problem debt, and this is clear in Clause 2(7)(b), which states that part of the strategic function is to improve,

“the ability of members of the public to manage debt”.

As I have said, the Money Advice Service and others already conduct significant amounts of research into the causes of overindebtedness. They are doing a great deal of work at the moment on how to support the aim of reducing problem debt in the first place. Indeed, I had an extensive discussion about how to do this in a much more strategic way; I think it was the chair of MAS who said that if someone falls off their horse, it is not just a case of looking at how they get back on it; it is how they learn to ride. It is about people’s whole approach, from an early age, to managing their finances. We envisage that the fantastic work the organisation is carrying out in research will be transferred and will extend and continue through to the new body, so I cannot quite accept the premise of the question asked by the noble Lord, Lord Sharkey, that if the money is not spent on research, how is the budget assessed. If that were the case, it would go to the core issue of whether the body is functioning: a crucial part of its function is to ensure that the body is looking at and thinking about how to improve people’s ability to manage their finances through life.

I know that a particular focus of research at the moment is to do with people’s attitudes; not just how they manage their debt in the short term, but their whole attitude to money and how they manage it going forward. I have various pamphlets here and I found it incredibly encouraging to learn about what we are doing for young children, going through to the elderly. Of course, as always there is lots more to do but the whole tenor of my response is that we should not restrain or constrain this body by tying it down,

[BARONESS BUSCOMBE]

by listing or being too prescriptive in primary legislation. I hope that, after considering the points I have raised, the noble Lord will withdraw the amendment.

Lord McKenzie of Luton: My Lords, I thank the Minister for that sympathetic reply and for the detail contained in it. The thing I am struggling to understand is why, simply because the Government have particularised an approach in the Bill, that precludes any other approach to research or indeed any other type of debt to be the subject of that research. But this is probably not the time to pursue that in great detail. I simply do not see why the amendment cannot be accepted without impairing the argument the Minister has made for how she sees research and the importance of it. Unless she wants to say anything more, I beg leave to withdraw the amendment.

Amendment 26 withdrawn.

Amendment 27

Moved by Baroness Drake

27: Clause 2, page 2, line 38, at end insert—

“() to improve the ability of members of the public to plan for and address sudden variations in income.”

Baroness Drake: My Lords, Amendment 27 adds an objective for the new guidance body,

“to improve the ability of members of the public to plan for and address sudden variations in income”.

Clause 2 sets out that the new body’s money guidance function is to provide,

“information and guidance ... to enhance people’s ... ability to manage their own financial affairs”.

but the effective exercising of that function must involve improving people’s ability to manage income shock and strengthening households’ financial resilience. Improving resilience includes assisting households both to manage better once in the grip of a financial crisis or debt and to anticipate and protect against financial crisis or shock through a savings buffer, insurance buffer or some other means. Prevention and cure for households in financial difficulty are both within the remit of the financial guidance body and both require attention.

Evidence of weakening financial resilience within the UK population is abundant. Eight out of 10 people have little or no savings to pay an unexpected bill of £300. The Money Advice Service’s *Milestones & Millstones* report in 2015 showed that 3.3 million people face an income shock each year. The work, health and disability Green Paper, *Improving Lives*, reveals that each year almost 2 million people suffer a prolonged sickness absence from work caused by cancer, accident or other major illness, which usually leads to a sudden and significant fall in household income; and 1 million experience divorce, separation or death of a partner, again, often leading to a substantial fall in household income.

Many people lack the financial resilience to weather such a storm and consequently any children they have will also be bruised and buffeted. According to the

Children’s Society, financial shocks leading to problem debt have a significant impact on children’s well-being, with many struggling with school and suffering anxiety or depression as a result of enforcement action by creditors. A recent report by Aviva, *Protecting Our Families*, suggests that three in 10 UK adults have seen their finances hit as a result of temporary or permanent leave from work due to ill health, a cancer diagnosis or death within the family; 31% of adults took forced leave from work, of which 77%—12 million people—saw their income drop by an average of 24%. The Aviva report also reveals that 27% of parents with dependent children have suffered a health crisis, with 91% of these suffering financially. They are quite stark figures. I was quite surprised at the volume when I started to drill down into this.

At Second Reading we heard from the noble Lord, Lord Holmes of Richmond, that by 2020 50% of us will have had or will experience a cancer episode in our lifetime, yet only one in 10 will tell their bank or building society that they have a cancer diagnosis. The noble Lord recounted the experience of John—mid-40s, mortgage, diagnosis of cancer—who can get no engagement from the financial services providers to help him manage through this financial crisis. This experience is consistent with the FCA’s observation in its Occasional Paper 17, *Access to Financial Services in the UK*, which specifically identified the poor access, particularly to insurance, that people who have experienced serious illness suffer. It cites the statistic that 2.5 million people living with and after cancer—forecast to rise to 4 million by 2030—would find themselves in the non-standard category for a financial services “imperfect customer”. It went on to define what that meant but I think the House is quite capable of determining what a phrase like that means. Lynda Thomas, chief executive of Macmillan Cancer Support, observed:

“Every day, I see people, and I hear of people, whose finances have been really badly hit because of their cancer diagnosis. What our frontline experience shows us is that people affected by cancer find it really, really difficult to access ... all insurance products”.

6.15 pm

So many people do not have a savings or insurance buffer or other back-up. Just over one in four have savings sufficient to cover three months’ loss of earnings. State benefits help but they cannot fill the gap. Housing payments are often restricted and other regular outgoings, such as debt payments, are not covered. In the south of England there are now many towns and cities where housing benefit will not cover the rent of any private property. Three out of four private sector workers now either work for an SME—a small or medium-sized enterprise—or are self-employed so they may lack access to the more generous employer-provided help when illness or bereavement hit. Means-tested benefits provide only limited support for housing costs, with a cap on the amount payable for rent; owner-occupiers get no help with mortgage interest for the first nine months, and imminent changes mean that any help after that will be only a loan. The social security system does not yet fully address the significant changes in the labour market or the lack of support from the financial service providers.

Less job security in the market and lack of financial resilience in dealing with life events can lead to serious financial hardship and further health problems, debt, employment problems and demands on the health service. Again, the MAS financial capability survey reveals how a significant proportion of the population is not prepared for a rainy day or life event. Research by bodies such as the CII and Which? suggests that few people—perhaps as few as one in five—pay significant attention to protecting their income when unable to work, yet the consequences of failing to plan for such income shocks can be severe and long-lasting, often contributing to problem debt. Income shocks and their consequences can hit those who thought they were in a steady job with a steady income.

The new body should engage with the need to plan for such shocks and signpost products, services, information and tools to help the public understand the risk, how to plan for it and how to cope with it when it happens. It could identify the ways in which financial services markets could make a greater contribution to assisting households to manage income shocks, an issue which the FCA has recently highlighted as a problem. As the noble Lord, Lord Holmes, explained so clearly at Second Reading, the market can show little engagement or duty of care when people are at their most vulnerable. Improving the ability of people to plan for and address income shocks is an important part of building financial resilience. The new guidance body can assist in improving the ability of members of the public to plan for and address such variations in income. I beg to move.

Lord Sharkey: My Lords, I shall speak to Amendment 27A in this group. This amendment makes a very small change to Clause 2(8)(b), which sets out the objectives of the SFGB. The second objective currently reads,

“to support the provision of information, guidance and advice in areas where it is lacking”.

We agree with this objective, but we feel that it does not go far enough. It is good to support the provision of information, guidance and advice, but it is surely better also to support the use of this information, guidance and advice. Provision is necessary, but it is not sufficient. Provision without use risks wasting time, money, effort and opportunity. This amendment reworks that paragraph by adding “and use”, so that it would read: “to support the provision and use of information, guidance and advice in areas where it is lacking”.

I can illustrate the point by talking briefly about Pension Wise. The service provided by Pension Wise is excellent: 94% of users said they were likely to recommend the service to others; 91% were either very or fairly satisfied by their experience; and 85% said that Pension Wise helped to improve their understanding a great deal or a fair amount. But the problem is that the level of take-up of this excellent service is very low. Research published in June by the Treasury and the FCA suggested that just 7% of eligible pension savers planning to retire in the next two years received guidance from Pension Wise.

Low take-up, both of public and private advice and guidance, would not necessarily be a cause for concern if UK pension savers were generally engaged and well-informed, but they are not—the opposite is the case. Financial capability in the UK, as we have been hearing this afternoon and this evening, is poor. The *Financial Advice Market Review* baseline report found that just 27% described themselves as capable of sorting out their own finances, and 34% of those who had purchased a financial product later regretted the decision.

Specifically, there is a problem with the levels of knowledge and awareness about pensions and retirement. The International Longevity Centre UK, under the aegis of the noble Baroness, Lady Greengross, who is not in her place at the moment, has published extensive research on consumers’ understanding of retirement planning. In 2015, only half of those with a DC pension said that they understood, either quite well or very well, what an annuity is. Only 3% said they understood what income draw-down was.

There is not just a lack of understanding; there are also dangerous misunderstandings. July’s PLSA survey found that over half of DC pension savers incorrectly believed draw-down products offered a guaranteed income in retirement. Perhaps worse, 25% believed draw-down carried no investment risk at all. This illustrates that the need for guidance and advice is clear. More accurately, the need for people actually to use guidance and advice is clear and pressing.

This is the problem that Amendment 27A sets out to address. The amendment requires the SFGB to have the objective of promoting the use of guidance and advice, not just the provision of guidance and advice. This is a simple but vital change, and I hope the Minister will be able to agree to it.

Lord Stevenson of Balmacara: My Lords, I support the amendments in the names of my noble friend Lady Drake and the noble Lord, Lord Sharkey. The noble Lord’s rather graphic descriptions make it very clear that there is a bit of a problem here in terms of how one ensures that any body—not just the new body we are talking about today—is able to get someone to do something which they clearly are not willing to do, and how to engage with, and learn from, the experience of taking out the loans, or preparing for the retirements which they are going to encounter later in their lives. I suspect that the Government will come back and say that, while the wording is admirable and something that they could support, they are not quite sure how it could ever be measured, or whether “use” is in fact the right term here, because getting people to the point where they recognise that they have a problem is not the same as getting them to do anything about it.

When I was working at the StepChange Debt Charity, one theme that we developed in my time there was that there was a sense in which those who had responsibility for activity in this area relied on generic, rather than specific, advertising or advocacy of another form. We took the view that was not where action was likely to be most profitable. What worked was this: when you had someone going through a really serious incident, sad and difficult though that was, the learning that took place as a result of that process was so incredible

[LORD STEVENSON OF BALMACARA]

and so obvious that it was almost worth going through the process. We all have similar experiences with our own friends and family. It is only when reality sinks in, that the credit card bills do not get magically paid by themselves and that the bank is not going to continue to provide the money-tree support that it has done in the past, that you have to learn how the world actually works and what you are going to do about it. I wish the noble Lord, Lord Sharkey, well with his amendment, but I think it probably needs a bit more work before we have got the right balance between knowledge and understanding, in terms of information, guidance and advice, and the practical learning that can come from actually operating in that world.

On my noble friend Lady Drake's amendment, which we definitely support, in some senses our debates this evening have run the slight danger of demonising debt as a feature of our society today, whereas most of us need to borrow money at some points in our lives. For many people, it is an affordable way to make large purchases or to balance competing financial priorities. The problem is when one does not plan for or anticipate, but then experiences, unexpected events. We have had examples given, and the numbers or statistics are incredible. A recent report published a month or so ago gave two headline figures, which I will focus on rather than go into the detail. In Britain today, almost 2 million people a year suffer an illness of such length that they are absent from work such that, as a result, their income is reduced. That is a very large number of people. Another 2 million people experience job losses or loss of overtime or condition pay in other ways. In terms of the overall working population of about 23 million or 24 million, nearly 4 million—almost one-sixth—are affected by that. In a sense, it is not surprising that we are having problems in this area, and it is something that we need to think about.

On the question whether income shocks are sufficiently important to require changes to the Bill as currently drafted, it will be interesting to get a response. I think that this issue has had less attention than it needs, and the amendment plays back into the points made by my noble friend Lady Drake about the impact on other persons who would otherwise not be affected, such as young people, those in care and those who are dependent on those who are affected. The amendment also brings back all the points that we have been hearing about in terms of mental health, those who suffer from disability and vulnerability in other ways, and those who are preyed on by others who wish to make them do things that they do not want to do. It brings together a number of the issues we have been talking about this evening and focuses on the need to have some sort of balance and arrangement.

Finally, the amendment also picks up the point about whether the market could provide, if left on its own and not subject to any exert or constraint. With respect to the noble Lord the Minister—our aviator for this evening—I think he is being incredibly naive about this. The noble Baroness, Lady Kramer, is absolutely right. The competition imperative imposed on the FCA drives out the possibility that there is any agency around, not in central government, which could provide the changes that are necessary in order to provide

these services. Left to their own, financial services will never come up with that. Financial services, without any imperative to take into account a duty of care, or fiduciary duty as we call it, will never see it as their responsibility to bring forward the insurance, the payment protection and other issues that are so necessary to try and underpin not just the income shock issue but the broader issue as well. Therefore, to rely on a simple transparency and information flow as being the way to do that is just naive.

Take the example—I have used this before, but I make no apologies for doing so again—of the payday loans scandal that this House had so much to do with, with notable contributions from all sides of the House, including the most reverend Primate the Archbishop of Canterbury. We took the view that the existence of those who were offering payday loans was on such a scale that action needed to be taken. The Government initially resisted that completely, saying that what we needed was more transparency, but the final result was that action was taken. That action was based on what the FCA could do, and it is defective. What the FCA said to us, in essence, was that its vision of cleaning up the payday loans scandal was to create a fairer market in which there were fewer operators, but that they would operate efficiently at a reasonable profit margin and be well capitalised. At its best effort, at the end of the day that did not stop loans of more than 1,000% APR from populating this market. Recent research from the StepChange Debt Charity, which I had the honour to chair until a few years ago, shows that nearly 20% of people still rely on high-cost credit, including payday loans, to pay their basic end-of-month bills. This is outrageous, and I do not think that the market works to the benefit of consumers.

We will need to come back to a lot of the issues raised today by my noble friend Lady Drake and others, but it is really important that the Government get a grip on this.

6.30 pm

Baroness Buscombe: My Lords, perhaps I may address Amendment 27, in the name of the noble Baroness, Lady Drake, and Amendment 27A, in the name of the noble Lord, Lord Sharkey. The first of these amendments seeks to include an additional objective for the single financial guidance body, which is,

“to improve the ability of members of the public to plan for and address sudden variations in income”.

The second amendment would amend the body's second objective so that the body must support the provision “and use” of information, guidance and advice in areas where it is lacking.

I thank the noble Baroness and the noble Lord for their contributions on the important topic of financial capability during Second Reading, and during the first day of Committee before the summer break. For instance, I agree with the noble Baroness that many people in the UK need help with boosting their financial resilience. People need to know how to plan for and address sudden variations in income, and she gave a number of very pertinent examples.

The Money Advice Service is involved in some important work in this area. In developing its financial capability strategy, MAS supports the work of a wide

range of organisations across the public, private and voluntary sectors. As I have said, the strategy looks to address not just people's skills and knowledge around money management but the attitudes and motivations that can hold them back. As I stressed on a previous amendment, I believe that that is truly important in this exercise.

To take an example, some of MAS's "What Works" projects targeting young adults are focused on helping them adjust to the income shocks and financial implications brought about by the life transitions they experience, as they move between welfare and work and/or further and higher education. For example, MAS is funding a project with The Mix, a leading national digital youth agency and helpline, to explore how we can engage young adults with money guidance as they make such life transitions between post-school education and the labour market. MAS's research shows that this work is vital. Almost one-third of UK adults have experienced a serious financial shock in the past five years, such as losing their job or being unable to work due to injury.

The noble Baroness, Lady Drake, specifically referenced cancer. In line with its objectives to focus its efforts on the most in need, the body should, as part of its money guidance function, provide support for those who fall into financial difficulty as a result of cancer. More broadly, as part of its objective to increase the financial capability of members of the public, the body should help to build individuals' ability to deal with such income shocks.

We also know that there is a gap between the number of people experiencing unexpected events and those who have a plan in place to safeguard their finances. Research, again by the Money Advice Service, shows that three-quarters of households receive an unexpected bill every year but that 26% of working-age adults have no savings to fall back on, while a further 29% have less than £1,000 saved. That is why we have provided that the new body should have the money guidance function, giving it a duty to provide information and guidance designed to enhance people's understanding and knowledge of financial matters, and their ability to manage their own financial affairs. The Government would therefore expect that the duty proposed by the noble Baroness's amendment—

"to improve the ability of members of the public to plan for and address sudden variations in income"—

would inherently be addressed by the money guidance function.

The MAS research that I previously referenced is a clear example of the type of work that the new body would be expected to carry out under its money guidance function. Clearly, enhancing people's understanding and knowledge of financial matters must include both expected events, such as retirement, and the more unexpected, negative income shocks caused by events such as a job loss. This also includes financial education initiatives aimed at children.

In the same vein, I reassure the noble Lord, Lord Sharkey, that the body will support members of the public to use information, guidance and advice under its current statutory functions and objectives. This is because the ability to use information, guidance and

advice is at the heart of building financial capability and, therefore, already provided for within the body's statutory objectives. To be more specific, the provision of help to support members of the public use information is implicit in the money guidance function and the body's first objective, both of which are designed to enhance people's understanding of financial matters and their ability to manage financial affairs generally. My view is that the objectives set out in the Bill, alongside the money guidance function and the strategic function, already allow the body to support people so that they are better able to deal with income shocks and to use information, guidance and advice.

Given a number of things that noble Lords have said this evening, it is important to add to this debate some of the initiatives that the Government themselves, and government creditors, have in the support systems that are in place for those struggling to repay their debts. We have to look at this in the round, and departments have taken steps to ensure that they collect debt in a responsible way. For example, HMRC can put what we call a time to pay arrangement—TTP—in place, which enables a debtor to pay the debt in affordable instalments over time. These arrangements are entered into on a case-by-case basis and tailored to the ability of the customer to pay, taking into account their circumstances.

As another example, the Department for Work and Pensions will always look to introduce a sustainable repayment plan that is bespoke to the individual's circumstances. Its existing approach includes the provision of breaks in debt repayments or reductions in the rate of repayment for individuals who are experiencing hardship. There are a number of other examples, but as a final one the DWP has also established personal budgeting support for universal credit, which aims to prepare all claimants for the financial changes that universal credit brings. The need for budgeting support is assessed for all claimants at the start of the claim and support can be requested at any time. I include these initiatives at this stage because it is important to recognise that we are creating a framework for this body to work within and develop, using its skills and expertise.

We are grateful for these debates because to have noble Lords stress, and explain in *Hansard*, their concerns with regard to the kind of work that this body should undertake will, I am sure, be enormously helpful in the development of its strategic functions. On that basis, I hope that the noble Baroness, having heard this explanation, will withdraw her amendment.

Baroness Drake: I thank the Minister for her sympathetic reply. Sadly, the path of life does not always run smoothly. Illness, bereavement, divorce and unemployment can intervene and be quite devastating in their impact. The market can be very reluctant to deal with people in those vulnerable situations. This is something that the FCA observed in its recent paper on access to financial services. It recognised that its remit does not allow it alone to deal with this situation in the market, for the very reasons that the noble Baroness, Lady Kramer, observed, and that addressing these issues needs a wider approach.

[BARONESS DRAKE]

The main purpose of my amendment was to highlight the need for the guidance function to help people address the need to plan ahead and anticipate the preventive approach as much as the curative approach. I thank the Minister for her reply, and I beg leave to withdraw the amendment.

Amendment 27 withdrawn.

Amendments 27A to 30 not moved.

Amendment 31

Moved by Lord Stevenson of Balmacara

31: Clause 2, page 2, line 44, after “organisations” insert “and prioritising the allocation of resources to front line advice and guidance delivery”

Lord Stevenson of Balmacara: My Lords, I can be relatively brief because I have heard both noble Lords who have spoken for the Government express their concern that in some of the amendments we have already discussed, we are overloading the new body to such an extent that it will become diverted from its main purpose. This amendment is in that vein, so I am sure it will commend itself. Indeed, it may be our first hint that the Government are listening and willing to work with us on these matters—we have not had much success until now—to ensure that resources available not just as a result of efficiency savings, but because of a conscious decision on behalf of the management of the new body, mean that front-line activities and services are what counts. In recent years, some of the work of MAS in its current and previous incarnations, has been criticised, however unjustifiably, in that the money was not spent well.

Before I finish what I promise will be a very short speech, I wish to flag up that we have not really had a chance, so far, to discuss in any detail the implications of the new financing arrangements for the new body which are embedded in the Bill. At this stage, I do not think we have a particular concern that would be addressed by an amendment, but I hope that at some point, at the Dispatch Box or perhaps by letter, we could have some information on the Government’s assessment of the changes being made. Noble Lords will be aware that the Bill changes the fundamental arrangements under which the current MAS is funded. At present, MAS is an independent body which is related to the FCA, to the extent that its business plan is reviewed—I am summarising to make the point—and the funding required for the year is agreed; it is then levied directly from the companies in scope to the FCA and passed directly from the FCA to MAS. In future, the Treasury will inform the FCA of the moneys it judges will be required by the single financial guidance body. The FCA will raise a levy on the companies under the present arrangements, but that money will not go to the new financial body directly but back to the Treasury, which will adjust the DWP’s baseline RAB grant for the year in order to allow it to make a grant to the single financial guidance body. That raises all sort of questions about why the Government decided

to do this. We had an offline discussion about this but we did not get satisfactory answers, so I would like this detail.

I speculate—I know it is wrong to do so in the circumstances of this debate—and I worry about the implications of things such as Barnett. Since this is now a tax on financial companies being paid into the Consolidated Fund, then being paid across to DWP, in effect, and then being issued to a non-departmental body, we are talking about public expenditure to be recorded in the books as such, and there will be requirements in the national regions for their funding to be increased pro rata. I wonder about that. Is it really the most efficient way of doing this? I am sure there will be an argument on that.

My worry is that companies will be concerned that the funding they are used to paying to the FCA will be added to by what is in effect a tax on business. There is an issue about how that is managed in making sure that information gets out correctly. For those who are currently funded by those very same companies by direct application or through some system such as the fair share agreement, there is obviously a worry that the new funding mechanisms will impose an additional strain on companies that might not wish to continue to fund at the present level. I am sure there are good reasons why the Government have decided to go down this route, but I do not think I have heard them properly and I would be grateful if today or in the near future we can get some information on that. I am speaking from the perspective of my former chairmanship of StepChange, but this affects other bodies such as Citizens Advice, the Money Advice Trust and Christians Against Poverty. As a result of the Barnett implications, the situations in Scotland and Northern Ireland are going to be considerably more complex than is set out in the Bill.

6.45 pm

Having looked at the general financial arrangements, the focus of this amendment is to change the wording of the Bill to make it explicit that the objective is to direct as much funding as possible to front-line advice and guidance, which will be free at the point of use. This issue was raised by the Treasury Select Committee in 2013, and there is a good case for the Government’s giving the amendment serious consideration. I beg to move.

Baroness Buscombe: My Lords, I shall cut straight to the quick, as they say, with the noble Lord, Lord Stevenson, and say that I will be very happy to discuss the issue of expenditure in detail. It is covered in Clauses 8 to 10, which I think we will be covering on day three in Committee. That said, I want to address this amendment in full and in so doing will be touching on the issue of expenditure, in broad terms, in the provision of services and so on.

I thank the noble Lord for tabling this amendment. Amendment 31 proposes that, as part of its objective to ensure that information, guidance and advice be provided in the clearest and most cost-effective way, the single financial guidance body prioritise the allocation of its resources to front-line delivery services. As the

noble Lord noted at Second Reading, we need to learn lessons from our experience when the Money Advice Service was set up. One of those lessons is to ensure that this body has a clear focus on front-line services and that delivery of those services should be its priority. The legislation places a duty on the body to have regard to a range of objectives in exercising its functions. The objectives as they stand collectively prioritise the body's activities on meeting customer needs and working collaboratively with other financial guidance and debt advice providers to meet those needs.

In restructuring the public financial guidance landscape and creating the single financial guidance body, the Government want to provide a more joined-up, customer-focused approach to the delivery of public financial guidance. In the Government's response to the consultation on creating a single financial guidance body, we were clear that:

"By rationalising the provision of services, the government expects there to be long term operational efficiencies that will mean more funding can be channelled to front line delivery of debt advice, money and pensions guidance".

The new body will need to harness the opportunities created by bringing the three existing services together and be innovative about how resources generated by rationalisation can be utilised to best effect in delivering better services to the public.

We do not want the body to spend unwarranted sums on, for example, untargeted marketing. The Government were clear on this in our consultation response. Instead, we want the body to link up with industry, the voluntary and public sectors and the devolved authorities to promote its services in a targeted and value-for-money way.

However, this does not mean that the single financial guidance body should not look to devote resources to investing in other activities where to do so would be in the interests of its customers. For example, in discussing previous amendments, we have already been talking about investing in research that builds an evidence base on matters such as what type of front-line interventions have the highest impact for customers. This sort of activity will help the body design and target its front-line services more effectively.

We want the body to keep pace with developments in people's financial guidance and debt advice needs. We want it to evolve and adapt in line with technological advances, so that its services continuously improve. I do not think any of us want the body to stagnate and fail to deliver what people need. Requiring the body to prioritise its allocation of resources to front-line services could do that.

Clause 2 sets a framework within which we want the single financial guidance body to use its expertise, skills and knowledge and to have the flexibility to design its services so that they meet the financial guidance needs of UK citizens now and in the future. We should also remember that the body has a strategic function to work with others to support and co-ordinate the development of a national strategy that will aim to improve the financial capability of members of the public, their ability to manage debt and the provision of financial education to children and young people.

This is not a front-line delivery service, but it is a critical function, and the body will need to allocate resources to it. The strategic function of the body will bring together the body, the financial services industry, the public and voluntary sectors, and the devolved authorities to develop joined-up plans and activities that are more likely to deliver improvements in financial capability than activities undertaken by each party individually. I hope the noble Lord, Lord Kirkwood, heard what I just said. We very much take on board that it is really important that we involve, as far as we can, devolved authorities in this and work with them. Debt advice is separate, of course, but it is very important that we all work together on guidance, for example.

I do understand the concerns of the noble Lord, Lord Stevenson. It will be important that the governance and accountability arrangements for the body are transparent and robust. It is important to keep in the forefront of our minds that, as a statutory non-departmental public body, it will be accountable to Parliament for its activities, and the Department for Work and Pensions will be the sponsoring department.

Key elements of the body's accountability and governance arrangements are set out in the Bill, including the requirement to prepare a statement of accounts in respect of each financial year, which must be laid before Parliament. It must also inform Parliament of its activities and expenditure through an annual report that must be published. Here, I reference the question previously posed by the noble Lord, Lord Sharkey, about what happens if certain money is not spent. This should all become clear in its annual report.

The relationship between the single financial guidance body and the Department for Work and Pensions will be set out in a published framework document that will follow the principles in the Cabinet Office's *Partnerships between Departments and Arm's-Length Bodies: Code of Good Practice* and Her Majesty's Treasury's *Managing Public Money*. The framework document will also provide further details of the governance arrangements under which the body will operate, including requirements for preparing, securing approval for and publishing its corporate and annual business plans.

The single financial guidance body will deliver guidance which supports the policy of both Her Majesty's Treasury and the Department for Work and Pensions. Although the Department for Work and Pensions will be the sponsor department, both the DWP and Her Majesty's Treasury have responsibility for ensuring the body receives the support it needs to deliver its statutory functions in an effective and efficient manner that meets the needs of citizens.

As I said at the beginning of this debate, we will go into further detail on the funding at a later stage of Committee. On that basis, I urge the noble Lord, Lord Stevenson, to withdraw his amendment.

Lord Stevenson of Balmacara: I thank the Minister very much for that full and considered response. I look forward to the discussion and wait to be enlightened as to the intricacies of international and national

[LORD STEVENSON OF BALMACARA]
funding across the various parts of the United Kingdom that will come together to cement the changes that have been made.

On the broader question about efficiency and effectiveness and the objectives, can I just check one point? A simple nod will suffice. Given that the body is likely to be judged to be an NDPB—because that is an objective test after the body has been set up, not something that one can assert beforehand—and given the nature of its relationship to its sponsoring department, will it in fact both be audited by and subject to periodic review by the National Audit Office? I did not get a nod—maybe we will need more information. But I get the sense that that is correct, and will be happy with a later response on that.

At some point we might also have a discussion about the role of Parliament in this, which would be helpful. Clearly, the PAC will look very closely at the NAO, but it is often necessary to make sure that the DWP Select Committee is also engaged, because Parliament's role is most effective, as already referred to, through committee work. With that, I beg leave to withdraw the amendment.

Amendment 31 withdrawn.

Amendment 32 not moved.

Amendment 33

Moved by Lord Stevenson of Balmacara

33: Clause 2, page 3, line 5, at end insert—

“() The single financial guidance body should seek to ensure that all communications with individual members of the public about their services are clear as to whether they are receiving advice or guidance, as defined in this section.”

Lord Stevenson of Balmacara: My Lords, I will also speak to Amendments 34, 36 and 37. I am afraid this is quite a wide-ranging group, so I may have to put a little time into each of the amendments. We are pointing in slightly different directions here, but there is a common theme, so it is useful to have them together in one group.

We start with our old, standard question about what is advice and what is guidance. The Government are beginning to get themselves into rather bad habits here, if I might be so rude as to suggest that more thinking needs to be done. I am not sure whether other Members of the Committee will also have had the background note to all Peers on defining advice and guidance that I got at 3.46 pm this afternoon. I have not had time to look at it. It was circulated from the Government Whips' Office. It is quite helpful, and I have been reading it in the interstices of the debate today but, obviously not wishing to miss a word from either of the Ministers or from others participating, I have not been able to focus on it entirely. However, although I look forward to what the Minister may say in response, if I judge it correctly it repeats, in essence, the wording that she used at Second Reading and in earlier stages of Committee on the difference between

advice and guidance. I accept that that is probably as far as we are going to get on this, as it is a three-page document and has quite a lot of detail in it, but I am sure that others present—I am not looking at anyone in particular—might wish to come in on this point later, or indeed on later amendments.

I mention this because Amendment 33 is again probing the definitions of advice and guidance. There is not much point in going into this in any detail other than to say that we now have more information, which may allow us to get a little further down the line on this. If I am right, the advice now being given is that there are quasi-statutory and statutory definitions which will take us down the road of defining financial advice as an activity that involves a personal recommendation to an individual about a particular course of action, rather than the provision of information about a range of options that may be available to them; and that guidance is generally understood to be any service to support clients making investments that is not advice. That presumably needs to be interpreted for the wider range, with an additional comment on what the definition of debt advice is, which is different to the guidance functions delivered and involves activity specifically regulated by the FCA. I will use those as the basis for the further remarks I will make tonight.

Amendment 34 would ensure that if a member of the public comes to the new body seeking advice from two or more different functions of the body, they will be able to access it if needed, as opposed to only one function. The intention here is that catching someone as they come into the system means that they stay in the system until the advice or guidance that they want is resolved. I think we all agree that that is important, but it is more obvious in the breach than in the observance. The technology has not always been as good at picking up as we might wish.

The word that is often used in these circumstances is “hot-keying”; in other words, once you have someone on the phone or through a computer system who is engaging with you in the process of trying to resolve their problem regarding any one of the issues that have been dealt with by the SFGB, you do not lose them until you are at least in progress or on a programme—that is, you are informing them or if possible, if it requires more than that, making sure that they stick with it until such time as it is resolved. The amendment is meant to strengthen the arrangements to ensure that we get to the point where we have a seamless approach, however many bodies are involved and however many different operations are required to provide the information, advice and guidance sought.

7 pm

Amendment 36 would require the single financial body to work collaboratively with other relevant organisations. Again, this is probably motherhood and apple pie, but the issue here is to ensure that this is given more prominence in the setting up, governance and structures that we have than it appears to be in the Bill. It is not because of any particular suspicion nor because there is a particular concern, because much has been said that we accept to suggest that this is the way in which it is working, but it is not something that

can be understressed. This is particularly true in the debt space but it is true in other areas. There are existing bodies of great substance, with long histories, that work well in the areas that they have done and could well be co-ordinated, directed and led in a way that might be improving for the system as a whole, and no one is against that. The idea that this will be done by one body and two others is not the mode that we are trying to address here. We want a collaborative approach, and we think that changing the wording slightly might help. I wait to hear how Ministers respond to that.

Amendment 37 is slightly different. It points to another issue that has come up, which the noble Lord, Lord Kirkwood, has mentioned: what exactly the relationship is between the SFGB and the bodies that operate either through the Government in Scotland, as happens, or in agencies supported by the assemblies in Wales and—when it is working—Northern Ireland. We need to be given a little more detail than is in the Bill. It is fine to say that the responsibility lies with the SFGB, when formed, to work with those organisations in the national regions, but that does not appear to point in quite the same direction as creating a national structure that serves all citizens even though the way it is done is different wherever they happen to live. The Scottish Government have played a distinguished role in setting up, supporting and developing ideas around this space, particularly the debt space, but they also deal with all problems that people have. There was substantial buy-in from local government and from other areas in Scotland, which is to be commended. It is a bit sad that that has been reduced in recent years. Independent bodies have been set up, many of which are charities and are well regulated by the Scottish Charity Regulator, that deal with the day-to-day operations, and it would be rather annoying—to put it mildly—if the good intentions displayed in the Bill were in any way to disrupt the arrangements up there.

That has particular resonance when we look at the question of the breathing space, which we have referred to on a number of occasions and to which I hope we will return on Report. It is clear that the breathing space arrangements made in Scotland work well. A way has been developed of engaging with those creditors who operate north of the border that is to their satisfaction as well as that of the consumers, and is run efficiently and effectively by Accountant in Bankruptcy, based in Kilwinning in Scotland. We argue—we have been resisted so far but we hope to overturn this at later stages if we cannot persuade the Government otherwise—that this breathing space is now ready and mature and should be brought down and immediately implemented here. We look forward to further discussions on that. If that is the case, that cements even more the requirement to think carefully about the relationship between the SFGB and the bodies that operate in Scotland, Wales and Northern Ireland.

We focus on Scotland because Scotland has an advanced way of dealing with these issues. The situation in Wales is different, not because of any practical arrangements but simply because—this is my personal view, although it would be interesting to hear comments from others on it—the intellectual underpinning there

borrowed more from a more holistic view of deprivation and vulnerability than we see even in Scotland, and certainly in England. A much more holistic approach is easier in a smaller country such as Wales. It involves, almost without exception—without any comment or criticism—a much closer relationship with issues such as housing than you would find in other territories. That is something that we have not really dealt with here but I might commend to those who are looking at this body as to how it might think again about that. Indeed, we have an amendment coming up shortly that might pave the way for further discussion on that issue.

The situation in Northern Ireland is different again. The Government there are much more active, although obviously in the present situation I am not quite sure who is running things. The arrangements there, although very similar on the ground, are completely different in terms of the bodies involved. Again, we need to respect both how that operates and the way in which it might influence future decisions. I hope very much that the current phrasing of the Bill does not prevent good and constructive engagement with those bodies and organisations in Northern Ireland, Wales and Scotland doing good and productive work that is not necessarily in the same model developed in England.

While in Northern Ireland, I will also just look south. Obviously we are heading into territory that was well covered yesterday evening, for those of us who were able to listen to the very good debate on the Brexit issues for Ireland. I mention it only because it is increasingly observable in Ireland that there is a movement together of the systems that operate north and south of the border. It is not a hard border at the moment, and long may that remain the case. It is permeable in many different ways, and one of those is the banking and financial systems. It is very important that again we do not try to see this as a UK-only, or even England-only, problem that we need to solve by sitting around and discussing only the issues that come to us because they are close to us. There are different ways of doing things in Northern Ireland but they are not that far apart from what happens in the Republic in relation to the different ways in which people save and borrow. The big difference is credit unions, of which there is virtually no experience of any substance in England, although the situation is better in Scotland and probably less good in Wales. It is a very different mode of operating an activity. Lessons could be learned from that. I put that down simply as a marker of something that we need to think hard about as we go down this track.

Those are four rather different amendments. We may not resolve the one about advice and guidance today. We will want to come back to some of that, although it is helpful that we now at least have a statement from the Government, however late it was. We need to ensure that we always think hard about how we retain people who approach the system as a whole, and ensure that their problems are not compounded by having different functions doing different things. It probably needs more work than is possible through this amendment but it is a very important issue.

[LORD STEVENSON OF BALMACARA]

The need for collaboration has been the basis on which we have made progress in this area, along with the requirement to look carefully at how we operate in Scotland, Wales and Northern Ireland to ensure that we get the best out of the system for the good of the whole. I beg to move.

Baroness Altmann (Con): My Lords, I support the amendments. As a passenger behind my noble pilots, I thank the Minister for the helpful letter she sent to me about the issue of guidance versus advice. As the noble Lord, Lord Stevenson, rightly said, we seem to be back to this old chestnut, and I am very pleased that he has tabled his amendment. Perhaps my noble friend has rather missed the point in so far as there is an important element of confusion among the public, which will extend over into the new body if we choose not to address it in the Bill, over what constitutes guidance and what constitutes advice, particularly in the context of debt. This also goes to the point made by the noble Baroness, Lady Kramer, about gaps as far as FCA coverage is concerned.

This financial guidance body is meant to offer holistic services—the point of Amendment 34 is, rightly, to suggest that if someone needs one element of the financial guidance body, they should be able to be passed straight to another to help them with their particular issues—but the new body sits in the middle of the confusion between the word “advice” and the word “guidance” as they apply elsewhere. In particular, the FCA, the department and the Government have not recognised that the existence of auto-enrolment fundamentally changes the position of individuals when they approach the new body. If someone needs advice on their debt, as defined in the current FCA regulations, it is impossible to take account of whether they should or should not opt out of a workplace pension. That is really important in helping people improve their financial circumstances and deal with their financial position.

I beg my noble friends on the Front Bench to take this opportunity to explore once again the issue of guidance versus advice from the point of view of individuals who need to use the service. It will be important for the new body to help people understand what service they will be getting when they come for help, but it is also important that whoever is helping the public has the best possible chance of ensuring that they will understand what is going on. If someone is trying to reschedule their debts and work out a repayment plan, which would be called debt advice, they may ask what they should do about their pension, but the person they are speaking to cannot tell them. That person can send them back to the pensions section, but they also cannot tell them whether to opt out, they will tell them that they need advice, and the person will say, “I have just had advice on my debts”, but they will say, “No, that is different from advice on your pension”. Over time, this will keep coming back and confuse the public.

I support Amendments 33 and 34, and think that we need to consider the matter in a wider context. I support the idea in Amendment 36 that we need to work collaboratively. The service must work with the

financial services industry, charities and the voluntary sector. Perhaps we should also consider asking the new body to work with employers. The more one considers the situation around the country, the more one sees that the workplace could be an ideal conduit to promote the service, not only to deliver financial education and debt management, in some cases, but to signpost people to the new service.

I am struck by some further figures which, if I may, I add to the debate this evening: 17 million working-age Britons have less than £100 in savings; debt has risen by 25% since 2014; 33% of employees say that debt worries impact on their work—so employers clearly have an interest in helping. Those figures come from a company called SalaryFinance, which helps employees consolidate and manage their debt more cheaply and is making strides as a social business working with employers. Finally, the Money and Mental Health Policy Institute states that people with debt problems are twice as likely to suffer from a major depression. Employers could well make good use of this financial guidance body and perhaps incorporate it into workplace intranets. For the self-employed, we could work with other networks and organisations to ensure that this body is promoted. That takes us back to Amendment 27A, tabled by the noble Lord, Lord Sharkey, to encourage people to use the service rather than just to ensure that it is available.

I support the amendments and hope that the Government will consider them carefully.

7.15 pm

Baroness Kramer: I will say just a sentence or two, because the noble Baroness, Lady Altmann, has put the case so well. I hope that the Government will take it away to consider it. One of the underlying flaws in the Bill is that it takes a Victorian view that there are people who have debts, who are struggling to deal with them, and others who have investments and need to work out how to maximise them. In this day and age, they are the same people dealing with, from their perspective, a single pot of money which they have in various places or have various issues with. If this is not cleared up in the Bill, the noble Baroness is exactly right to say that we undermine the benefits that the service can bring. It needs to be brought into the modern era. It is good to have a nice legal definition—I should like the MiFID definition, which is in the letter; that makes a great deal of sense—but, as the noble Baroness, Lady Altmann, put so clearly, that does not deal with the perspective of the consumer: where do they stand, what do they need and what on earth is this service providing?

Lord Kirkwood of Kirkhope: I did not intend to contribute to this debate, but it is a very important issue. The note, which I also received at 3.46 pm this afternoon via the Whips Office despatch, misses the important point about auto-enrolment. That is causing the most concern. The noble Baroness, Lady Altmann, clearly explained how that changes the circumstances. The Government need to continue to work on this. I am not an expert, but, speaking for myself, I would want to test this in the Division Lobby if they cannot

come up with a more rational response to the amendment of the noble Lord, Lord McKenzie, and the arguments of the noble Baroness, Lady Altmann.

Baroness Buscombe: My Lords, I thank all noble Lords for their contributions to this debate, particularly the noble Lord, Lord Stevenson, for introducing Amendments 33, 34, 36 and 37. Straightaway, I apologise that the all-Peers note arrived at only 3.40-something this afternoon.

Lord Stevenson of Balmacara: According to those with better intelligence than I in the use of electronic devices, it was actually circulated at 10 o'clock but, because it was circulated to our Whips Office, which took a dim view of it, it did not get around until 3.49 pm.

Baroness Buscombe: I am very grateful to the noble Lord, who has mitigated the situation. Even so, it is very last-minute, and let us put the blame at my door as the Minister responsible. It is important that we try to address this to the best of our ability.

I can assure all noble Lords that we have spent a considerable amount of time this summer, when perhaps I should have been on the beach, discussing this issue with different people in the industry along with MAS and TPAS. What I hear from consumers and those involved on a day-to-day basis is a very different tale from what I hear from noble Lords this evening. The public have the ability to understand the difference between advice and guidance, but we need to convince noble Lords of that—I appreciate that.

I thank noble Lords for the opportunity to clarify the important issues raised by these amendments. I begin by discussing Amendments 33 and 34, which concern guidance and advice; I will then move on to Amendments 36 and 37, which concern collaboration with the financial services industry and the devolved Administrations. Amendment 33 would add an objective for the body to ensure that at every stage of communicating with members of the public about its services, people are clear whether they are receiving guidance or advice. It will, of course, be important that members of the public are aware whether they are receiving financial guidance or financial advice. We discussed the distinction between guidance and advice in some depth in July, and I believe our conversation has highlighted the importance of clarity in this issue. Indeed, we have taken on board the points made by noble Lords, and I have had a number of meetings with officials, who have worked on a detailed information paper, which I hoped would be helpful.

In the meantime, I do not think that the amendment as drafted is appropriate or necessary. We fully appreciate the risk that members of the public may receive guidance, take it as advice and then go on to make financial decisions when they ought to seek further assistance. However, I can reassure noble Lords that there are already appropriate measures in place to mitigate that type of risk. In fact, I can quote the exact wording currently given to customers by the Pensions Advisory Service and Pension Wise on this matter. In the case of TPAS, clients who ring the helpline will hear a message

telling them that it does not provide regulated financial advice and that its service provides generic information and personalised guidance on occupational and private pension-related matters.

As Michelle Cracknell, the chief executive of TPAS, said to me:

“We give a simple disclosure: ‘We cannot tell you what to do’”. She also said that, as debt advice is defined as a regulated activity, it would be confusing to describe it as anything else in the Bill. She has made that point very strongly, as have others in the industry. When I was sitting with an incredibly experienced, thoughtful and helpful group of people working at TPAS, giving advice to people and working through their systems on the web and on the telephone, I was hugely impressed. They have not had one problem in 34 years with people being confused or complaining about thinking that they were receiving guidance when they were actually receiving advice. It has never been a problem. So we are getting a different story outside, with the user, and we must not underestimate the public, who have the ability to understand the difference between advice and guidance. The whole purpose of this body is to provide a more seamless customer journey so that people can obtain guidance and advice without there being a problem.

Baroness Altmann: I apologise to my noble friend for intervening, but this is a really important issue. The points she makes are absolutely correct and I do not disagree with them—and nor, I think, would noble Lords around the House—but they are beside the point. When we have a new body it is designed to be holistic. At the moment, Pension Wise deals with pensions, so people will not be confused, and the Money Advice Service, or debt advice, deals with debt. We are trying in this Bill, apparently, to bring everything under one roof. The big change that will not have been relevant over the past 30 years or so, is with auto-enrolment, when people come to the new, holistic single body with a debt problem and need someone to help them with their pension, but the person trying to rescale their debts cannot take that into account. It may well be that we have alighted on a problem that extends to the FCA and the regulatory system—that perhaps the FCA is not concerned enough, in the new environment whereby next year or the year after any worker earning more than £10,000 a year will be in a workplace pension, and debt advice needs to be able to consider the question of whether that person should opt out of the workplace pension. Currently, it cannot do so. It could do, but at the moment there is this regulatory hole.

Baroness Buscombe: I thank my noble friend for her intervention. Perhaps I am not making it clear that it is not necessarily one person who will be able to give guidance and advice in one session. The point, notwithstanding that it is becoming one body, is that we do not expect a situation in which someone receives all that information from one individual. When someone is in problem debt, for example, and worried about bailiffs, the initial outcome of the debt advice session has to be on stabilising the situation. That may be

[BARONESS BUSCOMBE]

followed with more in-depth support to understand the root causes of the debt problem and how to address them. It may involve bringing in people who have different types of expertise, depending on the person's needs. We do not expect that because it is one body—bringing three bodies together—it will necessarily be the same person in one session who gives advice and guidance. As I have learned this summer through visiting these bodies, different people have different kinds of expertise. We want it to be as seamless as possible and provide a more seamless customer journey, but it will not be perfect, given that advice is regulated and guidance is not. However, as there is time pressure on your Lordships' House, I shall take this issue away and talk again with my noble friend, and the noble Lord, Lord Stevenson, and others to see if we can find a solution to it.

As I was saying, in my experience of talking to those dealing with this matter on a day-to-day basis, they have every expectation that the new body will be able to cope perfectly well with the definitions as they are. As noble Lords will see from the note that we sent out this morning, there could be some serious confusion and regulatory issues if we changed definitions, so we have to take that into account as well. So it is a tough one.

These processes are robust, and we will ensure to the best of our ability that they are carried forward to the equivalent services offered by the new body. In fact, as I said, the Pensions Advisory Service has not received a complaint from a customer that he or she has received regulated advice. We have to make sure that processes are in place to protect consumers who might take guidance for advice in this new body. Those objectives are not specific requirements to do X, Y or Z, but broad, overarching principles and aims to which the body must have regard while exercising its functions. The objectives guide the body in the exercise of its functions; they should not provide a to-do list for the body.

Amendment 34 would alter the wording of the Bill to add a new objective that would require the new body to signpost appropriately to each of the body's functions if people need multiple kinds of help. As I have said, the Government agree with the intent behind this amendment. We recognise that members of the public will have overlapping issues which require a mix of advice and guidance relating to debt, money and pensions. The body will be well placed to deliver this seamless service, including through warm handovers and signposting to the different functions it offers. This will be central to ensuring that members of the public receive the personalised, holistic support they need. It is important to remember that one of the key aims of bringing together the functions of the Money Advice Service, the Pensions Advisory Service, and Pension Wise is to improve the co-ordination of these services.

However, while we agree with the sentiment of the amendment, I do not think that it is required. I have already explained the purpose of the statutory objectives and we expect the body to signpost members of the public to the most appropriate source of help in order to provide a joined-up and holistic service. Having met

some of these wonderfully skilled people who have many years of experience in the financial services industry and already operate in this sphere, I can only assume—because of their brilliant expertise and the way that they handle the public and the advice and guidance that they are able to offer—that they will achieve this. The current objectives enable the body to do just that. Indeed, for the reasons given, I believe that Amendment 34 is, with respect, rather narrow and inappropriate to include within the broader objectives specified within the primary legislation.

7.30 pm

I turn now to Amendment 36, which would expand on the final objective, in Clause 2(8)(e), to require the new body to work with the financial services industry, the charitable sector and the voluntary sector when exercising its pensions, money and debt functions. Once again, the Government agree with the sentiment behind this amendment. It will be vital for the new body to work with a range of parties when exercising its functions, and the Government are keen for it to work collaboratively with relevant stakeholders including the charitable sector to ensure that members of the public receive the help that they need. As the noble Lord, Lord Stevenson, said, it is very important that it is collaborative.

However, I do not believe that this amendment is necessary. The body will work with other organisations on a regular basis, and will not only consult with others on its annual business plan but will work through others when commissioning. In addition, the spirit behind the amendment is captured elsewhere in the Bill. In particular, the body's strategic function places a requirement on it to engage with the financial services industry and voluntary sectors. The aim of this function is to ensure that individual efforts to improve financial capability and tackle problem debt become more than the sum of their parts. The strategy will aim to better identify the issues that people face and where there are gaps in provision; to develop evidence-based solutions; and to ensure that the sector's resources are used in a co-ordinated and effective way.

Noble Lords have heard my response to Amendment 36 and I take this opportunity to explain why the Government have chosen to place a specific requirement on the body to work with the devolved authorities beyond the requirements of the strategic function. The devolved authorities will have their own priorities for their populations and, as such, it is necessary that the new body works with them to ensure that different services continue to fit together. It is for this reason that the objective in subsection (8)(e) places a requirement to work with Scottish Ministers, Welsh Ministers and the Department for Communities in Northern Ireland. As noble Lords know—and have said—responsibility for administration of funds for debt advice will lie in the hands of the devolved authorities when the body is operational. This is a deliberate departure from current practice and creates an opportunity for the devolved authorities to align debt advice provision with other locally administered guidance and advice services. The Department for Communities in Northern Ireland, for instance, currently delivers guidance on housing, mortgage debt advice and welfare reform, while the

Scottish Government were recently given responsibility for the delivery of consumer advice and advocacy relating to post, electricity, product standards and oil and gas.

Given the administrative change to the delivery of debt advice, we believe that it is especially important that the new body works closely with the devolved authorities in forthcoming years. Close collaboration will enable the exchange of knowledge and will help to ensure that information and examples of good practice are shared across England, Scotland, Wales and Northern Ireland. While there are differences across the nations, there are also similarities in the problems faced by members of the public when managing their finances and, as a result, many of the lessons that will be learned by the new body will therefore apply across the United Kingdom. It is for this reason that we have explicitly legislated to encourage a collaborative working relationship across the nations, placing an additional requirement in the new body's objectives beyond the strategic function.

I turn lastly to Amendment 37, which would require the Secretary of State to undertake periodic reviews of the single financial guidance body to determine its effectiveness in Scotland and Northern Ireland. I do not believe that this amendment is necessary. The body will provide a UK-wide service for pensions and money guidance on the basis of common objectives and standards. It will also liaise with the devolved authorities on the provision of debt advice. Like any other body providing services to the public, monitoring the effectiveness of its service wherever it is delivered will be a routine, good-governance activity. The body's board will want assurance that the services provided to the public are effective. The effectiveness of its services will be integral to the assessment of the body's performance. As part of its regular accountability reviews with the chief executive, the DWP will require the body to provide assessments against key performance indicators, including how effective its services are in different regions of the UK. Following the end of the financial year, the body will produce an annual report which will cover the body's activities in relation to its functions. The annual report will be laid in Parliament. I believe that the arrangements I have outlined will provide robust mechanisms for understanding the effectiveness of the body in meeting its objectives throughout the UK.

I thank the noble Lord, Lord Stevenson, for these amendments and all noble Lords, particularly my noble friend, for their contributions to this debate. I hope that I have been clear that, while I understand the intention behind these amendments, the Government's position is that they are unnecessary and may be overly prescriptive to enshrine in primary legislation. As such, I urge the noble Lord not to press Amendments 34, 36 and 37—I mean 33, 34, 36 and 37.

Lord Stevenson of Balmacara: I am very grateful to the noble Baroness, Lady Altmann, and the noble Lord, Lord Kirkwood, for their support and for opening up the debate, in particular on Amendment 33. I thought that the Minister made a bit of a Freudian slip there, because she wanted me not to press Amendments 34, 36 and 37 and then realised that she should have

included Amendment 33. In fact, I do not think that is what she meant—she means that we need a further discussion on this.

There is a really important issue that we want to sort out. The current regulatory phraseology may fit the legal requirements of the current situation but, as the noble Baroness, Lady Altmann, said, the game's a bogey—that is a Scottish expression. It is no longer as it was; we are in a different world now with auto-enrolment and all the ways in which technologies are coming forward. Fintech is the word on everybody's lips in the sector. We need to think harder about future-proofing the current legislation. At its heart, sadly, this problem is probably of the Government's own making. Had they decided to stick with the two-body solution, we would probably not have had this problem, because we could then have had different regulatory structures for debt and for pensions or other activities. Because they have been bolted together, however, the issue is not going to go away.

If we are to have an integrated, warm-key, hot-key, all-singing, all-dancing issue, we need to face up to it and be very clear about it. It may be true that the people the Minister talked to did not have difficulties with this, but I can tell her that, out there in the country, people do not follow you when you start talking about regulated and non-regulated advice. In the regulated pensions area, if it is possible that regulated pensions advisers cannot tell people what to do, but it is also possible that regulated debt advisers can tell them what to do—it happens—then we have a problem and we need to resolve it. If we are to be seamless, why settle for less than that? We should get it right but, with that, I beg leave to withdraw the amendment.

Amendment 33 withdrawn.

Amendments 34 to 40 not moved.

Clause 2 agreed.

Amendments 41 and 42 not moved.

House resumed. Committee to begin again not before 8.39 pm.

National Health Service (Mandate Requirements) Regulations 2017 *Motion to Regret*

7.39 pm

Moved by Lord Hunt of Kings Heath

That this House regrets that the National Health Service (Mandate Requirements) Regulations 2017, and the associated Mandate to NHS England, do not require that in 2017–18 NHS England meets its obligation to ensure that 92 per cent of patients are treated within 18 weeks of referral; believes that failure to meet this target is a breach of the rights of patients outlined in the NHS Constitution and of the statutory requirement laid out in the National Health Service Commissioning Board and Clinical Commissioning Groups (Responsibilities and Standing Rules) Regulations 2012; and calls on Her Majesty's Government to publish the advice they have received on the legality of their actions (SI 2017/445).

Lord Hunt of Kings Heath (Lab): My Lords, I am moving this Motion because I believe that NHS England is failing to comply with its statutory requirement to ensure that a minimum of 92% of patients wait no more than 18 weeks for treatment from their day of referral. I believe that the Government are clearly complicit in that failure.

Governments often drop inconvenient targets when they are not being met but it is a little more unusual to see them airbrush one out of existence without any public acknowledgement, let alone report to Parliament, as has happened with the 18-week wait. This is one of the key targets for the NHS. It is important for patients to be treated promptly, and the target is also important as an overall barometer of the National Health Service, which is reeling from underfunding, rationing and a Government who are intent on wilfully letting standards slip.

Why have the Government allowed this to happen? Surely it rests with their lamentable failure to deliver on the key standards set out in the NHS constitution. We should look at their record. The current four-hour maximum A&E standard has been missed for the past three years, with performance deteriorating every year. The 62-day maximum treatment wait for cancer has been missed every year since 2013-14. As for elective care, the 18-week standard has not been met now for 16 months. Therefore, the Government are so lacking in confidence that they have just decided that they will drop one of the targets. This first came to light in March when, in unveiling his progress report on the five-year plan for the NHS, Simon Stevens, NHS chief executive, admitted that patients can expect to face,

“longer waits for operations such as knee and hip replacements in a ‘trade-off’ for improved care in other areas”.

The Government have been rather coy about this but the reality is that, behind closed doors, they agreed with Simon Stevens effectively to downgrade the 18-week standard. However, they forget to tell Parliament and the public that they had done so. Remarkably, there is no reference to that in the regulations we are debating tonight. The mandate for 2017-18 is equally silent on it. It is true that on page 19 of that mandate there is reference to the 18-week wait as a goal for 2020. But when you look at the list of deliverables for this financial year, it is completely missing. All we have, on page 20, is a vague reference asking NHS England to “meet agreed standards”. We should compare that with the 2016 mandate which says that NHS England is “required” to meet the 18-week referral for treatment standard.

Let us go back to the NHS England document of 31 March this year, *Next Steps on the NHS Five Year Forward View*. Chapter 7, on page 47, states that,

“over the next couple of years, elective volumes are likely to expand at a slower rate than implied by a 92% ... incomplete pathway target”.

Those are wonderful words, which basically say that NHS England has dropped the 18-week target. Everyone in the NHS knows that to be the case. Not only is that letting NHS patients down, I believe that NHS England and the Government are in breach of their statutory responsibilities. The key standards are

pledged in the NHS constitution and are backed up by legislation imposing a duty on NHS England to meet maximum waiting time standards. I refer noble Lords to Regulation 45 of the National Health Service Commissioning Board and Clinical Commissioning Groups (Responsibilities and Standing Rules) Regulations 2012, which is headed, “Duty to meet the maximum waiting times standards”.

In July 2015, the Government explicitly stated that the NHS constitution,

“reflects a series of fundamental standards, below which care must never fall”.

Part 3 of the handbook to the constitution states a number of rights, including the right to start consultant-led treatment within a maximum of 18 weeks from referral for non-urgent conditions. Therefore, it is my view that NHS England and the Government are required in statute to seek to achieve the objects that have been laid down, including the 18-week standard. The 2017 mandate that we are debating tonight does not include the 18-week target as a list of deliverables or requirements in 2017-18. The question to the Minister is why? I put it to him that the Government essentially agreed with NHS England to fail in its statutory duty to uphold the 92% referral for treatment target.

7.45 pm

Lest the Government hide behind the non-urgent nature of these operations, I remind the House of the evidence given by the Royal College of Surgeons, which has cautioned that we risk going back to the time when patients faced excessive delays for surgery, leaving them to suffer pain for even longer. As the Royal College of Surgeons says, patients have to live with the consequences of debilitating conditions for longer with all the anxiety that that brings. In commenting on the removal of the 18-week target—everyone in the NHS knows that this target has been removed—the BMA says that it is indicative of the unsustainable pressures on the health service. Yes, there are great pressures on the health service. NHS Providers has pointed out that it is probably the toughest financial year the NHS has faced for many a year. We also know from work that the Nuffield Trust published a few days ago that the underlying debt of the NHS last year was a whopping £3.7 billion, as compared with the reported £791 million. Putting it all together—the underfunding of the NHS and the poor performance on the core targets—it is no wonder that the Government have connived to drop a crucial target.

Interestingly, today the Government issued a statement in which they said they remained committed to the target. A spokesperson went on to say:

“The standard remains a patient right, embedded in the NHS Constitution and underpinned by legislation. We have no plans to change this”.

If the Government are still saying that the 18-week target stands for this financial year, why do they not issue a direct and public instruction to NHS England to insist on the target being delivered? Otherwise, we know that this target will not be delivered. We know that the NHS believes that this target does not have to be delivered in the current financial year. Of course, it is important that Governments and services meet targets but the real impact is on NHS patients. As the Royal

College of Surgeons reported, 3.78 million patients were on the waiting list at April 2017. That is 180,000 more than the same month the year before. It is well over a year since the 18-week target was met. I see my noble friend sitting on the Privy Council Bench and think of the efforts we put in over a number of years to get rid of the lamentable waiting list that we inherited. It is a tragedy for me to see the NHS starting to slip back. That is why the signal the Government have given about the 18-week target is so important and why I have initiated this debate tonight. I beg to move.

Baroness Walmsley (LD): My Lords, we on these Benches support this Motion.

This debate shines a spotlight on the existential quandary facing CCGs and NHS Providers. I am sure that at the end of the debate the Minister, in his usual courteous and thorough way will, as he always does, give us lots of figures about how much more the Government are spending every year and how many more treatments are being delivered and how well the STPs are doing. With demand rising, naturally the raw numbers are higher, but the Government have chosen an RTT target in percentage terms and they must live with that decision and fund the consequences. Over recent years, the increase in funding for the NHS has not kept up with rising demand. This year we have a lower increase than before, and so now is crunch time. As the noble Lord, Lord Hunt, said, nobody is even pretending that providers will be able to deliver the targets while remaining within their budgets. So there is no point in the Government watering down the targets and pretending that no one will notice. The noble Lord, Lord Hunt, and many others have noticed, and I am grateful to him for giving us the chance to have an honest and open discussion about this.

NHS staff work hard and do their best to meet the targets under difficult circumstances. It is not their fault that the RTT targets have not been met for 16 months. But changing the targets is a political decision, whether it is being done openly or not, and that is only right. It should certainly not be left to local decision-makers, in a postcode lottery, to quietly ignore them or try and fail to live up to them and then take the flack when people criticise. If the Government choose to change the target, they should take the responsibility for the consequences. But the trouble is that patients will live with the consequences, living longer with debilitating and painful conditions. Having those conditions worsen and requiring more complex and expensive treatment, they may even become untreatable, and their quality of life and perhaps their mental health will deteriorate. So although the 2012 Act was intended to pass the blame on to anyone but the Government when things go wrong, everybody knows that the Government's NHS mandate is the Government's NHS mandate and nobody else's. The NHS can spend the money only once, and the Government should not be expecting two treatments for the price of one. The bald facts are that, this year, demand was expected to rise by 5.2% while the funding is only going to rise by 1.3%, which is 2.3% less than last year—which was too little anyway. So this is a deliberate choice on the part of the Government.

Waiting lists are projected to rise to almost 5 million by 2020, and clearing this backlog will require not only funding but appropriately trained staff. With staff who are EU citizens leaving in droves because of Brexit uncertainty, and UK staff leaving because of overwork and stress, NHS Providers is finding it impossible to deliver waiting time targets. At the same time there is spare capacity in the private sector but it charges more than the NHS, so that is a hard choice for managers to make. I therefore ask the Minister a simple question: what assessment did the Government make of the potential impact on patients and waiting lists of deprioritising elective care and taking the decision to relax the 18-week target?

The RTT is not the only target the Government have changed, as the noble Lord, Lord Hunt, mentioned, and this is looking rather like a habit. For example, NHS England and NHS Improvement are reportedly setting new targets for CCGs and providers for bed occupancy levels, to keep them below 92%. This is significantly higher than the recommended safe limit of 85%. The Royal College of Surgeons has warned:

“Anything over this level is regarded as riskier for patients as this leads to bed shortages, periodic bed crises, and a rise in healthcare-acquired infections such as MRSA”.

This is another target that was routinely missed last winter, and the latest figures show that the overnight occupancy rate for general and acute beds hit a record high in the fourth quarter of 2016-17, averaging 91.4%. If the Royal College of Surgeons is right, this high level of bed occupancy is not a measure of efficiency but could lead to greater costs and crises, which put patients in danger.

Is it not time for the Government to stop pretending that all is well and that they have all the right answers, and set up a cross-party commission on the funding of health and social care, as recommended by my right honourable friend Norman Lamb MP? We on these Benches would be enthusiastic about taking part in such discussions. I think that the public are very fed up with health and care being a political football and would like to see us working constructively together. They want some honesty and realism. Of course we do not want to go back to the 1950s: I was waiting for a tonsillectomy and after two or three years, when my mother was fed up of waiting, she discovered that I had been taken off the list on the assumption that I had grown out of it. Actually, I had, but we need to be a great deal more ambitious for the NHS than that.

I know that the Minister makes the best of his brief but I would like to think that he will go back to his department and use his considerable powers of persuasion to stop the Secretary of State from burying his head in the sand.

Lord Reid of Cardowan (Lab): My Lords, I join with this regret Motion, not as a matter of formality but because of deep and genuine regret at the position that the Government have now, by hook or by crook, engineered, which is the effective abandonment of the 18-week target.

I will briefly recall to the House where we were before that target was introduced. With respect to the noble Baroness, Lady Walmsley, we do not have to go back to the 1950s. We can go back less than 15 years,

[LORD REID OF CARDOWAN]

when my predecessor, Alan Milburn, became Secretary of State for Health. The maximum waiting time then was not 18, 24 or 52 weeks for elective operations but three years. Due to his sterling efforts and, I have to say, his adviser, who also advised me—Mr Simon Stevens—we reduced that, but not nearly as much as I thought was necessary in a civilised society.

Therefore I admit a conflict of interest in this debate: I introduced the 18-week target, against some considerable opposition—not in principle but because, I was constantly told, “it couldn’t be done”. But we did it. I remind the House that at that time the number on the waiting list, waiting for as long as three years, was the horrific figure of 1.2 million. It is now 2.7 million and it is estimated that it may rise to 5 million. Therefore there are more and more people, and undoubtedly, once this target has been effectively removed, those pressures will immediately start a process whereby it will go well beyond 18 weeks and we will go back to where we were some 15 years ago.

I will make a couple of points about this situation; the first has already been alluded to. These targets were also to reduce MRSA—hospital-acquired disease—in hospitals by 50% over four years, which we did, despite the fact that we were told that we could not do it. It was also to take hundreds of thousands of people off the waiting list. This was an effective way, not of making a political point but to remove people from pain, distress, discomfort and, above all, the insecurity of not knowing when and if they might have the condition treated. I recall that at the formation of the National Health Service one of Labour’s greatest heroes, Nye Bevan, produced his framework in a pamphlet that was not called “In Place of Pain” but *In Place of Fear*. The fear that people had for their families, their senior citizens, their children, of the prospect of waiting several years, even with what might appear to others to be relatively small difficulties and medical conditions, is inestimable. Therefore this was, more than anything else, about the relief of human discomfort and insecurity.

Secondly, having been there, I know that this is not easy. It is never easy. I have a great respect for Simon Stevens as a person and an administrator. However, he is caught between all sorts of conflicting demands—an increasing population, people living longer and, I have to say, a relative reduction in resources as well as a shambolic reorganisation which was the worst use of money I can think of in the health service in the past several decades. So I do not blame him, but it is the Government’s job to face up to difficult tasks, and it will take political will.

8 pm

It may not surprise the House to hear that as Secretary of State I demanded the target to be reduced to 12 weeks over a four-year period. I was told that that was impossible. I had long discussions, as the Minister will have had, and a fortnight later my officials came back and told me that it was still impossible—they had tried everything. In a rather obstinate act of will, I announced that I was going to declare it as a target anyway on a given date. They said, “You can’t do that because it is raising expectations that can’t be met”. I explained to them how I was going to meet it, which was

by arranging 7 million operations and 6 million scans through the private sector. It was taking six months to get results from scans. I have to tell the Minister that that was not easy to do, especially when you had to explain to a Labour Party conference that you were purchasing all that from the private sector. However, my intention was not ideological; it was objectively to relieve the pain of the people who were waiting that length of time for operations.

Therefore, the Minister will be told that it is very difficult to reduce the target but I can tell him that it is essential for the following reason. The context in which this is happening is rather the reverse of the slogan “every little helps”, used by a well-known supermarket. I can tell the Minister that “every little threatens” as well. When you abandon the four-hour target for accident and emergency, when you allow trolley waits to increase, when the number on the waiting list goes from 1 million to 2.5 million or 3 million, and when you then abandon the 18-week target, you do not do so in isolation; you do it in the context of a whole series of problems arising in the NHS which, as I said, will be exacerbated by a lack of resources.

The Minister could reverse that tonight by giving us a little help and announcing that he will make absolutely sure that, whatever the other pressures, the time that people in this country who desperately need an operation have to wait for it will be maintained at an outer limit of 18 weeks. That is not ideal and it is not what I would have wanted during my time as Secretary of State, but in a civilised society it is the maximum time that people should wait to be relieved of the pain, the disturbance and, above all, the fear and insecurity that comes with prolonged waiting for a necessary operation.

Baroness Redfern (Con): My Lords, I rise to speak on this regret Motion tabled by the noble Lord, Lord Hunt, who I am sure, like me, together with all users of the NHS, will acknowledge that the NHS has a unique place at the heart of our society and is by some distance the institution that makes us most proud to be British. However, it is regrettable that the NHS has become a bit of a political football year-in, year-out.

I would like to talk about the many positive areas in the NHS and about how people are working very hard to move towards these targets. Yes, pressures, including seasonal pressures, are all in the mix, yet despite these pressures the NHS approaches its 70th year delivering outstanding care, and it is important today to acknowledge and thank all staff who work in the health service, as well as encourage and support a healthy morale for our future workforce. As we all know, the NHS depends on a strong economy. A strong NHS can contribute to the growth of that strong economy, especially in health and life sciences, not just now but in the future.

We see plenty of pluses. We are getting healthier but we are using the NHS more, with life expectancy rising by five hours a day, as the noble Lord, Lord Reid, alluded to. The need for care in a modern NHS continues to grow apace. The number of people aged over 85 has increased by 40%, and the number of patients receiving elective treatment grew from around 14.2 million in 2012-13 to 15.7 million in 2016-17—an increase of 11%. That is a fantastic result. Calculations

indicate that over the next 20 years we shall see the percentage of people over the age of 85 double. I note also that the total number of people on the elective waiting list in April 2012 was 2.5 million. By March 2017 this had increased to 3.7 million—an increase of 51% and another fantastic result. I note also that when Labour left office, including Members on the Benches opposite, more than 18,000 people were waiting more than 52 weeks to start treatment. Now, the figure is under 1,700.

Only last year, the CQC in-patient survey showed continuous improvement over the past five years, with 62% of respondents saying that they were satisfied with the running of the NHS. NHS funding is being increased and we will see over £0.5 trillion being injected from 2015 to 2020, but with more cash injection the NHS must show that it can spend that cash wisely and efficiently. Therefore, I look forward to a strong and sustainable NHS fit for purpose and fit for the future, where all parties can work together, so that we have a safe, patient-focused health service that is the best in the world.

Lord Clark of Windermere (Lab): My Lords, the noble Baroness is absolutely right to sing the praises of the National Health Service, and she is quite right to point out that we are undertaking more operations than we have in the past. She is also right to say that, as we grow older, more of us will need the health service. That is a fact that we have to face and accept and about which we have to persuade people—who do not need much persuading—that something has to be done. My noble friend Lord Reid and I served in the Blair Cabinet and we spent hours trying to bring about the political will to make sure that waiting times, which caused so much grief and pain in the 1990s, were cut. So we are talking about political will.

There is an interesting public opinion poll produced by YouGov and published today on behalf of the Royal College of Nursing. It shows that 72% of the general public believe that the NHS lacks sufficient staff to enable them to do their job properly. When we talk about altering waiting times, it is worth remembering that healthcare is a labour-intensive industry in all its aspects. We all know that, and we all know that the NHS achieves what it does only through the dedication and commitment of the staff and the hours that they work, from the consultants through to the nurses, the healthcare assistants, the porters and everyone. We have to try to assist them because they are getting towards breaking point. The Royal College of Nursing has balloted its members and is talking about taking industrial action. Therefore, we look to the Government to have the political will to act.

I accept that there is no magic wand. This Government bear a lot of responsibility because they were the key partner in the coalition that cut the number of nurses in training after 2010. The onus is now on them, and they are beginning to increase the numbers, but they must do more. However, it obviously takes a long time to train consultants, doctors and GPs. There are shortages everywhere, including a shortage of 40,000 nurses. I do not know the figure, but there is a shortage of GPs running into the tens of thousands. There is a shortage of hospital consultants and shortages everywhere.

So what do we do? It is not easy, because more nurses are leaving than entering the profession. We cannot do anything about the training, as that will take a number of years, but we can do something about retaining people in post, by persuading GPs to carry on a bit longer and persuading nurses to stay in post as it is worth while doing what they do. That is what we should be doing. It would be a great help if the 1% cap on wages could be lifted, because that has meant that the average nurse is probably 12% worse off than they were a few years ago. That would be one way of making it easier to retain people.

Then there is the other point that was made by my noble friend who introduced the debate, whom I thank, about the number of nurses and doctors who have worked in the health service who are from the European Union. Can we offer them something to persuade them that we want them to stay in our country? For example, as the Minister knows, anyone from the European Union who has spent five years working in this country, which includes people in the health service, can apply for the right of permanent residency. But we cannot get the Government to say what that means. Does permanent residency mean that they can stay here, or will they be sent back to Europe? That increases the uncertainty and anxiety. I urge the Minister to go back to his colleagues and say, “All right, if we can’t or won’t make a commitment to the European Union citizens to stay in the health service, let us say that at least those who have gained permanent residency can stay”. That would help the issue.

I return to my basic point. This now requires political will. I do not doubt the Minister’s commitment. I know where the Minister stands and how much he believes in the health service. He has made that quite plain in a number of debates that we have taken part in. But we need political will and we are looking to the Minister to try to argue his corner and punch above his weight and give every support that he can to try to make health staff in the health service more satisfied so that they stay in their jobs and help us to reduce waiting times.

Baroness Masham of Ilton (CB): My Lords, I want to ask the Minister about the better care fund, which is for health and social care working together, which also comes under the mandate. The better care fund document was not available for scrutiny purposes, as it was not published until 15 days after the instrument was laid before the House. All relevant documentation should be available. Without that, effective scrutiny is not possible. What is the present situation, as this deals with some very vulnerable people?

Baroness Thornton: My Lords, I draw the attention of the House back to the resolution on the Order Paper moved by my noble friend. I hope that the noble Baroness, Lady Redfern, will forgive those of us on this side if we look sceptical because the reason that my noble friend, when he was Secretary of State, had to set the targets that he did was because of the record of her party’s Government over many years. If we are a little sceptical, it is because there is form on this.

Being a veteran of the passage of the Health and Social Care Act 2012, like my noble friend, I recall that there were many assurances given about the legal

[BARONESS THORNTON]

framework that would make the reorganisation work, particularly on the importance of the mandate. Therefore, I would be most interested to hear from the Minister on the last part of my noble friend's resolution, which calls on the Government to publish the advice that they have received on the legality of their actions. Did they seek advice about the legality of their actions, given that they had been so keen to have that legality exist during the passage of the Act that set this framework and, if so, what did that advice say?

8.15 pm

Baroness Finlay of Llandaff (CB): My Lords, I declare all my interests as a clinician. I worry that, if we keep on changing the way that we collect data, we have no way of monitoring what is happening. One thing about the figures as they are at the moment is that they are monitoring process. In addition to that, there must also be monitoring of outcomes—both clinical outcomes and outcomes in terms of the patient experience.

I worry that, if we start saying that the demography has changed and we have an elderly population, it makes it sound as if we are blaming people for living well and living longer, which we must not do. Actually, if people remain well, they are not a drain on the NHS at all. One of the most important predictors of poor outcomes is loneliness. If we have a population of people who are kept relatively well and mobile, they look after each other in communities. Good work on compassionate communities is happening around the UK already.

When we look at this question of targets and what the Government are doing, a worrying message is being sent. The Royal College of Emergency Medicine contacted me yesterday because its members are worried that they will not be able to cope with winter pressures. They are going into the winter with absolutely no wiggle room at all. They are at capacity. There has also been a change in the way that people behave. For an urgent appointment, they go through A&E, so the number of emergency department attendances has gone up as well.

In that group are those people who have been waiting for a time and during that time they have deteriorated. As they have deteriorated, something else has happened and they collapse—a bit like a stack of cards. Multiple problems arise and then those become more complex for the NHS. So it is not as if people are stable during their 18-week wait. If they have a disease that is progressing, they may well be deteriorating. Even worse for them, if the diagnosis in the original referral was wrong, they may need a complete review of their diagnosis. So simply talking about treating them is not correct.

My other concern is this: at what point does the clock start ticking? In some clinical commissioning groups, we are seeing groups being set up to look at the so-called appropriateness of the referral on paper. As a clinician, that worries me greatly, because I do not see how one can assess on paper. I know from many years of looking at referrals coming through on paper that they are only a very rough guide. Too often, I might see a referral that does not sound urgent and

the patient in front of me should have been seen yesterday. Another one might sound urgent but actually is not. There is a real worry that, if we fiddle around with when the clock starts to tick, some people who really need to be seen urgently will be in a no-man's zone before they are even properly referred because there have been delays. We hear about delays in access to primary care as well. The delay in being seen by a GP must be added on to any delays in being referred.

We also need to remember that, when we talk about 10 years ago, medicine has changed enormously. There are a large number of procedures now that, if they are done early, can be done in out-patients or as day cases. The days of needing to be admitted are not there, so that is all the more reason why we should be able to get more patients through more quickly if they are seen earlier.

I have a real worry that, as has been expressed very well by the noble Baroness, Lady Thornton, this flies in the face of reassurances that we were given during the passage of the Health and Social Care Bill through this House. Also, this sends a message to the service out there that, actually, we cannot cope. I worry that it will also disincentivise finding ways of treating people more speedily—as day cases and so forth—which could, with a little more investment, help to address the problem.

Lord Beecham (Lab): My Lords, the impact of the cuts which are being debated tonight—and here I congratulate my noble friend on bringing forward his Motion—are not confined to the health service. They also stretch to social services departments and social care. The most rewarding period of my fairly lengthy political life was as the chairman of social services in Newcastle from 1973 to 1977 when we transformed social care in that city. Much of what we did in those days is now being undone as the result of pressures on the social care budget and a lack of adequate funding for the problems which many of us are becoming increasingly familiar with. What are the Government going to do about that impact of the decision, as it would appear to be, not to adhere to the 18-week period? What estimate have they made, if any, of the impact on social services and social care in a climate where local government budgets are extremely hard pressed? The two things are inseparable. It was a Health and Social Care Bill, now an Act, and we need to look at the social care implications of this extended period because, undoubtedly, it will put increasingly impossible pressure on local authority social services departments and other organisations involved in supporting people in the community.

Viscount Bridgeman (Con): My Lords, we have a health service which is endeavouring to meet an ever-present and probably ever-growing demographic challenge. I was interested to hear the remarks of the noble Baroness, Lady Finlay, on the effect of the number of older people accessing the service, but there are many more people growing old and it is surely self-evident that there is bound to be an increase in waiting lists.

Perhaps I may leave your Lordships with two statistics. It is remarkable that last year the NHS carried out 11.6 million operations, some 1.9 million more than in

2009-10, and 61 million out-patients were seen, again 1.9 million more than in 2009-10. The health service is not perfect and there is certainly no room for complacency, but perhaps I may remind noble Lords that the 2016 GP patient survey showed that 84.6% of respondents rated their overall experience as good, while the 2016 British Social Attitudes survey showed a historical high level of satisfaction. This is a service which is endeavouring under very strict budgetary pressures to improve the lot of the nation.

The Parliamentary Under-Secretary of State, Department of Health (Lord O'Shaughnessy) (Con): My Lords, perhaps I may first thank all noble Lords for their contributions and indeed thank the noble Lord, Lord Hunt, for bringing about this debate and giving me a chance to defend the Government's record on the NHS. We are very proud of our record on the NHS at a time when it is treating more people than ever before. We have protected and increased health funding, with real-terms increases every year since 2010, with more doctors, nurses, midwives and GPs working in the NHS, so people can get the care they need when they need it. This is the first Government to have got a grip on NHS spending and really prioritised those areas of the service in need of investment. We are investing in general practice, an issue that has been raised in the debate, allowing GPs to open for longer so that more people can access the services that they offer. Some 17 million patients have already benefited from evening and weekend appointments through our seven-day NHS, which is a considerable achievement. Investment in general practice will increase from £9.5 billion in 2015-16 to more than £12 billion in 2021, a 14% real-terms increase. By 2020 there will be an extra 5,000 doctors working in general practice, as well as 5,000 extra staff.

This is also a Government who have given parity of esteem to the treatment of mental health in the National Health Service. The *Five Year Forward View* for mental health sets out our ambitious programme for further system reform: more skilled staff, the first ever waiting time standards, and an ambitious plan for children and young people's mental health provision is in development. We have increased mental health funding significantly since 2010 so that we can deliver the services that people deserve.

I am proud that the NHS has been found by the Commonwealth Fund for the second time in a row to be the best, safest and most affordable healthcare system of 11 countries including the US, Canada, Australia, France and Germany. This is a tremendous achievement and I join with all noble Lords in congratulating our dedicated NHS staff on the excellent service that they continue to provide for patients.

Spending is of course important. According to the OECD, in 2014, UK spending on the NHS was 9.9% of GDP, which is above the average for both the OECD and the 15 countries which were members of the EU prior to May 2004. I would also gently remind Members of the previous Labour Government that this is a higher level of spending than at any time during that Government. Of course, we are not complacent and we understand that the NHS needs to change, develop and improve in order to meet the needs of the future.

The mandate to NHS England that the Secretary of State is required to publish and lay in Parliament for each financial year therefore sets out the steps that the Government expect NHS England to take to ensure that the NHS offers the safest, most compassionate and highest quality healthcare in the world. The mandate for 2017 sets ambitious objectives for the coming year with the aim of delivering real improvements in patient care and outcomes. They include improving outcomes for maternity and diabetes, reducing health inequalities, improving patient safety and quality, moving more care out of hospitals, and supporting people to live healthier lives—all while delivering a balanced budget.

In his Motion, the noble Lord, Lord Hunt, has questioned our commitment to ensuring timely access to elective NHS services by arguing that the National Health Service (Mandate Requirements) Regulations 2017 and the associated mandate to NHS England make no reference to NHS England's obligation to deliver the 18-week standard. I do not accept that and I see no grounds for making such a claim. On the contrary, we remain committed to a waiting time standard for non-urgent referrals whereby NHS commissioners must make arrangements to ensure that not less than 92% of patients have been waiting to start treatment for fewer than 18 weeks. That standard, the standard we are discussing tonight, remains a patient right that is embedded in the NHS constitution and underpinned by legislation passed, as the noble Lord pointed out, by a Conservative and Liberal Democrat Government. We have no plans to change it. Alongside the other priorities that the Government have set out for the NHS, maintaining and improving performance against core standards continues to be a commitment.

I turn now to the legislation itself. The Health and Social Care Act 2012, which we have discussed tonight, introduced a requirement for the Secretary of State for Health to publish and lay before Parliament a mandate in each financial year. It sets out the Government's objectives for NHS England and may specify requirements that the Government consider essential for the objectives to be met. Any requirements must also be set out in regulations. The mandate for 2017-18 has been published in full accordance with the Act, including with the requirement in the Act to consult both NHS England and Healthwatch England on it. There is no question as to its legality. The mandate for 2017-18 sets a clear expectation that NHS England will maintain and improve performance against core patient access standards, and the annual deliverable in the mandate reads as follows:

“With NHS Improvement, to meet agreed standards on A&E, ambulances, diagnostics and referral to treatment”.

I now turn to the key facts on NHS waiting times performance, as indeed the noble Baroness, Lady Walmsley, said I would. As noble Lords know, the NHS faces increasing demand for health services as a consequence of the ageing and growing population, together with the costs of new drugs and treatments. Let me give noble Lords some figures on how many more people are receiving care from the NHS. Some 23.4 million people went to A&E in 2016-17, 2.8 million more than in 2010. Some 1.87 million people were seen by a specialist for suspected cancer, 973,000 more than in 2010. My noble friends Lady Redfern and

[LORD O'SHAUGHNESSY]

Lord Bridgeman have given other facts and I could go on, but I will not. However, the NHS is doing more and better for more people than ever before.

Despite the record numbers of people being seen by the NHS, the vast majority are being seen within the waiting time standards, whether for A&E, cancer treatment or non-urgent treatment. If we consider the 18-week standard, which is the subject of our debate today, the referral to treatment standard for non-urgent care is that at least 92% of people are seen by a consultant-led team within 18 weeks of referral, most commonly by a GP. I am very well aware that the NHS is not currently meeting the standard for 92% of patients to wait a maximum of 18 weeks from referral to treatment. The standard was last met in February 2016. The Secretary of State reflected this in his annual statement on NHS England for 2016-17. It has been laid before Parliament—we do not hide or resile from it. In the latest published monthly figures national performance was 90.3%, which is clearly lower than we would like.

8.30 pm

The noble Lords, Lord Reid, Lord Clark and Lord Hunt, took us back to a time when Labour was in government. I certainly recognise the changes they made to reduce the number of people on waiting lists, but it is important to recognise as we go back in time that if we choose this particular measure, in 2007—I think the year that both the noble Lords, Lord Hunt and Lord Reid, were running the Department of Health—performance against that measure was around 80%. It was not hitting the target and there have been years for a range of targets and healthcare where a Labour Government—indeed, all Governments—did not hit their targets. That does not mean they are not committed to achieving them, but that is what happens when you run a health service with a number of competing priorities at any one moment.

Even so, of the million patients starting non-urgent treatment every month, the majority are seen and treated within 18 weeks. The average wait is six weeks if you are being treated as an out-patient and 10 weeks if you need to be admitted to hospital for treatment. Fewer people have to face long waits than ever before. My noble friend Lady Redfern pointed out that last year only 1,700 people—in fact, fewer than that—waited over 52 weeks for treatment, a 10th of the 2010 figure.

The NHS is busier than ever before, but patient satisfaction with the NHS remains buoyant, as reported in the 2016 British Social Attitudes survey, which my noble friend Lord Bridgeman mentioned. Furthermore, the noble Baroness, Lady Finlay, talked about not just processes, but outcomes. Indeed, the CQC in-patient survey measures satisfaction and has shown continuous improvement over the past five years. Furthermore, an Ipsos MORI poll from January 2017 showed that there has been a 13 percentage point increase since 2013 in the number of people who agree that the NHS provides a high standard of care to patients. This progress is testament to the hard work of NHS staff.

The *Next Steps on the NHS Five Year Forward View* document, published in March 2017, charts a clear path for the acceleration of local service redesign and integration that will support better care and longer-term

sustainability of the NHS. NHS England and NHS Improvement are particularly concerned about A&E performance—an issue highlighted tonight—which is why they have prioritised recovery of A&E performance, setting out a clear plan and trajectory for improvement. In effect, the NHS is making the same prioritisation decision nationally that Governments have made in the past and that we would expect our clinicians to make: balancing the needs of a patient with an emergency condition that requires immediate treatment with the needs of a patient with a routine condition. NHS England has set out very clearly in the *Next Steps* document the considerable financial and operational challenges faced in returning elective care performance to the standard we want to achieve.

Building on the *Five Year Forward View*, the *Next Steps* document sets out how care needs change to ensure the NHS remains sustainable for the future. It acknowledges that, in 2017, while we,

“remain committed to short waits for routine operations ... there is likely to be continued pressure on waiting times for routine care and some providers' waiting times will grow”.

Of course our expectations for recovery of the standard must take account of this current reality, but let me be clear: our commitment to getting back to standard is unwavering. We are committed to solving the financial and operational constraints that inhibit delivery of the standard and to recovering it at the earliest practicable moment. This is why I welcome the actions that NHS England and NHS Improvement have already set in train to improve the quality of GP referrals and to improve hospital productivity. They will continue to require organisations to submit trajectories for their expected performance against waiting time standards and are continuing to monitor commissioners and trusts for delivery, intervening where necessary with the most challenged trusts to make sure they recover.

To come back to the mandate, it reiterates the Government's commitment to supporting NHS England and the wider NHS in delivering its own reform programme, and the multiyear approach we have taken to NHS England's mandate objectives and budgets provide a solid basis for its implementation. It is clearly vital that the NHS responds to the challenges posed by a growing and ageing population, that we succeed in transforming the way services are delivered so that outcomes improve and variation is reduced, and that the NHS continues to deliver savings at the same time as improving standards.

I turn briefly to some of the specific points made by noble Lords. The noble Lord, Lord Clark, asked about staff morale—not just British staff but European staff. We have done everything we can to set out what we want to happen for the future of European citizens here. We are waiting for that to be reciprocated by the Commission and the EU in our discussions.

The noble Baroness, Lady Masham, and the noble Lord, Lord Beecham, asked about social care. As they know, there is more money going into social care. One of the ways that that will help the NHS is with the delayed transfers of care, to make sure there is that flow through hospital beds to provide the beds that are needed for those who are going through A&E and those who are going through elective treatments.

I shall end with another point from the noble Lord, Lord Reid—a distinguished former Health Secretary. He talked about the 2012 reorganisations. The Labour Government went through a number of reorganisations themselves, as he knows, but that should never distract from focus on the kinds of targets we are talking about. I am sure it never did in his time.

Although I fully recognise and share the belief of the noble Lord, Lord Hunt, in the importance of ensuring that patient rights in respect of waiting times—indeed, all the rights set out in the constitution—are met, I do not accept that the mandate for NHS England or the regulations that support it have been undermined in any way. The mandate makes clear that core patient standards remain in place, yet the challenges are real and cannot be denied, which is why we are working to improve them.

As I close, it is important to bear in mind that this Government have increased spending on the NHS year on year since 2010. The NHS will receive around £10 billion a year additional funding in real terms by 2021. NHS spending as a percentage of all public spending is going up all the time while we are addressing the £150 billion black hole in the public finances that we took over in 2010.

Lord Reid of Cardowan: No.

Lord O'Shaughnessy: That is the truth.

Next year the NHS turns 70. As my noble friend Lady Redfern said, it has a unique place in our society. The mandate to NHS England for 2017-18 goes further than ever before to ensure that we not only continue to deliver the best care and support for today's NHS patients but also deliver the reform and renewal needed to sustain the NHS for the future. We know there is more to do, which is why we have put our commitment to support NHS England and the NHS in delivering the five-year forward view at the heart of the mandate. We will continue to do so. I hope that I have persuaded all noble Lords, including the noble Lord opposite, that their fears are unfounded, and that the noble Lord now feels in a position to withdraw his Motion.

Lord Hunt of Kings Heath: My Lords, that is one of the most remarkable speeches I have heard in your Lordships' House. I have to say that if the Government really think that the NHS is in the healthy position that the Minister says it is, I feel very sorry for them and sorry for NHS patients. Talk to anyone on the front line and they will tell you of the pressures, of the hopelessness of the changes the Government made and of the Brexit impact on staff. The NHS is facing a critical time and to have this litany, this list of so-called achievements, does no good at all to the health service or to the credibility of the Government.

I shall make only two points. The Minister said at the beginning that the Government are still committed to the 18-week target, but towards the end of his speech he quoted the same words as I quoted, which made it clear, as Simon Stevens has made clear and as is made clear in *Next Steps on the Five Year Forward View*, that actually the Government have given up on the 18-week target this year. They have said that, "elective volumes are likely to expand at a slower rate than implied"

by the 92% target. That was an open admission that the target is no longer set in stone. Talk to any chair or chief exec in the NHS and ask them whether the 18-week target is a firm target in this financial year and they will say no. Of course the NHS faces pressures. In the days of my noble friend Lord Reid the demographic changes were taking place just as fiercely as they are now, but he made a dramatic impact in reducing waiting times.

My point is this: if the Government believe it is so difficult to manage the health service in such a challenging time, they should be open and honest and say that the target has been taken away; but they have not been honest, they have not been open and patients will suffer. My Lords, I beg to move.

8.40 pm

Division on Lord Hunt of Kings Heath's Motion

Contents 169; Not-Contents 104.

Lord Hunt of Kings Heath's Motion agreed.

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Financial Guidance and Claims Bill [HL] Committee (2nd Day) (Continued)

8.52 pm

Clause 3: Specific requirements as to the pensions guidance function

Amendment 42A

Moved by **Baroness Greengross**

42A: Clause 3, page 3, line 15, at end insert—

“() As part of its pensions guidance function, the single financial guidance body must provide guidance on other sources of retirement income, including housing wealth, to enable members of the public to make fully informed decisions about pensions and retirement income.”

Baroness Greengross (CB): My Lords, we all know that because of the profound changes since pension freedoms were introduced, retirement income decisions have become much more complex. From the age of 55 there are a greater number of options for using the pension pot, including taking the pension as cash, keeping the fund invested or purchasing an annuity. Accordingly, I welcome the broad drafting in this Bill of the objectives and functions of the single financial guidance body and, in particular, the recognition of provision of advice as well as guidance, and the continuation of the vital role played by the Money Advice Service in support of the financial capability strategy.

Financial decision-making is complex and retirees must consider their long-term, not just their short-term, retirement income needs. The SFGB needs to encourage this by ensuring that consumers understand the full range of options available, including the potential role of any housing wealth. Consideration of the potential role of housing wealth is already included in the pensions advice allowance, which allows people to withdraw £500 tax-free from their pension pots on up to three occasions, to pay for financial advice on their retirement. I welcome that inclusion and think it should be extended.

This means that pension income and the value of housing equity are considered alongside one another. Because some people will feel unable to afford, or be unwilling to pay for, such advice, it is crucial that free impartial guidance is available through the SFGB. The Equity Release Council’s White Paper, *Equity Release*

Rebooted, estimates that over-55s in England possess about £1.8 trillion in housing wealth, and that is expected to double to £3.6 trillion by 2036. Meanwhile, the average value of a defined contribution pension in 2012-14 was £30,300. Research by the Equity Release Council estimates that while the average 55 to 64 year-old should have a pension pot of £123,000, they may only have an average of £30,200, indicating that a likely future need for supplementary retirement income is there, such as from housing wealth.

I would want not to push people into equity release but to look holistically at their assets. In one important area affecting retirement assets, the FCA's prediction means that approximately 2.6 million interest-only mortgages will reach maturity over the next 30 years, with estimates that 48% of borrowers may not have enough money to fully repay their loan. It is not surprising that statistics from the council's spring 2017 market report indicated that the use of property wealth to fund lifestyle and health in old age is growing rapidly, and is likely to continue to grow in the coming years.

In 2013, Demos estimated that the over-60s were holding unmortgaged housing wealth of £1.23 trillion; that figure would be significantly higher now. The *Aviva Real Retirement Report* suggested in 2016 that 46% of homeowners aged over 45—approximately 6 million households—see property as a key part of their retirement income planning, increasing to 58% among 45 to 54-year-olds. This is borne out by the Equity Release Council seeing a year-on-year equity release lending growth of £342 million. The average amount lent under an equity release policy during the second half of 2016 was very high, at £92,376 for lump-sum plans and £54,584 through drawdown plans, with an additional £37,751 reserved for future use.

I share the view of Age UK and many commentators that a saver withdrawing their pension pot should receive guidance, including on housing wealth, by default. But since that is the subject of a later amendment, I shall not discuss it any further here. In summary, as part of this wider landscape of helping people to preserve their lifestyles and well-being in retirement, a consideration of the important role of housing wealth should be an explicit part of the advice envelope proffered by the new body. I hope that that might be acceptable. I beg to move.

Baroness Finlay of Llandaff (CB): I support this amendment from my noble friend Lady Greengross because, as she has outlined, a lot of people have the majority of their wealth tied up in their property. The current equity release schemes are much more flexible than they used to be and contain a variety of safeguards. The Equity Release Council's statement of principle, by which all the council members must abide, mandates that all equity release customers must receive independent financial advice. Can the Minister clarify whether all equity release schemes will fall under the FCA? I understand that currently it is only those from members who are part of the Equity Release Council, which means that we will potentially have twin-track standards going on for the customer.

The requirement for a solicitor to sign off the arrangement becomes particularly important when we look at the issues around mental capacity and coercion.

When I was at the Equity Release Council's annual meeting, I was quite shocked to hear from one person there who had been negotiating equity release with a client. She had a suspicion that something did not quite seem right and decided to visit the client without the client's son present, at which point the client said, "I don't really want to do this at all. My son's pushing me to do it". She had the sense to say, "That's very simple. I am refusing the equity release, and I will write to you", and she tore up the forms there and then.

9 pm

The difficulty that we face all the time is that people get coerced and pressured by their family. There is a lot of evidence of that. It is extremely difficult to detect, and it is that one-to-one encounter with the client that gives the gut feeling that something is not quite right. When the person who is managing or selling the scheme acts on that gut feeling, they will reveal if there has been a problem. By having an independent solicitor to advise, we are building in the safeguard of somebody else looking at it, being able to assess the client and having some experience of assessing capacity for that decision at that time, which is what is required under the Mental Capacity Act. That will also allow people who are depressed or have fluctuating capacity to be detected. Somebody from the finance sector may have very little true training. Although the Equity Release Council is addressing vulnerability very well, I am concerned that in some of the schemes that are not part of the council the people dealing with them do not understand that the prerequisite for offering the product is to have separate legal representation.

Has there been any consideration of exit charges and their appropriateness and of whether the transparency of scheme exit charges will fall under the new guidance and will therefore be transparent and comparable? There can be a problem if somebody signs up to one of these schemes, circumstances change and they wish to withdraw from the scheme; in the past they have been hit by fairly punitive exit charges. I would be concerned if that oversight is not rolled up into the new body.

Baroness Kramer (LD): My Lords, I am strongly in favour of this amendment, which picks up on an issue addressed earlier by the noble Baroness, Lady Altmann. It is that the world we live in is far more complex than the one that provided the framework when these original bodies, which are now being brought into one, were set in place. We need that revision for this single body to encompass the whole of the arena of life as it is today.

The noble Baroness, Lady Greengross, was very clear that for many people, the overwhelming majority of their wealth and assets is in their home, that using that as part of their support for their old age may well be a strategy they want to pursue, and that they cannot consider a pension without looking at that issue with the same kind of clarity and without looking at the situation as whole.

I have personal experience of this. I have an elderly family friend who is considering equity release or some similar way to use the wealth embedded in her home. I started to look at the various websites and at the products that are available. Noble Lords will be delighted to know that this is apparently the golden

[BARONESS KRAMER]

age of equity release, which is increasing at the rate of 28% per year. The websites are exceedingly seductive. The comparison sites compare one product to another, but none of them exposes the real issues of concern or the questions one should be asking about whether the product is appropriate. It is also easy to find a way to access that equity without being in a regulated environment. Recognising that, equity release is for some people entirely appropriate but for many it is entirely inappropriate, and advice is critical.

If people are not signposted and sent through a guidance mechanism to get that financial advice, it seems to me they are in very murky waters. It takes a very sophisticated financial expert to work their way through this. It makes pensions look simple, and I hope very much that the Government will take on board and make use of this excellent amendment.

Lord McKenzie of Luton (Lab): My Lords, this is an interesting amendment. I believe that it is possible for the noble Baroness to achieve what she wants under the terms of the Bill as it stands, but that is not entirely clear and not quite for the reasons set down in the amendment. The amendment says:

“As part of its pensions guidance function, the single financial guidance body must provide”,

et cetera. Clause 2(4) says that the “pensions guidance function” under Clause 2(1)(a) is,

“to provide, to members of the public, information and guidance on matters relating to occupational and personal pensions”.

I do not think that equity release falls within that definition. There is a separate issue as to whether it would fall within Clause 3, which says:

“As part of its pensions guidance function, the single financial guidance body must provide information and guidance”,

et cetera, but that is to do with,

“flexible benefits that may be provided to the member or survivor”.

It seems to me, on a straightforward reading of the Bill, that it would not be possible to use the pensions guidance function strand of the new body, but there seems absolutely no reason why the money guidance function could not be used for that purpose. That would be a potential quarrel I would have. The Minister may say that interpretation is too restrictive and not right, but I do not think it would preclude the noble Baroness achieving what she wants. It seems to me the money guidance function should enable guidance to be provided on assets including on equity release.

The noble Baroness, Lady Kramer, raised the question of whether the FCA regulates all these schemes. I am advised that it probably does not, but obviously there is an issue there and perhaps the Minister would respond to that. We can support the thrust of this, because I think it achieves what the noble Baroness wants, but not quite, as I understand it, in the terms of the amendment, because of the other functions in the Bill.

Lord Young of Cookham (Con): My Lords, I begin by thanking the noble Baroness, Lady Greengross, for her amendment, which seeks to add an additional requirement to Clause 3. She has a formidable reputation for campaigning on behalf of those of above average age. For as long as I have known her, she has taken a particular interest in housing, so there is a lot of force behind her amendment.

Clause 3 specifies that as part of its pensions guidance function, the single financial guidance body must provide information and guidance to help a member of a pension scheme make decisions about the options open to them as a result of the pension freedoms. This requirement replaces the current duty on the Secretary of State for the DWP to take steps to ensure that people have access to guidance on the pension freedoms. It ensures that the single financial guidance body will continue to meet the guidance guarantee made by the Government when they introduced the pension freedoms legislation back in 2015.

In its recently published interim report on the review of the retirement income market, the Financial Conduct Authority identified some emerging issues. For example, the review found that draw-down of defined contribution pots is becoming much more popular, and accessing pension pots has become the “new norm”. The FCA is now working with the Treasury, the DWP and other stakeholders to fully understand all the emerging themes and to develop ways in which any issues can be addressed. Without reopening some of the earlier debates, that shows the FCA is able to respond to concerns about consumer interests.

At Second Reading the noble Baroness raised questions about the adequacy of saving into a pension scheme at the levels required by automatic enrolment. The amendment she proposes would make it a statutory requirement for the body to provide guidance on other sources of retirement income, including housing wealth. While I agree with her that it is important that people plan for retirement, no matter what they age they are, and that they consider all their retirement income options, I hope to persuade her that her amendment is not necessary.

As part of its pensions guidance and money guidance functions, the body will provide general information and guidance to members of the public about the benefits of saving towards retirement, and the range of products available to provide income in retirement, including the products that the noble Baroness mentioned in her speech. I think the noble Lord, Lord McKenzie, came up with the answer before me: these services are already provided by the Money Advice Service and the Pensions Advisory Service. For example, the MAS website has information on what equity release is and on other products, such as home reversion plans. In establishing the single financial guidance body, the information and guidance about sources of retirement income that are currently spread across all three existing bodies will continue to be delivered but will be much more joined up—for example, there will be just one website instead of three—making it easier for people to access and consider in the round. That will also make it easier for the new body to assess any gaps in the provision, quality or impartiality of the information and guidance available.

Reverting to the debate that we had before the dinner break, the body will not provide advice on specific products. Its role is to provide general information and guidance on the options open to people so that they can make their own more informed financial decisions. It is not in the remit of the body to provide financial advice. In some instances, though—this was

touched on during our debate—it may be that the body would need to refer an individual to an independent financial adviser, who would be able to advise them which products were the most suitable in their circumstances; I think that is what the noble Baroness, Lady Kramer, was implying. That in itself is a helpful service; we know that often, people are reluctant to seek financial advice or unsure of where to go. The body and its partners can play a role in breaking down those barriers, enabling people to understand when it will be beneficial or necessary for them to seek financial advice.

Housing wealth, as the noble Baroness knows better than anyone, is a complex area. Equity release schemes, as an example, may be a suitable option for some, but it is important that people are made aware of the associated risks. The FCA's ageing population study, to be published later this year, will consider how lending in retirement can be made to work better for older consumers—again, evidence that the FCA is conscious of its responsibility to consumers. That study will consider product innovation and building upon existing industry initiatives to facilitate mortgage lending to older consumers. The Government are clear that anyone considering equity release should seek independent financial advice to ensure that the product is appropriate to their individual circumstances.

The noble Baroness, Lady Finlay, raised a number of issues. I may have to write to her about the transparency of exit charges. In a nutshell, though, so far as equity release is concerned, the FCA, as I think she said, has responsibility for the regulation of equity release products and advice on these. The Equity Release Council is the industry body for the sector and sets out rules and guidance that all members have to comply with. All customers must receive independent legal advice before taking out an equity release product. I hope that addresses some of the issues the noble Baroness raised about undue pressure being exercised by family members with an interest. The borrower has to provide a written suitability report, and the FCA requires the borrower to be provided with a “key facts” illustration for each product. Independent solicitors must also verify understanding before proceeding, and the customer must signal receipt and acceptance of the written suitability report. That report explains why they believe that equity release is suitable and why a particular product is being recommended to that customer. I think the noble Baroness raised the issue that people do not have to get regulated advice. I would like to reflect on that and perhaps drop her a line.

So while the body may provide general information on these schemes, that is an example where it would be best placed to make people aware that they should be speaking to regulated advisers, and signpost them to the appropriate place. As I explained, the body is required to provide guidance to replace the pension guidance guarantee. That is because we want to ensure that the move to a single body in no way reduces the guidance on offer for those who wish to consider exercising their pension flexibilities.

To conclude, the SFGB's money guidance and pensions guidance functions already enable it to provide people with information and guidance on retirement planning,

saving in a pension scheme, different sources of retirement income and, where appropriate, to signpost them to regulated advisers. These are all services which MAS and TPAS deliver now, and the body will continue to do that but in a more joined-up way for customers.

Against that background, I ask the noble Baroness to withdraw her amendment.

9.15 pm

Baroness Greengross: My Lords, first, I thank noble Lords who supported me, at least in principle: the noble Baronesses, Lady Kramer and Lady Finlay, and, in particular, the noble Lord, Lord McKenzie. I do not mind how this happens and I am aware, having done a lot of work over the years on abuse of older people, that there are extreme dangers in people being given the wrong advice, particularly adult family and children. I just want to be sure that older people are being pointed in a direction that will be helpful to them. This is so complex and it is very important that we get it right; I thank the Minister for his obvious commitment to that. As long as it works, I do not mind. I just want to be sure that older people are getting the range of advice that they need. That includes their being sure that they are going along a track that is in their interests in the long term, so that this complicated system of new ways of using your pension is put into action wisely for those who cannot afford the sort of private advice that many of us here would not dream of acting without. I thank the Minister for his understanding of what I am getting at. I am happy to withdraw the amendment; I just hope that we achieve the goals that I think we all share. I beg leave to withdraw the amendment.

Amendment 42A withdrawn.

Amendment 42B

Moved by Lord Sharkey

42B: Clause 3, page 3, line 15, at end insert—

“() As part of its pensions guidance function, the single financial guidance body must make provision to ensure that members of the public receive the information and guidance set out in subsection (1) through either—

- (a) the single financial guidance body, or
- (b) regulated advice from a financial advisor,

before accessing defined contribution or money purchase pension benefits.”

Lord Sharkey: My Lords, Amendment 42B is in my name and that of the noble Baroness, Lady Altmann, for whose support I am extremely grateful. I will speak also to Amendment 42C. Amendment 42B is very simple. It provides that, before accessing pension pots, people must have received the appropriate information and guidance either from the SFGB or from a regulated adviser. I touched on the need for this in my earlier remarks on Amendment 27A, and I am sure that I do not need to remind the Committee that take-up of advice on pensions is very low and that financial capability and understanding are also at very low levels. Conversely, financial misunderstanding is at very high levels. This augurs badly for sensible pension decisions.

[LORD SHARKEY]

The FCA's July interim report on retirement outcomes shows that accessing pension pots early has become the new norm under pension freedoms, as the noble Lord, Lord Young, noted a moment ago, with 72% of pensions accessed by people aged under 65. Most of these people withdrew lump sums. Half withdrew the full value of their pension. The FCA says that it found no evidence of people squandering their pension savings, but expressed concern about why people are shifting their savings out of pensions. Over half of the fully withdrawn pensions were not spent but were transferred into other savings or investments. This suggests, according to the FCA, a mistrust of pensions, and raises the possibility or even probability of new risks, such as paying too much tax and missing out on investment growth and higher retirement income. The FCA also found that most consumers chose the path of least resistance; they usually accepted the draw-down option offered by their existing pension provider without shopping around or even using the information provided by their own pension provider. That is perhaps entirely unsurprising, given the very low levels of take-up of advice and the high levels of ignorance and misunderstanding. It may be unsurprising, but it is also worrying.

The FCA's *Retirement Outcomes Review* is the fifth such investigation into the UK's retirement market. All five investigations have found much the same thing: they have consistently identified DC pension customers' poor awareness of their options and the distrust, disinclination or inertia that can so easily lead to poor decisions. It is not just poor decisions that are a concern but scams and frauds as well. Without taking proper advice, vulnerability to scams and frauds increases. The *FT* reported earlier this year that losses from pension scams in March this year alone had risen to a record high of £8 million. Victims of what they described as "liberation fraud" were typically conned into placing their pension funds into investments that do not exist or are illiquid or incapable of delivering the promised returns. Victims are not usually warned about tax charges in liberating their pension funds before the age of 55, which can wipe out half the value of their savings. Being better informed and advised will not, of course, prevent all poor decisions or prevent all scams and frauds, but it is a powerful safeguard against these things. It is not the same as just having information advice out there somewhere; it means accessing and using this information and advice, which is what our Amendment 42B would do. It requires people, before they can access their pension pots, to have received information and guidance either through the SFGB or regulated advisers—the same kind of controls that currently apply to taking out a mortgage. The amendment would make that work for many more people.

I turn briefly to deal with Amendment 42C, which would simply require the SFGB to report annually on the levels of usage of pensions guidance and regulated financial advice by those accessing their pension pots. As I explained earlier, the quality of guides is very high but the take-up is very low. We need to know how well the SFGB is doing in fixing this problem and have the SFGB publish the data. We need to see how

successful it is, for example, in raising the level of take-up from the current extremely low 7%. That is a vital way in which to hold the new body to account and what the amendment does—although, having thought about it a little more, I accept that the SFGB may not be the best-placed organisation to do that. The Minister, from whom I gratefully take correction, is nodding as I say that. But I hope that the Minister will give careful and sympathetic consideration to Amendment 42B in particular. I beg to move.

Baroness Altmann: My Lords, I support the amendment, to which I have added my name. It would make the take-up of guidance the default option or a mandatory option for anyone who does not have independent, regulated financial advice. We are taking time and spending so much effort setting up a body that is designed to help to guide and inform the public; this amendment would help to ensure that the public actually get the benefit of it.

Clause 5(1) gives the Secretary of State powers to issue,

"directions to the single financial guidance body",

to do this. Therefore, before anyone could transfer or access their pension savings, they would have received this guidance, which will be set up specifically to make sure they understand the risks before they make any decisions about their pension. Someone would also explain the tax consequences and the potential long-term dangers of giving up a pension because, once they have given it up, they cannot get it back. As the noble Lord, Lord Sharkey, just remarked, the recent FCA research shows that there are some people who are transferring money out of their pension and just putting it into a cash account or a different investment because, clearly, they do not understand the benefits of keeping it in a pension. Having somebody explaining it to them first would be very much the aim of this particular body.

I wholly support the pension freedoms that the Government have introduced, but they are introducing them into a landscape where, for the past few decades, people were encouraged to believe that they did not really need to understand or engage with pensions, because all the decisions were taken for them. For most people, they were in a default fund on their savings journey and then, when they took the money later on, they were put into an annuity and that was it. They did not really need to understand what any options were because they did not really have many options. Unfortunately, people did not understand how annuities worked either. If we make this guidance a default or mandatory option then we make sure that we are protecting the public as well as giving them the freedoms. It is right that we give them the opportunity to make decisions that will suit them, but we have to make sure that we give them the opportunity of making properly informed decisions and as fair a chance as possible of making the freedoms work for them.

Providers too often want people to make a decision when they are too young, for example. It is not just in the freedoms landscape that people are taking their pensions early; the majority of people were buying annuities well before the age of 65 under the previous system, too. I hope that the Government will seriously

consider that the 7% take-up rate for Pension Wise is woefully low—we need to find a way to increase that and we need to make sure that we protect the public and give them the fairest chance of making the freedoms work. Pension Wise or the new body could, for example, issue vouchers for everybody who is coming to the stage at which they might need to make a decision about their pension. They could be sent a voucher for a free guidance session. The financial guidance body, perhaps with the FCA and with providers, can work on ways of boosting take-up, but it is definitely something that would make the work that we are doing in this Committee so much more valuable around the country. I support this amendment.

Lord McKenzie of Luton: My Lords, we support this amendment. We think that it is a good, strong, robust amendment. It takes us back to the introduction of pension freedoms which, I am afraid, were done rather precipitately and without the groundwork being properly laid. This was a point that my noble friend made at the time but it fell on stony ground.

I was going to ask what the take-up of regulated advice or guidance was at the moment but the noble Baroness has given us the 7% figure for Pension Wise. If one is heading for a much higher percentage, it raises the question of what the resource implications of that would be. I do not know if any groundwork has been done—it is not a reason for not doing it. These are important situations. My noble friend has prompted me about the idea of an MoT at the age of 50 as part of the process to get people to focus on their upcoming pensions. We are certainly happy to support this. I am interested to hear what the Minister has to say on what the problems with it might be. Whatever they are, I would hope that we could overcome them, because this could make a very significant difference to the pensions landscape.

9.30 pm

Lord Young of Cookham: I thank all those who have taken part in this debate for these amendments on the specifics of the pensions guidance function.

Amendment 42B, tabled by the noble Lord, Lord Sharkey, and my noble friend Lady Altmann, seeks to ensure that people have taken guidance or regulated advice before accessing their defined contribution pension pot. The pension flexibilities introduced in 2015, which a number of noble Lords who have taken part in the debate have spoken about, gave people the freedom and choice to decide how to access their defined contribution pension savings. The flexibilities give people control of their money and allow them to make choices which tailor their approach to their own particular circumstances. As has been mentioned in the debate, at the point of introduction, this provision was not there.

Since 2015, we have provided Pension Wise as a source of free and impartial guidance to help people make more informed decisions. There have been over 5.3 million visits to the Pension Wise website since launch and there have been more than 154,000 appointments. Customer satisfaction with Pension Wise remains very high. In 2015-16, Pension Wise delivered 61,000 guidance appointments. In 2016-17, this had

increased to 66,000. By the end of July this year, there had already been nearly 27,000 appointments. This clearly demonstrates that the work we and the industry are doing to promote Pension Wise guidance is working.

It is important that people know that help is available when making important decisions about their pensions. Clause 3 ensures that the Government's guidance guarantee will continue to be met by the new body. It is also important, however, that people have the freedom to choose sources of information, guidance or regulated advice that are right for them before making a decision about their pensions. It is not immediately clear that such an intervention at this point in the journey would be effective in changing people's behaviour, and it might serve only to frustrate people who have already made the decision about accessing their money. As has been mentioned, such an approach would not be without cost, which would fall on the firms that pay the levy. Additional costs would need to be justified with clear benefits in terms of better outcomes for people.

Pension schemes and providers are required by law to signpost people to Pension Wise guidance. We know that this is working: pension providers are consistently cited by around half of the people who contact Pension Wise as the place they first heard of the advice. We are working with providers to ensure we continuously improve the effectiveness of signposting. We are also working with a number of employers, locally and nationally, to promote the Pension Wise service.

The FCA's *Retirement Outcomes Review: Interim Report* found that take-up of Pension Wise was low. However, it also highlighted a number of mitigating contextual factors which should be considered. It found that 53% of pots had been fully withdrawn, but that the vast majority of these were small pots—60% were smaller than £10,000 and 90% were smaller than £30,000. It also found that 94% of people making full withdrawals had other sources of retirement income on top of the state pension, and so the FCA did not see this as evidence of people squandering their pension savings. Lastly, some people who did not use Pension Wise decided that financial advice was the right route for them. Between October 2015 and September 2016, sales to people who took regulated financial advice accounted for 37% of annuity sales and 70% of draw-down sales.

Having said all that, I find this all quite difficult. As noble Lords have suggested during this debate, it may well be the case that people could benefit from using more guidance. However, the landscape is somewhat complex and bears further scrutiny. I am not persuaded that the amendment in front of us is the right way to go. I listened with interest to a number of the alternative suggestions that were made.

I return to my script. The interim report to which I referred a moment ago has raised a number of issues, and the FCA has proposed a number of remedies. It has invited views and is actively engaging with government, regulators, industry and consumer bodies before delivering its final report in the first half of 2018. The right way forward may be to wait for the full report of the FCA and consider its recommendations, which may pick up

[LORD YOUNG OF COOKHAM]

some of the points made in this debate, in light of all of the information and evidence. This will ensure that we make the right interventions at the right time, which help people make the right choices for their circumstances.

Amendment 42C—which I was never attracted to—tabled by the noble Lord, Lord Sharkey, would require the new body to report annually on the usage of pension guidance and regulated financial advice by members of the public accessing their pension pots. The noble Lord made it clear that, on reflection, he thought that this might not be the best way to proceed, so it might be for the interest of the House if I skip the next four paragraphs of my remarks, as I think that the noble Lord indicated that this may not be the best way to go forward. There is already a robust process in place in this area, and we should not seek to duplicate work which is already in train and well advanced. The FCA has already identified a range of indicators that are intended to give a snapshot of the market for financial advice and establish a baseline.

I think that I have dealt with the points that have been raised in the debate; if I have not, I would like to write on them. However, against the background of what I have just said, I hope that the noble Lord may feel able to withdraw his amendment.

Lord Sharkey: My Lords, I thank the noble Baroness, Lady Altmann, and the noble Lord, Lord McKenzie, for their contributions to the debate. In a way, I am not quite certain where this leaves us. I listened quite carefully to what the Minister said, and I can understand the merit in having this completely underworked, over-resourced FCA carry out yet another inquiry in its spare time into this again. However, I can also understand the merits of doing something fairly concrete, fairly soon, about what I think we all agree is a problem. I am also puzzled about why it is quite so difficult, in the sense that this is what happens when you take out a mortgage. It seems to me perfectly reasonable to suggest this is also what should happen when you access your pension.

In passing, I should say that, first, I am quite grateful for the Minister's speedy dispatch of the second amendment—I will not dwell on that—but I disagree with him when he talks about Pension Wise working. That is not right or accurate; it is misleading. A more accurate view is that it works exceptionally well for the very small number of people who use it. That is a better statement than the blanket statement that Pension Wise is working. That is one of the roots of the problems that we face here.

In the face of the lack of absolute enthusiasm for the first amendment, I will withdraw it. However, we should continue the conversation about this and not just wait for the FCA to opine. There is perhaps room for a more round-table general discussion about what advances we can make without waiting for whenever—shortly or in due course—the FCA will publish its findings. However, in the meantime, I beg leave to withdraw.

Amendment 42B withdrawn.

Amendment 42C not moved.

Amendment 42D

Moved by Baroness Altmann

42D: Clause 3, page 3, line 25, at end insert—

“() As part of its pensions guidance function, the single financial guidance body must provide information and guidance regarding unsolicited communications and make provision to ensure that members of the public receive this information and guidance before taking any action following an unsolicited communication, such as transferring an occupational or personal pension to an unregulated scheme.”

Baroness Altmann: My Lords, I will also speak to Amendment 42E. Effectively, these amendments would ensure that anyone who received an unsolicited approach about their pension would have to go to Pension Wise before they were permitted to do anything or receive the guidance if they did not have an independent financial adviser.

I admit that this amendment is the result of the fact that we were unable to find a way to ban the cold calling that leads to the scams that we are trying to deal with here in the Bill. I also thank the Minister for the recent statement from the department that it has decided that it will ban cold calling for pensions. However, I hope your Lordships will agree that this seems like an ideal legislative vehicle in which to carry out the Government's wish to ban cold calling and to protect the public effectively. Banning cold calling effectively protects members of the public from scams. Scams that result in people losing much or all of their pension are almost always the result of an unsolicited approach. So this is a roundabout way of trying to achieve something which is clearly in the public interest and which the Government themselves would like to do.

We could require people who had an unsolicited approach either to have a financial adviser to ensure that what they were doing was right or to have a conversation with our guidance service to assess what they were about to do. Presumably, the first question from whoever was speaking to them from the guidance service would be, “Is this the result of an unsolicited approach—a cold call or an email from someone you did not know, or a text or whatever?”. At that point, it would be possible to protect the person before they could sign away their pension in a scam. There is a classic trick of rushing people into parting with their money or signing on the dotted line by saying that it is a limited offer which is available only today or is about to run out. That would not be able to happen if somebody had had to make an appointment with Pension Wise or the guidance body and had discussed it first.

I hope that we can discuss this issue. If this is not the best way of achieving the aim, I hope that the Government will consider introducing into this Bill another method of achieving it so that we can start the ball rolling on protecting the public and getting rid of cold calls. We have done that for mortgages. I know that the Minister has said that it is a complex matter, but I would be very grateful if she could explain the complexity which means that we should pass up this

opportunity to do something that the Government themselves want to do when no other legislative vehicle in which to do so is in sight for the next couple of years. I beg to move.

The Earl of Kinnoull (CB): My Lords, I had not intended to say very much but, after discussing this issue with the noble Baroness, Lady Altmann, earlier, I thought that I should say a few words now. As I said at Second Reading, my interest is very much in Part 2 of the Bill—an area that is home territory for me and on which I have something to say. My drafting eye was caught by Amendment 42E. I feel that having a decent definition of “unsolicited communication” would be very valuable in legislative terms as we go through this process. It applies not just in this area, which has been very eloquently explained by the noble Baroness; it applies also in Part 2 and elsewhere. Therefore, I feel that it is worth debating it now.

As I see the definition, even simple things such as a letter or some sort of Facebook communication would not fall within it, so I simply say that it is worth having a good definition so that we know what a cold call is. It is not just a telephone call. I receive an awful lot of Part 2-type telephone calls at home, admittedly in Scotland, every single lunchtime, but there are other methods of cold calling. Certainly I have been shown very worrying letters by local vulnerable people in Scotland suggesting that they do something urgently about their pensions and so on.

Therefore, I think that we need that definition, and I strongly support the thinking behind these two amendments. I would be very happy to join a meeting to talk about how one might tweak definitions and whether a definition is needed here or elsewhere in the Bill, but I think that it would be very helpful to have a clear idea of what a cold call is.

9.45 pm

Baroness Finlay of Llandaff: My Lords, has the definition of cold calling been sought from the trading standards group of scambassadors who have been looking at all types of scams? It would be incredibly helpful to have that definition. I also wonder whether this amendment is too narrow as written. However, I congratulate the noble Baroness on using this opportunity to do something that desperately needs to be done. The amount of scamming is a scandal.

Baroness Altmann: My Lords, I refer to my Amendment 73, which attempts to define cold calling using many more words. That was in the context of banning cold calls for claims management companies. I do not claim that this is the correct version for cold calling.

Lord Sharkey: My Lords, I was pleased to add my name to the amendments in the name of the noble Baroness, Lady Altmann. Both amendments address the problem of cold calling and pensions. I would, like the noble Baroness, have preferred an outright ban on cold calling, just as I would like an outright ban on cold calling for the benefit of debt management companies and for claims management companies. We can deal with banning cold calling for claims management

companies later in the Bill, as the noble Baroness just pointed out, and she and I have both tabled amendments to do exactly that. Regrettably, banning for pensions and debt management companies is outside the scope of the Bill.

The amendments before us, therefore, cannot and do not go that far, but they do offer a pretty good work-around. They would do two things, as the noble Baroness has explained. They would require the SFGB to provide information and guidance on cold calling. They would also require people to have received this information and guidance before taking any action following a cold call.

Noble Lords have discussed cold calling on many occasions in this Chamber. On every occasion there has been universal dissatisfaction with the process and universal recognition that it is a menace, yet it still goes on. There has been a 180% increase in the past 10 months alone. There are now 2.6 million calls every month. This is an omnipresent menace. But there is no cold calling for mortgages. We banned that. Successive Governments have never got around to banning cold calling for pensions, for debt management or claims management and I know that the Government have promised, yet again, to ban cold calling for pensions. But, yet again, it is a promise without a delivery date. It is a promise that has no obvious legislative vehicle except this one.

I still do not understand why the Government are dragging their heels over this or over debt management and claims management cold calling either. I acknowledge that there will be complexities in devising the details of any ban, but it is surely not beyond the ability of the Government to deal with it speedily if they assign the right priority and the right resources to it. In any case, I remind the Minister that we have already held out in these debates the possibility of an enabling clause in the Bill with the details to follow later in secondary legislation. We have had no response to that—all rather disappointing and mystifying. In the absence of any willingness on the part of the Government to actually do anything in the Bill, these amendments show how progress can be made. I very much hope that the Minister will respond positively.

Lord McKenzie of Luton: My Lords, we support the thrust of the amendment, but there is just a query on its precise ramifications which perhaps I may raise now. The amendment states:

“As part of its pensions guidance function, the single financial guidance body must provide information and guidance regarding unsolicited communications and make provision to ensure that members of the public receive this information and guidance before taking any action following an unsolicited communication”.

I am not quite sure how that could be caused to happen; that is, where the knowledge of an unsolicited communication is and how that feeds through to encourage people not to take any action until they have considered these matters. When the Minister winds up, she might expand a little on that.

I certainly support what the amendment is trying to achieve. The idea of taking a power in the Bill to seek to move forward more quickly once it has left this House is certainly worth considering. But I guess that my key message is to the Government. Their response

[LORD MCKENZIE OF LUTON]

to the consultation document was robust and covered not only cold calling, but we have this equivocation as to when it is going to happen. I find it difficult to understand, given everything that is going on with Brexit, which is changing the world, why we cannot move swiftly to introduce provisions in a vital area where there is clear consumer detriment that is destroying many people's lives. It would be helpful to have that clarification in the wind-up, and subject to that we support the amendment.

The Parliamentary Under-Secretary of State, Department for Work and Pensions (Baroness Buscombe) (Con):

Perhaps I may give an indication of my support in principle for banning cold calling of every type by saying that I have given up my landline because so many calls now are nuisance calls. They are about pensions and all sorts of other things. Apparently I have more accidents in my car than hot lunches. We have all had enough of it and this is an issue which is close to the hearts of many, if not all, noble Lords.

These amendments seek, under the pensions guidance function, to give the single financial guidance body a duty to provide information and guidance to members of the public about unsolicited communications. I should like to start by thanking my noble friend and all noble Lords for their contributions to this topic at Second Reading and during the first day of Committee. I really do understand that pension scams, and particularly unsolicited communications, have to be dealt with. As I have sought to reassure noble Lords, the Government also take the threat of pension scams extremely seriously and have committed to taking action to tackle the issue. Noble Lords have already made reference to the fact that last month the Government published their response to the consultation on pension scams, and in that document the Government underlined their commitment to bring forward a package of measures designed to tackle such scams.

As noble Lords will be aware, the Government intend to introduce legislation in a finance Bill later this year to tighten the rules in order to stop scammers opening fraudulent pension schemes. Tougher measures to prevent the transfer of money from an occupational pension scheme into a fraudulent one will be introduced following the rollout of the master trust authorisation regime in 2018-19. The Pensions Regulator will be given new supervisory measures to authorise and deauthorise master trusts according to strict governance standards, and the Government will consider how the legislation to limit transfers should align with these measures.

On pensions cold calling, which is the subject of my noble friend's amendment, the Government's consultation response committed to bringing forward legislation when parliamentary time allows. I really would like to reassure noble Lords that work is under way to ensure that the ban, which will include emails and text messages, is robust. We will continue to work with stakeholders and those with an interest in this space as work progresses. We hope to be able to outline more about our plans for engagement on Report. I say that, but I also ought to make it clear that, as the noble Lord, Lord Sharkey, has said, while we would love to do this overnight, the truth is that this is not in the scope of

the Bill. I wish noble Lords could be flies on the wall at some of the meetings I have had with officials from the DWP and the Treasury, and also with ministerial colleagues including the Pensions Minister. We have been searching every which way to find an opportunity to introduce this legislation. We will not be overcome. We are determined to do it as soon as is practically possible. Indeed, it was not until I became a Minister that I realised how hard it is. It is easier for me now to understand, even after nearly 20 years in your Lordships' House, how difficult it is to get some of these things done in practice.

I hope my strength of feeling is coming across: we are genuinely working on this as we speak. We are not dragging our heels. There is no lack of willingness. We are absolutely clear that we want to take this forward, but at the same time we need to be really careful about how the legislation is drafted—for example, by being careful not to exclude legitimate transactions and so on. I have the result of the consultation in front of me, which sets out in some detail the reasons why we have to be a little bit careful about how this is drafted, but I assure noble Lords that if it was in scope it would be in this Bill. Unfortunately, it is not in scope and we have been given clear instructions on that by all the powers that be who advise us on drafting of legislation in Parliament.

I turn to the amendment tabled by noble Lords on the pensions guidance function. This function allows for the body to provide information and guidance on matters relating to occupational and personal pensions. The noble Lords' amendment would see the single financial guidance body given a duty to provide information and guidance on pensions cold calling and a duty to ensure that members of the public receive this information and guidance before taking any action following a cold call.

I will take each part of the amendment in turn and will first talk to the duty to provide information and guidance on pensions cold calling. As my noble friend and all noble Lords will be aware, information on spotting, avoiding and dealing with scams is currently provided by the Money Advice Service, TPAS and Pension Wise. Information on pensions scams is also available via the Financial Conduct Authority's and the Pensions Regulator's websites. This function allows for the body to provide information and guidance on matters relating to occupational and personal pensions, but the amendment would give the single financial guidance body a duty to provide information and guidance on pensions cold calling and a duty to ensure that members of the public receive this information and guidance before taking any action following a cold call.

Under the new body's money guidance function, which will allow the body to provide information and guidance to enhance people's financial capability, the Government would expect the body to continue to provide information of this sort. However, the Government believe that the new body will be best placed to determine exactly what information and guidance it provides. It will have the ability to assess the landscape and see what information and guidance is already out there. I agree that information on avoiding

financial scams is vital, and, as I have already said, the Government expect that the body will continue the existing services' good work in this area, but I do not agree that it is necessary to specify this in legislation.

On the second part of Amendment 42D, which states that the body should,

“make provision to ensure that members of the public receive this information and guidance”,

after receiving a cold call, I wholeheartedly agree that members of the public should know where they can go to seek information and guidance if they need it. Of course, the Government would expect that any information or guidance that the body provides is as accessible as possible. However, the amendment would not help to achieve this. In practice, it is not possible or reasonable for the body to be required to ensure—the noble Lord, Lord McKenzie, has said it is quite difficult—that people will come to it for help after receiving a cold call. Having said that, I heard an example of this when I was at TPAS. It was absolutely brilliant. It had all been recorded, of course, so one could hear this woman say, “I think I’ve just had a cold call”. Sure enough, this brilliant adviser—the person giving guidance—said, “I’m very sorry to say this sounds very much like a cold call that you should ignore. Well done for calling us, thank you so much”. This is happening daily, as I saw for myself. The body would not know who had received a cold call unless, of course, they went to the service. Even if the industry had access to this information, the body would not have the power to require the industry to ensure that members of the public received information before taking action.

I understand what noble Lords are seeking to achieve with this amendment. However, it would not be helpful to mandate the guidance that the body provides, particularly when there is already a clear expectation that the body should provide it, or to make the body responsible for ensuring that people seek out this guidance. I therefore ask my noble friend to withdraw the amendment.

10 pm

Baroness Altmann: I thank my noble friend for her answer and for her passion at the beginning of her response. She clearly understands the concerns that have been expressed right across the House. Perhaps we in this House can help to accelerate the process by which we could achieve what she is struggling at the moment to achieve. Let me first respond to the question of the noble Lord, Lord McKenzie, and try to explain that these amendments are actually linked to Amendment 42B. If you have mandatory guidance that has to be taken before anybody can make a decision to access or transfer their pension, then Amendments 42D and 42E allow that to apply to a cold call.

As the noble Lord rightly pointed out, Pension Wise, or the financial guidance body itself, would not know in advance who had had a cold call and therefore needed to come, but if guidance were mandatory the guidance body would have a duty, as specified in this amendment, to ensure that anyone who had a cold call received advice or came for guidance before they were permitted to transfer the money. The problem with the

scams comes when people transfer money from their existing pension elsewhere. So, as I say, the mandatory default guidance in Amendment 42B links in to Amendments 42D and 42E to try to capture the public protection that we wish to achieve.

It is, however, important to specify that this body must inform the public and provide adequate information about the risks of unsolicited approaches about pensions and about guidance and so on, because the body might think, “Well, if there is another organisation dealing with scams—we have Project Scorpion and Project Bloom, different initiatives going on around government—we do not need to be so cautious about informing the public”. This is the place where we want to make sure that the public is informed about pensions. Having said that, it seems that if we can get the ban on cold calling into the Bill at this very time, perhaps by changing the title of the Bill, or in some other way, with support across the House, working together to find a way that would be acceptable, we would all, including my noble friend, be much more comfortable with the protection we are offering the public. In the meantime, I beg leave to withdraw the amendment.

Amendment 42D withdrawn.

Amendment 42E not moved.

Clause 3 agreed.

Clause 4: Delegation of functions to delivery partner organisations

Amendments 43 and 44 not moved.

Amendment 45

Moved by Lord Stevenson of Balmacara

45: Clause 4, page 3, line 46, at end insert—

“() When arranging with a primary SGFB delivery partner to carry out on its behalf the debt advice function, the single financial guidance body may contract only with organisations and companies which are established for charitable or not-for-profit purposes.”

Lord Stevenson of Balmacara (Lab): My Lords, it is well past my bedtime and I will therefore be very brief. I think I can be. I was going to say that these are two sides of the same coin but there are three amendments. Let us be imaginative and say they are grouped around a common theme, which is again to get on record the idea that the work that is going on either directly or through the SFGB must ensure that the services delivered are free at the point of use. That is the main point of Amendment 45, which restricts the operations to, “companies which are established for charitable or not-for-profit purposes”.

It may be argued, and I think I would accept, that many companies operate in a way that has different branches and it may be that the particular branch which deals with, for example, debt advice might be a not-for-profit operation. Provided it is understood that the advice is always free, the actual status of the company is probably of a lesser order and I would understand if the Minister were of a mind to mention that in his very brief response.

[LORD STEVENSON OF BALMACARA]

Amendment 46 deals with how the objective attaching to the SFGB also applies to the overall system, in the sense that it would be perverse if the arrangements were such that the initial interactions with the partners and organisations working with the SFGB were free at the point of use but these were also referring clients to profit-seeking or charging operations. This is primarily a probing amendment but, again, I am looking to make sure that the advice circle is complete by retaining this free-at-the-point-of-use idea.

Amendment 47 picks up the possibility that with regard to the general governance arrangements that are set in place—which the Secretary of State has responsibility for, as we have learned this evening—the FCA may have an involvement but the single financial guidance body certainly has an arrangement for making sure that governance is properly arranged and the level of accountability is appropriate. One might ask why that was necessary but it would be a rhetorical question and I do not expect a lengthy response. Given that the delivery partners are being supervised by the FCA in most cases, and certainly where clients' money is concerned, it is a requirement that they be authorised by the FCA. Given that most of these are charities and therefore also subject to the regulatory requirements of the Charity Commission, it is unlikely that the SFGB would be in a situation where governance arrangements were falling short of absolutely perfect. Again, reassurance from the Minister would be most welcome. I beg to move.

Lord Young of Cookham: My Lords, I am grateful to the noble Lord, Lord Stevenson, for moving Amendment 45 and then demolishing it, which saves me the task of so doing. I confirm that we are absolutely clear that any help funded by the new body will be free at the point of use. The difficulty we have with his amendment is that it may be appropriate for the body to enter into arrangements with organisations which provide free-to-client advice but also make a profit elsewhere. He made it clear that as long as it is free at the point of use to the client, he was relaxed. That deals with that amendment.

Turning to Amendment 46, we agree it is important that delivery partners refer members of the public to

additional help when they are unable to provide the information themselves. The difficulty with the amendment is that it prevents delivery partners referring members of the public to the most relevant source of help in the first instance. For example, if a member of the public needs legal advice, we do not believe that delivery partners should be obliged, as the amendment requires, to refer that individual back to the SFGB. They should be free to refer that person for appropriate legal advice.

Finally, I may need to write to the noble Lord on Amendment 47. Given the SFGB's relationship with government, it would be inconsistent with the precedent set by other arm's-length bodies if the sponsoring department sought to interfere with, or have direct involvement in, the contractual arrangements that the body seeks to enter into. But I assure the noble Lord that as an arm's-length body the SFGB will be required to comply with government policy on public procurement. The sponsoring department will support the SFGB in dealing effectively with any issues that may arise in the area of delivery partner governance and accountability. If the noble Lord wants more information on that, I would be very happy to drop him a line. Against that background and given the hour, I hope he will be able to withdraw the amendment.

Lord Stevenson of Balmacara: I thank the Minister for his comments and his brevity. *Hansard* will have an interesting time trying to unscramble all our mixed-up shorthand for the body that is still yet to have a name. I wish we would get a name quickly and then we would not have to worry about “F”, “S”, “G” and “B”, and my teeth falling out. I will read *Hansard* very carefully, and I am sure that any additional information that might be provided by letter will be most welcome. I beg leave to withdraw the amendment.

Amendment 45 withdrawn.

Amendments 46 and 47 not moved.

Clause 4 agreed.

House resumed.

House adjourned at 10.11 pm.