PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

Public Bill Committee

SAVINGS (GOVERNMENT CONTRIBUTIONS) BILL

Fourth Sitting

Thursday 27 October 2016

(Afternoon)

CONTENTS

PBC (Bill 059) 2016 - 2017

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not later than

Monday 31 October 2016

The Committee consisted of the following Members:

Chairs: † Mr Christopher Chope, Sir Roger Gale, Albert Owen, Phil Wilson

† Barclay, Stephen *(Lord Commissioner of Her Majesty's Treasury)*
† Blackford, Ian *(Ross, Skye and Lochaber)* (SNP)
Cartlidge, James *(South Suffolk)* (Con)
† Caulfield, Maria *(Lewes)* (Con)
† Dowd, Peter *(Bootle)* (Lab)
† Ellison, Jane *(Financial Secretary to the Treasury)*
† Frazer, Lucy *(South East Cambridgeshire)* (Con)
Hepburn, Mr Stephen *(Jarrow)* (Lab)
† Hopkins, Kelvin *(Luton North)* (Lab)
† Howell, John *(Henley)* (Con)
Long Bailey, Rebecca *(Salford and Eccles)* (Lab)
† Merriman, Huw *(Bexhill and Battle)* (Con)
Onn, Melanie *(Great Grimsby)* (Lab)
† Quin, Jeremy *(Horsham)* (Con)
† Rutley, David *(Macclesfield)* (Con)
† Smith, Jeff *(Manchester, Withington)* (Lab)
† Whiteford, Dr Eilidh *(Banff and Buchan)* (SNP)
† Williams, Craig *(Cardiff North)* (Con)

Katy Stout, *Committee Clerk*

† attended the Committee

Public Bill Committee

Thursday 27 October 2016

(Afternoon)

[MR CHRISTOPHER CHOPE *in the Chair*]

Savings (Government Contributions) Bill

Schedule 2

HELP-TO-SAVE ACCOUNTS: FURTHER PROVISION

2 pm

Peter Dowd (Bootle) (Lab): I beg to move amendment 9, in schedule 2, page 17, line 31, at end insert '( ) a credit union;".

It was terribly remiss of me not to say that, as a relatively new Member, I appreciate your helpfulness in the Committee, Mr Chope. Thank you very much for that.

On Second Reading, my hon. Friend the Member for Harrow West (Mr Thomas) expressed concern that credit unions, which in many areas have an excellent community base, command huge levels of trust and are embedded in communities, are not, in effect, one of the account providers. Hon. Members who were present at Second Reading, or who no doubt assiduously read the report of the proceedings subsequently, will know that my hon. Friend made a number of very important points, including about qualification periods and the role of credit unions in the scheme. His arguments were listened to with attention and deserve fair consideration in relation to product flexibility, and the Economic Secretary to the Treasury gracefully agreed to meet him and the Association of British Credit Unions. Given that, I suspect that part of those discussions will be wide and may encompass the role of credit unions as providers, so I will not push the matter today. I just wanted to get the point across that we know that a meeting will be held and we hope that it will lead to constructive discussions and outcomes.

Ian Blackford (Ross, Skye and Lochaber) (SNP): I will be brief in supporting the amendment in the name of the hon. Member for Bootle. Including credit unions as providers is critical, given the vast number of savers who use community credit unions to build up incomes for later life. Many credit unions set up local pay-in points such as shops or community centres and are increasingly important, given the withdrawal of the banks from many of the communities that credit unions represent. Therefore I wholly support the amendment.

The Financial Secretary to the Treasury (Jane Ellison): I echo the comments that have been made about credit unions. I am sure that many of us, on both sides of the Committee, have credit unions in our local area. There is an excellent one in Wandsworth, which I do what I can to support with publicity and signposting for constituents. I certainly place on the record our admiration for the credit union movement. As the shadow Minister, the hon. Member for Bootle, said, there will be a meeting. His colleague the hon. Member for Harrow West made a very good speech on Second Reading, and I am glad that that meeting will take place.

This debate is about who provides the Help to Save product. We were clear in our consultation that the options for delivery were to engage a single provider to guarantee nationwide provision, or to open the opportunity to offer the account to a wider range of providers on a voluntary basis. Although we are keen to explore the potential for credit unions to be involved and we of course acknowledge, as I have done, the valuable work that they do in our communities, we believe that they could not guarantee the nationwide provision of accounts that we seek.

Appointing National Savings and Investments as the scheme provider, which we have obviously made public, does involve our funding it for nationwide account provision, but it also means that we can work with a single provider to ensure that accounts are easily accessible to all eligible people, and it removes what could be the significant administrative and compliance costs associated with allowing a range of providers to offer accounts. Those could include costs associated with approving providers, checking for multiple account opening, checking and paying bonus claims from different providers and ensuring that each provider is operating the account correctly.

An option whereby we funded NS&I to provide accounts while we also allowed other providers to offer accounts on a voluntary basis would not provide value for money in this environment. A product such as this operates very much at the value-for-money end of the market. However, I am clear that we should not rule out the option for a range of providers, including credit unions, voluntarily to offer accounts in the future if that would deliver national coverage, and I reassure the Committee that the Bill has been drafted to accommodate different models of account provision, should that situation arise. In the meantime, we will work with the credit union sector to explore further options for Help to Save that work for it.

The hon. Member for Bootle has indicated that he will not seek to press the amendment to a vote, and with those points and that clarification in mind, I urge him to withdraw it.

Peter Dowd: I thank the Minister for those words. I think it would be inappropriate to take up the Committee's time pursuing the amendment any further at this stage, so I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Ian Blackford: I beg to move amendment 2, in schedule 2, page 18, line 16, leave out "maximum" and insert "average".

See explanatory statement for amendment 5.

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

Amendment 3, in schedule 2, page 18, line 19, leave out "maximum" and insert "average".

See explanatory statement for amendment 5.

Amendment 4, in schedule 2, page 18, line 19, after "means", insert "an average of".

See explanatory statement for amendment 5.

Amendment 5, in schedule 2, page 18, line 19, after "£50" insert

"across every two month period within the maturity period".

Together with amendments 2 and 3, this amendment would allow HTS to provide for "top-up" monthly payments above £50 so long as the average payment for every two months is £50.

Ian Blackford: The amendments would allow Help to Save to provide for top-up monthly payments above £50 as long as the average monthly payment in every two-month period was £50. Many people in the target group will have fluctuating incomes. Allowing people to save a maximum of only £50 per month will reduce applications from people who may have, say, £20 spare one month and £70 spare the next.

A survey by StepChange revealed that 34% of respondents

"would prefer to be able to pay in an average maximum of £50 per month."

The amendments would allow Help to Save account holders to save an average of £50 per month over the course of the account period. That would allow account holders to overpay to catch up following lower payments in previous months and maximise bonus payments. I hope that the Minister will look favourably upon the amendments as a way of strengthening the Bill.

Jane Ellison: The amendments are about the scheme rules on monthly deposit limits. They would provide that rather than the maximum monthly deposit being set at £50, a saver could add an average of £50 per month to their account, calculated over a two-month period. That would allow individuals to make additional catch-up payments to their Help to Save accounts in the event that they did not use their full £50 deposit allowance in a preceding month.

We consulted on whether individuals should be able to pay in excess of the £50 monthly deposit limit to catch up on either unused monthly allowances or withdrawals. Respondents were clear that that would add complexity to the scheme for savers and account providers, and given the objectives of the scheme and our desire for the product to be straightforward and simple, it was vital that the account rules were kept as simple as possible to ensure that the scheme was easy to understand and accessible to the target group. Having an average monthly deposit limit would complicate the simple position that we propose in relation to account limits.

I entirely understand the spirit in which the amendments were tabled, but we consulted on this issue and the feedback that we received was that that was not the most straightforward way to proceed for the target group. It may also help the Committee to know that the Office for Budget Responsibility forecasts that on average people will deposit £27.50 into their accounts each month. That suggests that a £50 monthly limit is adequate. We have actually raised that limit from the £25 limit that was proposed for the Saving Gateway scheme—a scheme that, as some Members will know, contained elements similar to Help to Save. Quite a lot was learned from it, because it was piloted.

Peter Dowd: The Committee heard evidence from Joseph Surtees of StepChange that

"When it was introduced in the Budget, the potential eligibility for the scheme was 3.5 million, but the impact assessment says that it will probably only reach about 500,000"

and asked

"how do we get…to the 3.5 million figure?"—[*Official Report, Savings (Government Contributions) Public Bill Committee,* 25 October 2016; c. 28, Q49.]

Does the Minister agree that, if we are to get a higher level of engagement, the scheme may need to be more flexible, as suggested by the hon. Member for Ross, Skye and Lochaber?

Jane Ellison: It is certainly fair to say that we want to look at all aspects of how we grow the scheme and reach as many eligible people as possible. At this stage, we disagree about offsetting greater flexibility against perhaps great simplicity, and how we balance the two. Because of the way we have structured the Bill and its consequent regulations, there is quite a lot of flexibility built into the scheme in the future. We have the £50 monthly limit in the schedule, but there are ways that we might be able to return to the product and look at it in the future. I come down on the side of simplicity in this argument, and that is why we have proposed what we have—notwithstanding the evidence we heard on Tuesday.

The Saving Gateway, which was essentially the partial forerunner of this scheme, had a proposed limit of only £25. Given the OBR's forecast that £27.50 will be the average deposit, doubling the limit from Saving Gateway effectively allows for people to make almost twice that average deposit. In effect, the upper limit offers the flexibility that the hon. Member for Ross, Skye and Lochaber proposes. It is also worth noting that the four-year duration of an account will allow savers to dip in and out of saving when they can afford to put money aside. Savers will still earn an attractive Government bonus even if they are not in a position to save the full amount each month. With those points in mind, I hope that the hon. Gentleman will consider withdrawing the amendment.

Ian Blackford: I thank the Minister for her remarks, but I am both a little surprised and a little disappointed. I thought the Government were in favour of freedom and choice and what we seem to have here is a Government who are trying to shut down freedom and choice. The Minister talks about complexity; I cannot see why giving consumers the choice of being able to get to £50 over an average will bring additional complexity. I think that this is really just a software issue for those who are going to be providing the scheme, so I do not accept that argument. We will be pressing the amendment to a vote, because it is the right thing to do. This is about growing the market for Help to Save, and the amendment has been put forward with a genuine desire to help the Government make this policy more attractive. The Minister talks about coming back to the scheme in the future, but I think we should put that flexibility in today. On that basis, I wish to press the amendment.

Question put, That the amendment be made.

The Committee divided: Ayes 2, Noes 7.

Division No. 2]

AYES

Blackford, Ian
Whiteford, Dr Eilidh

NOES

Barclay, Stephen
Ellison, Jane
Caulfield, Maria
Frazer, Lucy

Howell, John
Quin, Jeremy
Williams, Craig

Question accordingly negatived.

Dr Eilidh Whiteford (Banff and Buchan) (SNP): I beg to move amendment 8, in schedule 2, page 19, line 11, at end insert—

"(e) make provision for eligible persons to be auto-enrolled into Help-to-Save accounts from benefit entitlements unless the individual chooses to opt-out."

This amendment would enable an "auto-enrolment" workplace saving scheme which would see an individual automatically signed up to a Help-to-Save account. He or she then must "opt-out" to stop money being deducted from their pay or benefits into a savings account.

The amendment would enable the establishment of an auto-enrolment type of workplace saving scheme that would allow individuals to be automatically signed up for a Help to Save account. Individuals could of course opt out of this entirely, but for many it could help overcome the inertia and procrastination sometimes associated with getting started in setting up a savings account. These days, there are fewer and fewer high street outlets, banks and building societies—indeed, several are closing in my constituency tomorrow—and that is going to make it even harder for people to talk to somebody face to face about savings products. I believe that if an incentivised savings scheme is made easily accessible and available the likelihood of participation is greatly increased. More people who would be well advised to save but who do not do it would find it an awful lot easier to get started.

2.15 pm

Such schemes have proved very successful in other countries—notably in the US, where some have secured participation rates of more than 90% of the workforce. In one, the introduction of auto-enrolment boosted participation from 49% to 86%. The debt charity StepChange has been mentioned quite a few times today. It has been at the forefront of calls to introduce a similar scheme in the UK. It emphasises the importance of people having some money set aside for the proverbial rainy day, or, more likely, the broken washing machine or cooker, the boiler that has packed up, or a big MOT repair bill. StepChange's research with people in the target income bracket found that more than 40% said they would be

"much more likely to save"

if their savings were deducted from salary at source—obviously, with their consent.

There are big challenges in encouraging people on lower and average incomes to save, and we need to make it easier. What I have outlined is one way for the Government to push that forward.

Jane Ellison: The amendment is about auto-enrolling individuals into Help to Save accounts. I understand the motivation, and given the evidence from StepChange the Government do not doubt the sincerity of the intention and the desire to help people to save. However, we have concerns, and I shall explain why we cannot support the amendment.

The amendment would provide for arrangements allowing employers or benefit paying bodies to divert money from employees' pay or benefits into a Help to Save account, unless they chose to opt out. To return to an earlier debate about auto-enrolment, we all believe that it has been a huge success in pension saving. However, while there is a strong case for auto-enrolling people into long-term pension savings, we do not think that is the case for the rainy-day savings that Help to Save is designed to support.

We want a decision to save into an account to be an active choice made by eligible individuals at a time that is right for them. Given the focus on rainy-day savings, we think that many will want to use the account flexibly, putting aside what they can afford each month rather than committing to a fixed amount being deducted from their salary or tax credit payments. For those looking to make regular payments into a Help to Save account, a standing order that they control will be the best option. That is because many people who are eligible for Help to Save could well have more than one job or other changes in circumstances over the four-year period when they have an account. The target group for a Help to Save account is disproportionately more likely to have a series of different jobs or more than one job at the same time.

Nevertheless, an employer that wants to offer payroll deduction into a Help to Save account to its employees is perfectly free to do so—nothing in the legislation would stop them. The Government are aware of successful voluntary workplace savings schemes and we are keen to explore the role that employers and other local organisations can play to support people in getting access to Help to Save, but we have no intention of making that a statutory requirement at a time when we are still working with businesses to roll out and embed automatic enrolment into workplace pensions—particularly given the forthcoming rises in contribution rates. We think that that must remain the priority for employers. That takes us back to an earlier debate about the support we all give to auto-enrolment, and the desire not to confuse that picture.

I hope that, with those points in mind, the hon. Lady will withdraw her amendment.

Dr Whiteford: I take on board the Minister's concern, particularly for people who may be in multiple employment; that is a fair point. I am not sure that the arrangement would not be hugely beneficial for employers too, or that they would be all that resistant. The amendment is intended as an enabling provision, but in the interest of making progress, I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Ian Blackford: I beg to move amendment 7, in schedule 2, page 19, line 31, at end insert—

'(2A) Where a bankruptcy order is made against a person with a Help-to-Save account any bonus paid into the Help-to-Save account will not form part of a debtors estate during insolvency proceedings.

(2B) Any bonus paid into a Help-to-Save account shall not be liable to be taken as repayment via third party debt orders.'

The amendment would ensure that those subject to a bankruptcy order would not be stripped of their assets. Currently, Help to Save affords no protection to the Government bonus paid into accounts from insolvency proceedings or third-party debt orders from creditors.

The Government need to look closely at the debt collection and insolvency implications of the scheme. Given the target audience of Help to Save, it is likely that many will face financial difficulties while holding a Help to Save account. That would leave them vulnerable to third-party debt orders and potential insolvency.

Lucy Frazer (South East Cambridgeshire) (Con): I wonder why the hon. Gentleman is proposing this provision for protection from insolvency when we know that under section 283 of the Insolvency Act 1986 the bankrupt's home is not protected from insolvency. A pension that is already in payment is also not protected.

Ian Blackford: I would not agree with the last assertion, because pension payments—certainly pension pots—are protected under the Welfare Reform and Pensions Act 1999. That condition exists, so I do not agree with the hon. and learned Lady on that point.

Lucy Frazer: They are not protected once they are already in payment.

Ian Blackford: That is not the point that I made, which was about when payments are in the pension pot. We are arguing that the pots should be protected under the Help to Save scheme. Given that a key purpose of the Help to Save scheme is to promote long-term financial resilience, it would be counterproductive if creditors could take the money saved, or even the bonus, to satisfy existing debts. That would result in creditors benefiting from public money intended to help low-income families build precautionary savings. At the very least, the bonus should be protected. For the absence of doubt, there is a precedent for that in the 1999 Act, which states that approved pension arrangements do not form part of the bankrupt's estate.

Jane Ellison: The amendment seeks to prevent creditors from accessing the Government bonus in the event that the account holder is subject to insolvency proceedings or a third-party debt order. Obviously I appreciate that the objective is to protect the account holder, but the Government also need to consider what is fair to creditors by not providing people with an opportunity to shelter from debt proceedings when a creditor has a legal right to be repaid.

I am aware that it has been argued that a special case should be made for ring-fencing the Government bonus to avoid taxpayers' money being used to repay debts, but I underline that the scheme rules mean that account holders will be entitled to a bonus on the highest balance achieved in the account. That represents an asset for the account holder, and it should be treated as such in any insolvency proceedings.

It is worth noting that there was a Government policy change that meant that, from October 2015, the minimum debt on which creditors can ask the court to declare an individual bankrupt rose to £5,000 from £750, ensuring that people with low-level debts are taken out of that. This measure is consistent with Government policy in other areas—that is the point my hon. and learned Friend the Member for South East Cambridgeshire made—such as the rules around when funds to pay creditors can be deducted from benefit payments.

Kelvin Hopkins (Luton North) (Lab): I concede that there is some worth in what the hon. Member for Ross, Skye and Lochaber was saying, but my concern is that if all sorts of accounts were protected from insolvency prosecutions, people might pile all of their cash into those accounts while knowing that they were going to go bankrupt or behaving in a financially irresponsible way. That protection would not help creditors.

Jane Ellison: A fair point—I certainly acknowledge what the hon. Gentleman says. What we propose in the Bill around creditors and insolvency is consistent with Government policy in other areas. For those reasons, I urge the hon. Member for Ross, Skye and Lochaber to withdraw the amendment.

Ian Blackford: I am flabbergasted that some Government Back Benchers do not even understand their own legislation. The amendment would put Help to Save on the same footing as pension pots, and I will certainly press it to a vote.

Question put, That the amendment be made.

The Committee divided: Ayes 2, Noes 8.

Division No. 3]

AYES

Blackford, Ian	Whiteford, Dr Eilidh

NOES

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

Question accordingly negatived.

Dr Whiteford: I beg to move amendment 1, in schedule 2, page 20, line 21, at end insert

"which must be paid no later than six calendar months beginning with the calendar month in which the account is opened".

This amendment would reduce the time before the holder of a Help to Save account would receive a government bonus to six months.

I will be extremely brief. This amendment is very simple: it would reduce the amount of time before a Help to Save account holder receives their Government bonus to six months, which simply reflects the reality of the timeframe in which people on lower incomes are likely to have to dip into their savings to cover unexpected costs. Again, the amendment builds on research by StepChange, whose users are the target group for the product. According to StepChange, more than three quarters of people in the target income band will need to dip into savings more than once in a year, and a significant proportion will need to do so within six months. Two years is probably too long for them to see the full benefit of the bonus. A more frequent bonus payment will make the product more attractive to the people it is aimed at.

Jane Ellison: The amendment would require the Government to pay the bonus on Help to Save accounts within six months of the account opening. On Second Reading, hon. Members expressed concerns about the bonus being paid after two years and on maturity, and

[Jane Ellison]

not more regularly. The Government are not requiring people to lock their money away in Help to Save. People will still have full access to their savings and will be paid a bonus on the highest balance obtained. Even if people are able to save for only six months, they will still be entitled to receive a bonus at the two-year point and on maturity.

We have said a number of times that the purpose of Help to Save is to support rainy-day saving over a four-year period to help people to build a buffer against unexpected financial shocks or changes in circumstances. In light of that objective, we have looked carefully at how frequently we should pay the bonus.

Similar accounts in the Saving Gateway pilots run by a previous Government ran for 18 months. Published research shows that participants had different views on account duration, but many were in favour of extending the period. Additionally, there is peer-reviewed research by US academics on individual development accounts, a similar savings scheme in the US that also provides match funding to help people on low incomes to save. The research concluded that 19 to 24 months is the optimal time period to embed a savings habit.

Kelvin Hopkins: I am somewhat persuaded by the hon. Member for Banff and Buchan. In the American case, is that the convenient time period for those organising the scheme, or is it the optimal time period for the saver?

2.30 pm

Jane Ellison: My understanding—I have not read the detailed research, although I suspect I will before Report—is that it is what people who were in the scheme fed back about how they felt. That is certainly the case with the Saving Gateway research, which was published in the *Journal of Economic Psychology*, and I will certainly read it before we get to the next stage of the Bill. Research was published on the Saving Gateway pilot showing that participants were generally in favour of extending the period. We have the right focus there.

Kelvin Hopkins: I remember that when people on lower or ordinary incomes were paid monthly instead of weekly, it was sometimes felt that that was uncomfortable, and that short timescales were better for those on low incomes than those on high incomes.

Jane Ellison: We risk straying slightly off the point, but there has been a lot of debate about weekly and monthly pay in the discussions about the many changes to the welfare system in recent years. Universal credit, which like many other benefits is moving to a monthly-by-default payment, is subject to the same argument about striking the right balance. We think that paying the bonus at two years and on account maturity strikes the right balance, because it gives people enough time to build up their savings and develop a saving habit, while allowing them to access the bonus within an appropriate timescale.

The Government bonus is designed to provide support and a real incentive to those building up their savings over a long period, rather than supporting or incentivising short-term spending. A bonus of up to £600 after two years is an attractive target to save towards, and will encourage people to keep saving, if they can. We do not believe that smaller bonus amounts paid at more frequent intervals would provide the same incentive for regular saving over the long term.

Given the rainy-day nature of the scheme, Members may be concerned to ensure that savers can access their bonus early if they face an unexpected cost or change in circumstances, and I stress that savers can access their money at any time and still earn a bonus on their savings. The four-year duration of the account allows people to start saving again, so they can earn an additional bonus. While I recognise the strong views on this issue, the motivation behind the amendment, and that no one solution will work perfectly for all savers, I think—in light of the argument I have made and some of the evidence I have cited—that we have got the balance right in this regard. I ask the hon. Member for Banff and Buchan to withdraw her amendment.

Dr Whiteford: I am disappointed that the Government have not taken on board a simple and straightforward amendment. I am minded to push the amendment to a vote, simply because many Members expressed concern about this matter on Second Reading, and the amendment could be made fairly easily.

Question put, That the amendment be made.

The Committee divided: Ayes 3, Noes 8.

Division No. 4]

AYES

Blackford, Ian
Hopkins, Kelvin
Whiteford, Dr Eilidh

NOES

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

Question accordingly negatived.

Schedule 2 agreed to.

Clauses 3 to 5 ordered to stand part of the Bill.

Ordered, That further consideration be now adjourned.—*(Stephen Barclay.)*

2.35 pm

Adjourned till Tuesday 1 November at twenty-five minutes past Nine o'clock.

Written evidence to be reported to the House

SGCB 03 Prospect