PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

First Delegated Legislation Committee

DRAFT HELP-TO-SAVE ACCOUNTS REGULATIONS 2018

Monday 22 January 2018

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Friday 26 January 2018

The Committee consisted of the following Members:

Chair: Ian Austin

† Bruce, Fiona *(Congleton)* (Con)
† Clark, Colin *(Gordon)* (Con)
† Dodds, Anneliese *(Oxford East)* (Lab/Co-op)
† Ellman, Mrs Louise *(Liverpool, Riverside)* (Lab/Co-op)
† Fysh, Mr Marcus *(Yeovil)* (Con)
† Glen, John *(Economic Secretary to the Treasury)*
Johnson, Diana *(Kingston upon Hull North)* (Lab)
Lammy, Mr David *(Tottenham)* (Lab)
† Lewis, Clive *(Norwich South)* (Lab)
† Lopresti, Jack *(Filton and Bradley Stoke)* (Con)
Malhotra, Seema *(Feltham and Heston)* (Lab/Co-op)
† Mann, Scott *(North Cornwall)* (Con)
† Penrose, John *(Weston-super-Mare)* (Con)
† Rutley, David *(Lord Commissioner of Her Majesty's Treasury)*
† Shelbrooke, Alec *(Elmet and Rothwell)* (Con)
† Smith, Jeff *(Manchester, Withington)* (Lab)
† Thewliss, Alison *(Glasgow Central)* (SNP)

Peter Stam, *Committee Clerk*

† attended the Committee

First Delegated Legislation Committee

Monday 22 January 2018

[IAN AUSTIN *in the Chair*]

Draft Help-to-Save Accounts Regulations 2018

4.30 pm

The Economic Secretary to the Treasury (John Glen): I beg to move,

That the Committee has considered the draft Help-to-Save Accounts Regulations 2018.

It is a pleasure to serve under your chairmanship, Mr Austin. The commitment of the Government in supporting people and promoting aspiration has been consistent, targeted and innovative, and the Savings (Government Contributions) Act 2017 and these regulations mark another milestone in that commitment. Through the measures in the Act, including the Help-to-Save scheme, we have targeted our support to help working people on lower incomes to build savings.

Hon. Members will be aware of the research carried out in 2016 by the Money Advice Service, which shows that four in 10 working people across the UK lack a savings buffer, with less than £100 in savings available to them at any time; one quarter of households have total financial assets of less than £1,100; and, shockingly, almost 26% of working adults have no savings at all. That evidence speaks to a demonstrable lack of a financial safety net for many in our society, leaving households in a state of financial uncertainty, with which comes vulnerability to unexpected bills or income shocks, not to mention vulnerability to less than scrupulous lenders.

We therefore want to provide a strong incentive—and fair reward—for working people on lower incomes to build up a necessary savings buffer, which is exactly what the Help-to-Save scheme will do. It is part of the Government's wider strategy to tackle poverty and promote life chances for all in the UK.

I shall set out how the scheme will operate and incentivise working families to save for the future. Access to savings will build their financial resilience, and it is not just working families who will reap the benefits; strong household finances have positive knock-on effects. The aim of the Help-to-Save scheme is ambitious: no less than to change the UK's saving habits, which is something that I am proud to stand behind.

The regulations provide that the Help-to-Save account will be a four-year money savings account aimed at working people with lower incomes. We have already announced that we will be implementing the scheme with a single provider—National Savings & Investments. Using NS&I to build the account will ensure national coverage for the scheme. That is really important to ensure that all low-income working Britons have the chance to access Help-to-Save. Her Majesty's Revenue and Customs will undertake the eligibility checks, and NS&I will carry out the day-to-day management of Help-to-Save accounts.

The regulations set out the major account rules and features, which include detail on the eligibility criteria, the conditions for opening an account, and the bonus calculation. I shall now discuss those matters in further detail.

The eligibility criteria have been designed to ensure that the scheme targets its support at low-income working families. Accounts will be available to individuals or households in the UK that are in receipt of working tax credit at a rate other than nil or, in certain circumstances, a child tax credit award. Accounts are also available to those who are in receipt of universal credit and have reached a minimum income threshold. Basing eligibility on existing universal credit and working tax credit criteria provides simplicity, while making the consumer journey as smooth and efficient as possible.

Provided that an individual was eligible when their account was opened, they will not lose their right to continue to use the account if their circumstances change, unless their application is discovered to have been based on false information initially. That is of course fair, and provides certainty for all account holders. The eligibility criteria for Help-to-Save, as set out in the regulations, will ensure that the scheme is correctly targeted, so that we can continue to deliver on our commitment. The Government are committed to building financial stability for the people of this country, and especially for those who need it most.

The regulations set out how the Government bonus is calculated. The bonus has been designed in such a way as to encourage a regular savings habit, while allowing for flexibility and circumstances. Eligible individuals will be able to deposit up to £50 each month, and at the end of two years savers will get a 50% Government bonus based on the highest balance achieved in the period. They can then carry on saving for another two years and get another 50% Government bonus on their additional savings.

The four-year length of the scheme supports account holders to build up a savings habit over a period of time, and paying a bonus at the halfway point, after two years, allows savers to see the benefit of their efforts to date, while also providing an incentive to carry on saving for another two years. Individuals can make withdrawals at any time as we recognise that people need to get access to their savings to cope with unexpected bills, although that will affect the balance that they may then carry forward.

Individuals will be able to deposit money into their Help-to-Save account only while they are resident in the UK. That is fair and consistent; the rules on absence periods mirror existing tax credit and universal credit rules. The regulations give HMRC necessary and proportionate powers to ensure compliance through inspecting claims where necessary and recovering any wrongly paid bonuses. Additionally, it will also not be possible for a person to hold a Help-to-Save account for another person's benefit, except where an individual lacks the capacity to hold the account themselves.

The regulations also provide for a trial of the Help-to-Save scheme. The trial will test the new IT system and ensure that the service provides a smooth experience for everyone. We are confident that the trial and monitoring period will ensure that the scheme is easily accessible and simple to use; that is key in supporting eligible people to save and maximising the benefits of the scheme.

The trial will be rolled out to increasing numbers, and the scheme will be available to all those who are eligible from October 2018 at the latest.

We are now close to the start of the Help-to-Save scheme, which I am convinced will be a highly effective incentive for people who want to save responsibly for the future. The regulations implement the policy by setting out the operation of the scheme, which is fair and simple, and an important way of promoting life chances. We want the UK's working families to know that the Government stand behind them and will support their efforts to secure financial stability.

I was pleased that there was support from both sides of the House for the 2017 Act during its passage through the House, and I hope that we shall continue in the same vein today, as we consider the regulations.

4.38 pm

Anneliese Dodds (Oxford East) (Lab/Co-op): I am grateful to the Minister for his helpful explanations. I am not going to comment on the principles underlying the Savings (Government Contributions) Act 2017 and regulations. However, we need urgent clarification of several issues in relation to whether the professed intent of the Act will be carried out in the regulations.

My first question is about the eligibility criteria for Help-to-Save accounts, which the Minister referred to. Colleagues will remember that they were described as enabling low-income people to prepare for a rainy day. I accept that the Act stated that regulations would ensure that

"specified conditions relating to working tax credit are met in relation to the individual"

and therefore implied that only those eligible for working tax credit, including those receiving it at a nil rate, would be eligible for the Help-to-Save scheme. On that point, by the way, the Minister said that he believed it would not just be working families who would benefit. It would be helpful if he provided the evidence for that, as it does not appear to be the case.

It is peculiar that a mechanism intended to aid low-income people includes what seems to be an income floor, rather than a ceiling, especially given what seems to have been the near-complete removal of the social fund after its devolution to local authorities. However, at least that restriction was indicated in the Act. I find it harder to explain the eligibility criteria for universal credit claimants as specified in the regulations.

There has recently been much ill-informed criticism of working tax credits, and of them involving a cliff edge of 16 hours' work a week. In practice, however, individuals can obtain working tax credits while working more than 16 hours a week, albeit with consequent changes to their eligibility for child tax credits. I am surprised that the 16-hours requirement has been so criticised by Government Members, and crowbarred into arrangements to ensure that universal credit claimants are eligible for Help-to-Save accounts. The Minister said that this is a simple process, but for universal credit applicants it is not, and some indication of the Government's thinking on that would be helpful.

I am sorry that I did not give the Minister more advance notice—I spent Saturday night enjoying myself reading through all this, and I did not have a chance to contact him during working time—but there seems to be a drafting error, or at least an ambiguity, in the regulations regarding the benefit condition for those on universal credit. The same introductory text is used for those on universal credit as for those on working tax credit—applicants have to meet eligibility criteria, which will be specified later, for both eligibility reference dates. The text for the benefit condition that follows for UC claimants indicates that income conditions should be assessed for the months preceding the first reference date only. That income condition is that applicants should have received an income equal to, or above, working an average of 16 hours a week for a month on the national minimum wage.

Will the Minister clarify that the intention of the universal credit benefit criterion is to require individuals to have that income qualification for the months preceding the date of application for their Help-to-Save accounts, and not for the date on which their application is accepted—the second eligibility reference date? That is enormously important given the extent to which the income of many low-income people can vary over time. It would be perfectly possible for someone to earn above the income requirement in one month but then, due perhaps to slow processing by their account provider, to have their income assessed for a different month and be found not to have worked sufficient hours or on a sufficient wage to qualify for that account. As the Minister said, there are penalties if someone is found to have submitted the wrong information about eligibility, so it is important to get this right.

Two questions arise about the provisional arrangements for Help-to-Save accounts. The first relates to undertakings made by the former Financial Secretary to the Treasury, the former hon. Member for Battersea, who said that the Government were open minded about credit unions becoming involved in the provision of Help-to-Save accounts in the future once the national system had bedded in, and if it could be shown to be appropriate and value for money. She also said that regulations would be tabled with sufficient flexibility for that to be possible. Indeed, the possibility of different authorised account providers is referred to in section 13 of schedule 2 to the Savings (Government Contributions) Act 2017.

As a responsible Minister, the former Financial Secretary said in a Third Reading debate on the Bill that nothing in it would preclude expanding the provider model in future. However, there is next to no reference in these regulations to the Government's conducting a review into the possibility of additional providers providing Help-to-Save accounts. Instead, we are told only that if a decision is made in future to move to a multi-provider model, the regulations will be amended accordingly. The regulations provide no mechanism for that move, which I find peculiar given the tenor of those previous debates in the House. The regulations contain a reference to a five-year period for the authorised provider. Will the Government conduct a review into the possibility of credit unions providing Help-to-Save accounts, at least before the end of that five-year period?

My second point is about sub-contracts and procedures. We are informed in section 11 of the regulations that

"the authorised account provider shall satisfy itself that any person to whom it delegates any of its functions or responsibilities under the agreed terms is competent to carry out those functions or responsibilities."

Last week I had the pleasure of debating with the Minister—it was good to talk about tax-free childcare arrangements in Westminster Hall, and he will remember

[Anneliese Dodds]

that we spoke about how NS&I had outsourced the provision of the portal used to access tax free childcare to Atos. He will remember the many cases referred to in that debate regarding parents who had been frustrated not just because of a simple bug, but because of serious system errors, and to the extent that they were considerably out of pocket. Will the Minister assure us that the Government will aim to satisfy themselves that the arrangements will operate properly, and not leave that to the authorised account provider? The authorised account provider's mechanism of childcare service does not seem to have operated satisfactorily. I hope the Minister can say how the trial period that he mentioned will ensure that any potential problems due to outsourcing are ironed out.

Finally, I would like the Minister to clarify that the Government have altered the regulations concerning working tax credits, as undertaken by the former Financial Secretary to the Treasury, so that income from Help-to-Save accounts will definitively not count for assessing the value of working tax credits for claimants. I have not been able to find out whether that undertaking has been fulfilled.

I apologise for this long set of questions, but in the context of considerable cuts to other forms of help for low-income people, it is important that there is clarity and certainty about this scheme if it is to succeed, even on its own terms.

4.46 pm

Alison Thewliss (Glasgow Central) (SNP): It is a pleasure to see you in the Chair, Mr Austin. My starting point is that saving is a good thing and it ought to be encouraged. Broadly, the Scottish National Party supports the measure.

The scheme has been a painfully long time in the making—it was announced by some guy called George Osborne in the 2016 Budget—so I am glad to finally see it making its way into regulations. It remains to be seen if the Help-to-Save account will achieve an increase in people's savings and how many people will take it up. I understand that the scheme is open to 3.5 million people. It would be interesting to hear from the Minister whether there has been any change to the 2016 planning assumptions that half a million people would sign up.

The wider context, as identified on Second Reading of the Finance Act 2016 by my hon. Friend the Member for Aberdeen North (Kirsty Blackman), still stands. She said:

"Folk who are earning the Chancellor's pretendy living wage, which is not recognised as being enough to live on, struggle to make it to the end of the month, let alone to have spare money to save for the future. The help to save scheme included in the Budget is welcome, but folk working the minimum 16 hours a week on the pretendy living wage will be earning only £500 a month, and they are hardly likely to be able to spend 10% of that income on savings rather than on immediate concerns."—[*Official Report*, 11 April 2016; Vol. 608, c. 132.]

Many households struggling to get by would love to be saving. StepChange Debt Charity suggests that 21.8 million adults across these islands believe that they are not putting enough by. That is more challenging still in parts of rural Scotland where the cost of living is higher. Most reasonable people understand the concept of putting money away for a rainy day, but the reality they face is not the rainy day in the future but the flood of debt that they are living with day to day and are trying to bail themselves out of with a leaky bucket.

The Institute for Fiscal Studies published a pretty stark report last week, "Problem debt and low-income households", which says:

"Around half of households in Great Britain in 2012–14 had some unsecured consumer debt, with 10% of households holding over £10,000 of such debt… Those with lower incomes are less likely to hold any unsecured debt, but are more likely to be in 'net debt', with unsecured debts of greater value than their financial assets. 35% of those in the lowest income decile have debts of greater value than their financial assets. This compares with 10% in the highest income decile."

The Government ought to be attracting those households with the scheme, because they would see the most benefit from it, but there is just not enough money at the end of the month to do it. The IFS also found that people stay in debt for many years, so there is no prospect of their being able to participate in the Help-to-Save scheme for many years until that debt is cleared.

On indebtedness, StepChange Debt Charity responded to the consultation with concerns about the implications for people who sign up for the scheme but find themselves under third-party debt orders or insolvency proceedings—that has not been entirely dealt with so far. Can the Minister explain how that would be resolved? Would that money be called on by debtors or will their savings be safe?

I am concerned about the implications for workers under 25 years old. From responses to the consultation, I understand that they do not qualify for the scheme. I am sure that we would all like to encourage people to get into a savings habit from a young age. Some of us might have had Bank of Scotland's "Super Squirrel" accounts. I still have the "Route 21" account that I opened with the Royal Bank of Scotland while still at school—although that bank has not shown much loyalty to my home town, because it has shut the branch there. There are excellent financial education schemes in schools, but the UK Government do not follow up on that in the Help-to-Save scheme.

In its response to the consultation, StepChange Debt Charity points out that the Government's Help-to-Save scheme deliberately excludes those under 25 years old. It says:

"We are concerned, that if eligibility is based on current criteria for claiming Working Tax Credits (WTC) this might discriminate against those under 25. Currently those under 25 only qualify for WTC if they work at least 16 hours a week and qualify for a disabled worker element, or are responsible for a child.

This means that it would not be possible for anybody under 25 who does not qualify for a disabled worker element, or is not responsible for a child, to have a HTS account."

I am not dying of surprise, because this is a Government who, after all, already engage in age discrimination by staging the minimum wage, leaving 16 and 17-year-olds with a full £3.63 less for an hour's work than a 25-year-old in the same job, a pretendy living wage and no access to the HTS scheme. Will the Government give some thought to how this unfairness might be rectified before the full roll-out?

On the single provider issue, we are content enough with NS&I but according to the Government's response to the consultation, a downside is that there will not be branch access to the account, which will be conducted online and via phone services. This could well present a problem for those who have disabilities, literacy issues, mental health issues, deafness and whose first language is not English. In paragraph 10 of the explanatory memorandum, the Government say that there has not been an impact assessment—I do not know whether they mean an equality impact assessment, but it would be worthwhile to have one to ensure that people do not lose out through not being able to access the scheme.

My hon. Friend the Member for East Kilbride, Strathaven and Lesmahagow (Dr Cameron) raised a pertinent point at Prime Minister's questions last week about women, domestic abuse and access to accounts. Will the Government clarify whether, should there be coercive financial control when a relationship breaks down and savings have been put in as a household—the Minister referred to households and individuals—the woman will still be able to access her account and her savings even though her circumstances may have changed? That is a very important protection to build into the scheme to ensure that women do not lose out, as women suffer more financial exclusion and have more financial abuse perpetrated against them.

Will the Government take action to ensure that people who might not qualify for this HTS scheme are encouraged to save in other ways, through credit unions, as the hon. Member for Oxford East said, which are of huge value in local communities, and traditional banks? That has been made even more difficult by a roll-back of branch networks, with those living furthest away becoming even more marginalised. Jonathan Morduch, professor of policy and economics at New York University, has carried out research which makes it clear that we all make mistakes with our finances but that the poorest pay the heaviest price and, I would argue, need the most protection and support in accessing finance. What is needed is to raise people's wages, to improve their productivity and to ensure that the social security system does not leave people perilously close to the edge and in debt. Until the Government do that, savings will continue to be out of reach for many.

4.52 pm

John Glen: Today's debate has been an interesting one, and I am grateful to hon. Members who have contributed. Before I deal with the detailed points that have been raised, I want to thank the many groups of individuals who have given their views on the proposals, including hon. Members, many of whom are here, who participated in debates during the passage of the Savings (Government Contributions) Act 2017.

On eligibility, the hon. Member for Oxford East suggested broadly that the passporting of eligibility rules excludes many people who could benefit from the scheme. I think the hon. Member for Glasgow Central mentioned people under 25, carers, and those who support themselves without claiming benefits. In essence, she was asking why we did not have bespoke rules. The eligibility rules balance simplicity and certainty for individuals and the aim of supporting low-income working families to become regular savers. Passporting the scheme in this way will ensure that it targets effectively those on low incomes, and is a well-established means of targeting Government support across a range of policies. There is a five-year window to enter the Help-to-Save scheme and applicants need to meet the eligibility criteria only at the time they register.

The hon. Lady mentioned eligibility rules in regulation 3(3), which refers to each date, and regulation 3(3)(b), which mentions the first date. The point is that the condition remains satisfied on each eligibility reference date. Respondents to the consultation were overwhelmingly in favour of keeping the eligibility criteria as simple as possible. Keeping in line with eligibility for other benefits and credits will keep the administrative burden on the customer to a minimum, therefore encouraging take-up and maximising the benefit of the scheme. Adding different thresholds for different groups would greatly complicate the scheme. The scheme has been designed in this way to create equality between applicants claiming working tax credits and universal credit.

In response to the point about different providers and the incentivisation of credit unions, using NS&I to build the accounts ensures national coverage of the scheme, as I said in my opening remarks. That is necessary for there to be confidence in the scheme when it starts. NS&I has a proven record in delivering a range of savings products. The hon. Member for Oxford East referenced our exchange last week on the performance of the voucher scheme.

Anneliese Dodds: It was tax-free childcare.

John Glen: Tax-free childcare; I am sorry. I met with NS&I this morning to discuss the need to get things right and the improvements that have been made, but the hon. Lady raised a legitimate point. During the trial period, we will try to draw out any errors before the scheme is fully rolled out in October. We will use our expertise and what we have learned from the introduction of tax-free childcare to ensure that we provide a service that meets customers' needs. We are always looking for opportunities to partner with others and we are open to ideas surrounding how we best ensure that as many people as possible benefit from the scheme.

The hon. Member for Glasgow Central referred to the number of people who might sign up. I thought it would be helpful for her to know that based on the take-up of previous schemes, our estimate is that 400,000 people will sign up to the accounts. I welcome the question on how customers will access the Help-to-Save accounts and our plans for the digitally excluded. Help-to-Save is an online savings account. All transactions, including checking the balance and paying in savings, can be managed online through gov.uk. Digitally excluded customers and people with particular needs will be able to manage their accounts through telephone banking. I offer reassurance that that will be through a 03000 number at the standard rate. That will also apply to calls that are transferred to NS&I. Paper statements will be issued to digitally excluded customers.

In terms of the future of the single provider, the regulations would need to be changed to provide for more than one provider. At this point, it would be sensible to monitor things as the scheme goes on. If there is evidence to suggest that additional providers would be helpful and would assist in the take-up, that is certainly something that the Government and I would be willing to look at.

Anneliese Dodds: I am sorry to intervene, but I wanted to double-check something with the Minister. I was encouraged to intervene because I think this is the only chance I will have. On the exact issue of eligibility, it was not totally clear whether applicants currently claiming universal credit will need to have fulfilled the income criterion and earned the equivalent of at least 16 hours a week at the national minimum wage only when they apply, which is what it looks like from paragraph 3(b), or also when their application is accepted. I share the Minister's concern about having simplicity. I cannot get my head around this, and I have been able to look at all the different debates. Can he confirm that it is paragraph 3(b) that is right and not the introduction to that regulation, which suggests that the criteria will apply at the point of application and at the point of acceptance?

John Glen: I am very sorry for the lack of clarity in my remarks. The criteria will be fulfilled at the point of application. If that is satisfied, that is it for the duration. Many apologies for my ambiguity on that.

I want to deal with Help-to-Save's impact on entitlement to benefits and credits. Help-to-Save is intended to help people build up a rainy day fund. The Government bonus will not count as income for means-testing purposes when assessing eligibility for housing benefit. The bonus and any savings accumulated in a Help-to-Save account will not affect tax credit awards and would start to impact on universal credit awards only if the customer had savings of £6,000 or over, including the money in their Help-to-Save account.

The hon. Member for Glasgow Central asked about access in the case of broken or abusive relationships. I would be happy to take representations on that issue and to look at it.

I hope that I have dealt with most of the points that have been raised. I acknowledge the broader point that the scheme does not solve every problem. It would be wrong for me to say that it will target everyone, but it is a step in the right direction. It will have a positive effect and it will deliver a change in behaviour with respect to savings that the work by the Money Advice Service two years ago showed is very much needed.

The Government's vision is to empower working families with the confidence, skills and opportunity to manage their personal finances. The regulations will bolster people's ability to save by giving a boost to what they manage to put aside each month. Help-to-Save will encourage such families to become regular savers and give them a financial buffer to protect them from income shocks. The ensuing financial resilience will benefit us all. Our economy is the sum of its parts, and the Government are committed to ensuring that every part of it and every person has the support they need. I commend the regulations to the Committee.

Question put and agreed to.

Resolved,

That the Committee has considered the draft Help-to-Save Accounts Regulations 2018.

5.2 pm

Committee rose.