



PrizeSaver Evaluation Summary

Background

There are currently 411 credit unions in the UK, serving over 2.1 million members and holding nearly £4 billion in assets¹. The Government recognises the vital role that credit unions play in the financial wellbeing of their communities, providing an ethical home for their members' savings and affordable loans to their members.

In recognising the role of credit unions, HM Treasury has looked to support the sector in their provision of affordable credit and ethical savings. In 2011, the Government amended the Credit Unions Act to give credit unions the power to charge for ancillary services, expanding their product offering and strengthening the credit union model. The Government also raised the interest rate cap on loans from 2% to 3% in 2014 to support credit unions' sustainability and raised the geographical common bond limit from 2 million to 3 million people in 2018 to allow credit unions to better serve their communities.

Alongside this substantive support, HM Treasury wanted to find further ways to help credit unions in offering innovative products to their members. The department had noted the success of the "Save to Win" prize-linked savings account scheme that had been piloted in the United States by a financial inclusion charity called Commonwealth and looked to see if this success could be replicated in the UK. In the Autumn 2018 Budget, HM Treasury committed to developing and launching a UK-based pilot for a prize-linked savings scheme to be offered by credit unions.

The PrizeSaver pilot began in October of 2019 and ran until 31 March 2021. Fifteen credit unions located around Great Britain were appointed to take part, and nearly 14,000 accounts were opened over the course of the pilot. Any individual that fell within the common bond² of these credit unions were eligible to open an account with their participating credit unions, and HM Treasury supported the pilot by providing financial and marketing support during this 18-month period.

Individuals were eligible to sign up to the scheme by opening a PrizeSaver account at their participating credit union, and for every £1 saved, the PrizeSaver was given one entry into the monthly prize draw, up to £200 (200 entries) each month. Each PrizeSaver account holder was pooled into a single monthly prize draw with twenty £20 prizes and one headline prize of £5,000. Savings were not at risk and participants did not have to pay extra to enter the prize draw.

PrizeSaver is now being run independent of Government by 14 of the 15 originally participating credit unions and supported by the Association of British Credit Unions Limited (ABCUL).

¹ Prudential Regulation Authority, Credit union quarterly statistics – 2020 Q4

² All credit unions have a common bond which sets out who is eligible to join that credit union. A credit union's common bond may be based around a geographical area, a profession or a club or other association.

Findings from the PrizeSaver pilot

HM Treasury developed and launched the PrizeSaver pilot with three key aims: to increase membership and awareness of credit unions; to build financial resilience for individual savers; and test whether the prize-linked savings model works in encouraging savings. The department commissioned IFF Research to produce an independent evaluation of the pilot, including data from the operational supplier incuto. It should be noted that the pilot ran concurrent with the global Coronavirus pandemic (COVID-19), which is likely to have had an impact on credit union membership and savings behaviours.

Overall, the findings suggest that the pilot has been successful in meeting these aims. Although evidence was inconclusive on whether PrizeSaver substantially increased membership for the participating credit unions, IFF Research's report shows that it did increase positive perceptions of credit unions amongst general savers, supporting the aim of increasing awareness of the sector. Additionally, the pilot was successful in helping individual savers build financial resilience, both in the short and long term. Over half of PrizeSaver account holders opened their accounts with money from either a current account or directly from their salary, creating new savings by opening a PrizeSaver account. Over 1 in 10 PrizeSaver account holders listed PrizeSaver as their only savings account, suggesting the scheme also encouraged some first-time savers; and though some savers did make withdrawals during the scheme, the amount of overall savings at the end of the scheme 45% higher than at the beginning. In fact, of those who had another savings account, 40% said they were now saving more regularly since opening a PrizeSaver account. These patterns, plus qualitative research showing that the chance to win a prize was a strong incentive to open the account and deposit savings, shows that prize-linked savings works as a way to encourage saving and raise awareness of the credit union sector. A product of this success is the continued support from the credit union sector for the PrizeSaver account. Most of the participating credit unions from the pilot, alongside ABCUL, are now taking the scheme forward independently of Government. The Government regards this as a strong mark of success.

Conclusion

HM Treasury is delighted with the outcome of the PrizeSaver scheme and considers the pilot to be a success. The PrizeSaver scheme achieved the broader goals of the pilot by supporting positive attitudes towards and awareness of credit unions, helping individuals in building up their financial resilience, and demonstrating that a prize-linked savings account is a useful product for encouraging savings and deterring withdrawals. The Government will continue to work with the credit union sector going forward to support the unique benefits they bring to their communities and members. The Government hopes that the PrizeSaver account continues to go from strength to strength now it is being taken forward independently by ABCUL and the participating credit unions.