



HM Treasury

# **Review of the Dormant Bank and Building Society Accounts Act 2008**

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March 2014





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Presented to Parliament pursuant to  
section 14(4) of the Dormant Bank and  
Building Society Accounts Act 2008

March 2014

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ISBN 978-1-909790-90-2

PU1648

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# 1

## Introduction

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**1.1** The Dormant Bank and Building Society Accounts Act 2008<sup>1</sup> (“the Act”) was passed in November 2008. The Act classifies bank and building society accounts as dormant when they have not had any customer-initiated activity for more than 15 years.

**1.2** The Act enables banks and building societies, who opt into the scheme, to transfer the money held in dormant accounts to a central reclaim fund. The Act also sets out that a central reclaim fund or funds would be responsible for managing money, meeting any reclaims and passing on surplus money for reinvestment in the community through the Big Lottery Fund.

**1.3** HM Treasury is required by the Act to undertake a review of the legislation and to lay this before Parliament within three years from the date when a reclaim fund is first authorised.

**1.4** In addition to considering how effective the banks and building societies have been in making those entitled to dormant account money aware, the Act also specified that the review should cover the following questions:

- how many banks and building societies have transferred balances as mentioned in section 1(1) and 2(1) of the Act;
- how much money has been transferred and how promptly; and
- how effective have been the arrangements for meeting claims by virtue of section 1(2)(b) or 2(2)(b)?

**1.5** In preparation for this review, HM Treasury undertook a consultation from 23 September to 21 October 2013. An announcement of the review was published on the gov.uk website and key stakeholders were also contacted directly. Feedback was received from:

- British Bankers Association (BBA)
- Building Societies Association (BSA)
- Financial Ombudsman Service (FOS)
- Reclaim Fund Ltd
- Citizens Advice Bureau

**1.6** This review considers how banks and building societies have transferred dormant account money to the Reclaim Fund Ltd, how much money has been transferred and how promptly. It also considers how effective those financial institutions have been in providing a mechanism for making those entitled to dormant account money aware, as well as how effective the arrangements have been for meeting any reclaims.

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<sup>1</sup> [www.legislation.gov.uk/ukpga/2008/31/contents](http://www.legislation.gov.uk/ukpga/2008/31/contents)





# 2

## Transferring dormant accounts

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**2.1** This section of the review will look at how banks and building societies have transferred dormant account money to the Reclaim Fund Ltd, as set out by the questions in 14(2)(a) and 14(2)(b) of the Act.

**2.2** The Act enables banks and building societies, which opt into the scheme, to transfer money held in dormant accounts to a central reclaim fund. Following the introduction of the Act, one central reclaim fund has been established.

**2.3** In March 2011 authorisation was granted by the Financial Services Authority (FSA) to establish the Reclaim Fund Ltd. The Reclaim Fund Ltd is a non-profit making organisation which operates independently from its parent institution, the Co-Operative Banking Group.

**2.4** The Reclaim Fund Ltd is responsible for managing dormant account money, meeting reclaims and passing on surplus money to the Big Lottery Fund for reinvestment in the community. In addition to the main scheme, the Act also provided for an alternative scheme. This section of the review will address each of these in turn.

**2.5** The main scheme allows any bank or building society regardless of size, which opts into the scheme, to transfer dormant account money to an authorised reclaim fund which will then give any surplus money to the Big Lottery Fund to distribute to good causes in the community.

**2.6** The Government welcomes the fact that the largest banks and building societies have opted into the main scheme. This means that institutions holding over 90 per cent of personal deposits in the UK are voluntarily utilising the legislation to make dormant account money available to good causes in local communities.

**2.7** As a result, the main scheme has the following ten participants:

- Barclays
- Commonwealth Bank
- Co-operative Banking Group
- Danske Bank
- HSBC
- Lloyds Banking Group (including Lloyds Bank, TSB and Bank of Scotland)
- Nationwide Building Society
- Royal Bank of Scotland (including Adam & Company, Coutts & Co, NatWest and Ulster Bank)
- Santander
- Virgin Money

**2.8** The majority of participants transfer dormant account money on an annual basis to the Reclaim Fund Ltd. By October 2013, £600 million had been transferred by scheme members to the Reclaim Fund Ltd. As a result, the Reclaim Fund Ltd had transferred over £180 million to the Big Lottery Fund by the end of 2013.

**2.9** Consultation respondents did not report any difficulties in transferring money to the Reclaim Fund Ltd. The Government has therefore concluded that the process for banks and building societies transferring money into the main scheme is efficient and working well.

**2.10** The Act also provides for an alternative scheme. This scheme enables smaller banks and building societies<sup>1</sup> – as an alternative to transferring dormant account money through the main scheme – to make dormant account money available through both the Big Lottery Fund and specific local causes of their choice.

**2.11** The alternative scheme does this by allowing smaller banks or building societies to transfer a proportion of their dormant account money to the Reclaim Fund Ltd. Then, a remaining proportion can be transferred to one or more charities that the bank or building society chooses to support. The alternative scheme does not have any participants at present.

**2.12** The review found that the Reclaim Fund Ltd and industry had invested significant time in considering how to utilise the alternative scheme. There remained, however, a number of technical reasons why the scheme has not had any take up. These include:

- the proportion of dormant account money that needs to be passed to the Reclaim Fund Ltd to meet reclaims, which limits the money available for local causes;
- the set up costs for joining the alternative scheme, such as legal and system updates, has proven unattractive for small banks and building societies; and
- the requirements of the Act which mean that money can only be transferred to the Reclaim Fund Ltd (and eventually on to the Big Lottery Fund), without a mechanism to allow money to be passed back to smaller banks and building societies to be sent directly to local causes chosen by that institution.

**2.13** The Government has held detailed discussions on the alternative scheme with key stakeholders including the Reclaim Fund Ltd and has considered a range of options available to make the alternative scheme more attractive.

**2.14** The Government considers that there is not sufficient evidence at this stage to justify amending the provisions of the Act relating to the alternative scheme, particularly given that small banks and building societies can participate in the main dormant account scheme which is working well. However, the Government will continue to monitor the operation of the alternative scheme and will therefore undertake a further review in three years time. This will consider if further action is needed, including whether any amendments are required to the Act.

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<sup>1</sup> As defined in section 2(5)(b) of the Act, “smaller” banks or building societies are defined as ones which meet the assets-limits condition set out in section 3.

# 3

## Reclaiming dormant accounts

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**3.1** This section of the review will consider how effective banks and building societies have been in providing a mechanism for making those entitled to dormant account money aware of the fact and how effective the arrangements for meeting reclaims have been, as set out by the questions in 14(1)(b) and 14(2)(c) of the Act.

**3.2** In January 2008 ‘mylostaccount’<sup>1</sup> was launched. ‘Mylostaccount’ is a free tracing service which offers a way for depositors to search for their dormant accounts by enabling them to complete one form to search the majority of banks and building societies and National Savings & Investments (NS&I). The service operates online but is also available in paper form from a variety of sources, including from the BBA, BSA and NS&I, as well as directly from individual banks and building societies.

**3.3** ‘Mylostaccount’ offers the free tracing service on all lost accounts identified by banks and building societies, including those which have been dormant for less than 15 years. Since the launch of ‘mylostaccount’ there have been over 2.7 million visitors to the website and 700,000 search applications submitted.<sup>2</sup> The number of visitors and search applications on ‘mylostaccount’ cover all dormant accounts, rather than those that have been dormant for 15 years or more as set out in the legislation. It is therefore difficult to directly equate these figures to the functioning of the Reclaim Fund Ltd. However the fact the ‘mylostaccount’ website is well used is a positive reflection that it is working well. As a result, an estimated £200 million of dormant bank and building society money has been reunited with depositors by ‘mylostaccount’ during its first six years of operation.<sup>3</sup>

**3.4** The BBA, BSA and NS&I also run separate individual tracing services, which feed into ‘mylostaccount’. These services utilise information provided by both BBA and BSA members, and NS&I accounts. Depositors can go directly to BBA, BSA and NS&I to use each of these services separately if they choose.

**3.5** As well as using tracing platforms, depositors can also go directly to individual banks and building societies to identify dormant accounts. Furthermore, many banks and building societies have individually undertaken action to match customers with dormant accounts as part of their ongoing customer account management.

**3.6** Under the Act, dormant account money can be reclaimed at any time by those entitled to the account. The legislation was designed to separate the process of depositors making reclaims on their dormant account, and the Reclaim Fund Ltd giving surplus money to the Big Lottery Fund to distribute. This separation has worked well in avoiding undue delay from the depositor’s

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<sup>1</sup> [www.mylostaccount.org.uk](http://www.mylostaccount.org.uk)

<sup>2</sup> As of December 2013

<sup>3</sup> Source BBA and BSA

perspective. There were no concerns raised in the consultation feedback and very little evidence of customer complaints in this area.

**3.7** This review has found that banks and building societies have been effective in providing a mechanism for making those entitled to dormant accounts aware and in meeting any reclaims.

# 4

## Conclusion

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**4.1** The Act requires HM Treasury to undertake a review of the legislation and to lay this before Parliament within three years from the date when a reclaim fund is first authorised. As set out in the previous chapters, this review has considered how the banks and building societies have transferred dormant account money to a reclaim fund or funds, how effective banks and building societies have been in making those entitled to dormant account money aware and how effective the arrangements have been for meeting reclaims.

**4.2** Following the introduction of the Act, the Reclaim Fund Ltd has been established and authorised as a central reclaim fund. All of the major banks and building societies have opted to participate. The Government has concluded that the process for banks and building societies transferring money into the main scheme is efficient and working well.

**4.3** The Government has also reviewed the alternative scheme and has considered a range of options to make the scheme more attractive for small banks and building societies. The Government considers that there is not sufficient evidence at this stage to justify amending the provisions of the Act relating to the alternative scheme, particularly given that small banks and building societies can participate in the main dormant account scheme which is working well. However, the Government will continue to monitor the operation of the alternative scheme and will undertake a further review in three years time. This will consider if further action is needed, including whether any amendments are required to the Act.

**4.4** The review also considered the efforts of the relevant financial institutions in making those entitled to dormant accounts aware and in meeting these reclaims. This includes the effective free tracing service, 'mylostaccount', which offers a way for depositors to search for their dormant accounts by enabling them to complete one form to search a range of banks and building societies, and NS&I. This compliments the additional services offered by BBA, BSA, NS&I, and individual banks and building societies. The Government has concluded that banks and building societies have been effective in providing a mechanism for making those entitled to dormant accounts aware and in meeting any reclaims.





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