

Help to Save: Policy Design

1.1 Help to Save will be a cash savings account that will support people on low incomes to build up a rainy day fund. Primary legislation for Help to Save was introduced into Parliament as part of the Savings (Government Contributions) Bill on 6 September 2016.

1.2 The government consulted on implementation between May and July 2016, and the government's response to that consultation was published on 17 October 2016. This set out that National Savings and Investments (NS&I) would be the single account provider for Help to Save. The scheme will be administered by HMRC.

1.3 This document sets out the detailed policy design and parameters of the scheme, and how it is envisaged accounts will operate. The accounts will be built using customer research and user testing to ensure they are as easy to use as possible.

Scheme parameters

Accounts

1.4 Help to Save will be a cash account. Account holders will be entitled to a 50% bonus on savings of up to £50 a month. A Help to Save account will usually last for 48 calendar months.

1.5 In most cases, the first bonus will be paid after two years, with a further bonus payable at account maturity after 4 years. The bonus will be calculated based on the highest balance achieved by account holders, excluding interest or similar returns and any bonus amounts.

1.6 This means that people will be able to save up to £2,400 over 4 years, and benefit from total government bonuses worth up to £1,200.

1.7 HMRC will administer the scheme, including by checking the eligibility of account applicants and checking and funding bonus payments. HMRC will have powers to recover any bonus amount that has been wrongly paid, and to require information to be produced in certain cases, for example where this is necessary to check an individual's eligibility for an account or a bonus payment.

Eligibility

1.8 The scheme will be open to UK residents, and to Crown Servants and their spouses or civil partners, who are in receipt of Universal Credit with minimum household earnings equivalent to 16 hours at the National Living Wage, or to those in receipt of Working Tax Credit. This includes those who are provisionally entitled to Working Tax Credit, and those who receive a positive tax credit award and are entitled to Working Tax Credit.

1.9 Scheme eligibility will be checked at the point where a person applies for an account. Changes in account holders' Working Tax Credit or Universal Credit circumstances after they have opened a Help to Save account should not affect their entitlement to continue to hold that account until its maturity date.

1.10 It is intended that account holders must be UK residents, or Crown Servants or their spouses or civil partners, in order to pay into their Help to Save account.

1.11 Eligibility for Help to Save will not be restricted by individuals' existing savings.

1.12 Individuals will be able to open one Help to Save account only.

Deposits

1.13 The maximum monthly deposit into accounts will be £50. Account holders will not be able to make deposits in excess of this limit, for example to make up for prior withdrawals or unused deposits in previous months.

Account maturity

1.14 Help to Save accounts will usually mature after 4 years. Once an account matures it will automatically rollover into a successor account which will not attract a further Help to Save bonus. However, an account may mature earlier if the account holder dies or becomes terminally ill, with the bonus paid at this point as set out below.

Availability

1.15 Help to Save accounts will be available to eligible applicants for 5 years from the start date. Accounts will be available by April 2018.

Account mechanics

Account opening

1.16 It is envisaged that eligible individuals will be able to open a Help to Save account online through a government website portal. People who cannot use this portal will be able to open an account by telephone.

1.17 The date the application is received by NS&I will be the date on which customer eligibility for the scheme is based.

1.18 The application will be processed by NS&I. HMRC will then assess an applicant's eligibility for the account.

Saving

1.19 Account holders will be able to save up to £50 into their Help to Save account per calendar month. Account holders will not be able to replace withdrawals made in the same month by paying in more than this amount.

1.20 There will be no limit on the number of deposits account holders can make in each calendar month, provided the total amount deposited is within the overall £50 limit for the month.

1.21 The minimum deposit that an account holder will be able to make will be £1 per transaction.

1.22 Account holders will be able to deposit money into their Help to Save account in a number of different ways, including standing orders and one-off BACS payments.

Withdrawals

1.23 Account holders will be free to withdraw savings, and any bonus they have received, from their Help to Save account whenever they choose, and without charge. However, any withdrawal may affect the total amount of bonus an account holder can receive on their account.

1.24 Account holders will not be able to deposit in excess of the £50 monthly limit to 'catch-up' on withdrawals, or unused deposit limits, from prior months.

Bonus payment

1.25 The first government bonus will be calculated two years after the account has been opened. This will be will be 50% of the highest overall balance achieved within the first 24 calendar months of the account.

1.26 NS&I will calculate the total bonus due and claim this from HMRC. HMRC will carry out the appropriate checks and transfer the bonus amount to NS&I, who will pay it to the account holder.

1.27 The Help to Save bonus will be paid tax-free.

1.28 Following the first bonus payment, account holders can continue saving to their account for a further two years. The second bonus payment will usually be made after 4 years, when the account reaches maturity at the end of its 48th month. This second bonus will be calculated at 50% of any additional highest balance built up in years 3 and 4 of the account. This will ensure that this bonus is only paid on additional savings in these years.

1.29 An account holder who closes their account within the first 2 years will not receive any bonus on their savings. Likewise, an individual who has received a bonus after 2 years and closes their account before it matures will not earn any additional bonus. However, there will be special rules under which bonus will be paid where an account is closed early following the death or terminal illness of an account holder.

Worked examples of Help to Save bonus

Example 1

Emma opens a Help to Save account and pays in £25 a month. After two years she has built up a balance of £600 – this earns her a 50% bonus of £300.

She continues to save at the same rate, giving her a final balance after 4 years of £1200. This represents an additional £600 of saving in the second term (as she has already earned a bonus on the first £600 of savings), giving her an additional bonus of £300.

In total, Emma has saved £1,200 over 4 years and earned a bonus of £600.

Example 2

Jack saves regularly into his Help to Save account, and has built up a balance of £300 after 18 months. However he is then forced to withdraw all his savings to pay an unexpected bill. After beginning to save again, his balance after two years is £50. As his highest balance achieved was £300, he receives a bonus of £150.

Jack continues to save regularly in the second term, and manages to save up to £500 at the end of year 4. This represents additional saving of £200 (as he has already earned a bonus on £300 of saving). He therefore earns a further bonus of £100.

In total Jack has earned £250 of bonus from 4 years of saving with Help to Save.

Account closure

1.30 Help to Save accounts will mature after 4 years. At this point, the Help to Save account will be closed and the funds, including bonus payments, will be transferred to a successor account.

1.31 Account holders are free to close their Help to Save account and withdraw funds, plus any bonus received, at any time.

1.32 In the event of the account holder being diagnosed with a terminal illness with less than 12 months left to live, account holders may, if they wish, apply to have any outstanding bonus on savings paid. Once the account holder has received the outstanding bonus, their account will be closed.

1.33 In the event of death of the account holder, the funds in their Help to Save account plus any outstanding bonus will be transferred to their estate and their account will be closed.