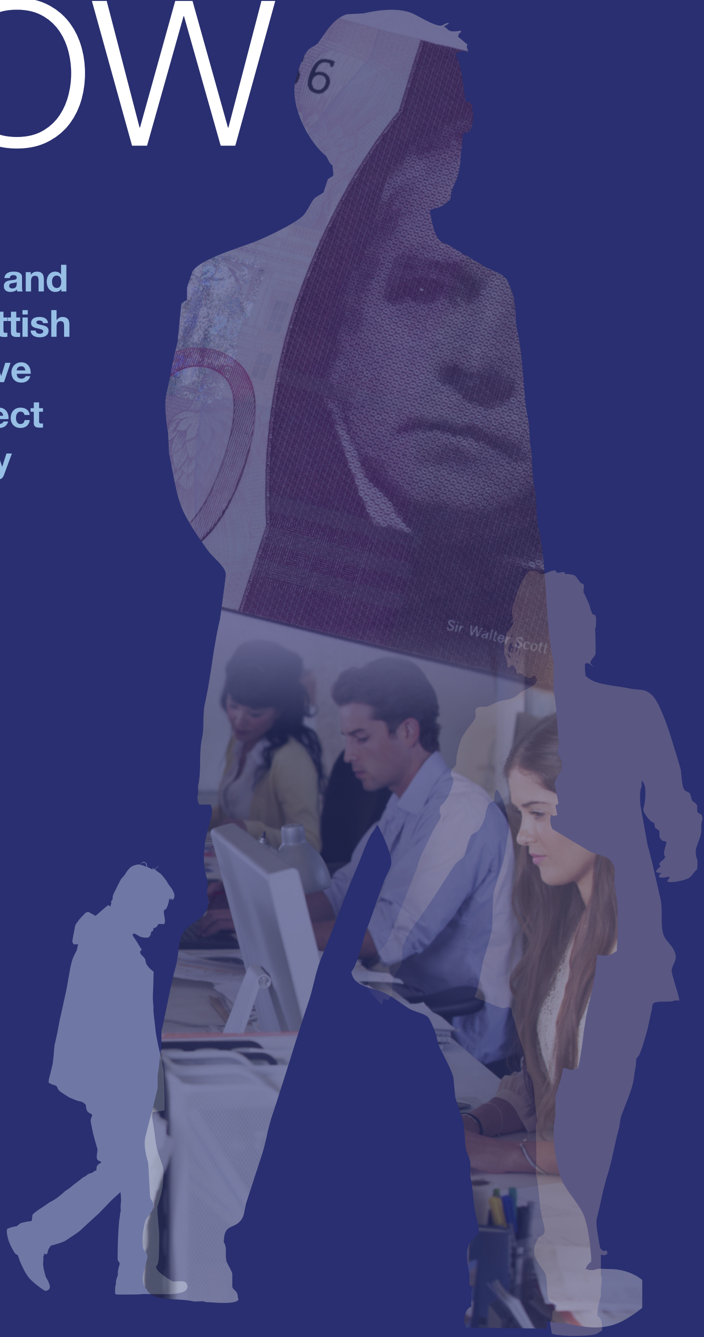
Summary

MAKE SURE YOU'RE IN THE KNOW



When it comes to the money in your pocket and the wider economy, the outcome of the Scottish referendum on 18th September 2014 will have long-term consequences. The result will affect all parts of your financial life from the money you use to the taxes you pay.

In the event of independence, Scotland would be leaving the UK and stepping away from the UK's economic strength, stability and international reputation. An independent Scotland would need to create completely new economic institutions and policies covering things like how taxes are collected, and how interest rates are set. No one knows exactly how this would work. What we do know is that the economic institutions we share and the way we do business together works; it's too good to gamble.

THE REFERENDUM DEBATE MATTERS AND HERE'S WHY:

Money matters
as a United Kingdom, we share a currency – the pound – which is supported by full political and economic union. In the event of independence, political and economic union will end. There will not be a currency union between the continuing UK and an independent Scotland. Staying in the UK is the only way to keep the pound we have now.

Size matters
there is strength in numbers: as part of the UK, the 2.6 million income taxpayers in Scotland pool resources and share risks with the 25 million income taxpayers in England, Wales and Northern Ireland.

Interest rates matter
as a United Kingdom, we benefit from the Bank of England, a strong central bank that sets our interest rates. Thanks to the UK's size, credibility and track record, we can borrow money at low interest rates. This helps keep mortgage repayments and interest rates on business loans lower. In the event of independence, Scotland would walk away from the Bank of England and would pay more to borrow money from financial markets.

Stability matters
the United Kingdom is one of the leading economies in the world, and its size and diversity makes us less vulnerable to economic shocks that can affect specific sectors. For example, as a separate country, the Scottish economy and Scottish jobs would be more vulnerable to the volatility of the oil and gas and financial sectors.

Institutions matter
especially when things go wrong, for example during the financial crisis. As well as the Bank of England, an independent Scotland would walk away from our financial regulator, the Financial Conduct Authority. An independent Scotland would need to create institutions like these from scratch and would be responsible for bailing out its own banks if they failed again in the future.

Your decision matters
The economy and our financial strength is important to understand, as ultimately it affects the security of your family, your finances and the future of generations to come. Our comprehensive analysis gives you the facts you need to make a more informed choice.

Factsheet

KNOW THE FACTS

No one can say for sure what an independent Scotland's levels of taxation, interest rates, or banking structures would be, because so much of the detail would be subject to negotiations after the referendum. What we do know is that the UK is one of the most successful economic unions in history.

United Means:

We share our economic success, symbolised by our shared UK pound

We trade freely in a single domestic market

We pool our resources and share risks

We enjoy secure finances and trusted financial systems

Infographic

KNOW THE NUMBERS

There may be things you don't know about the UK, and there may be things you take for granted, but there's never been a more important time to know the facts:

Scotland is a successful, growing economy, as part of the UK Scotland has the **highest** economic output per person behind London and the South East.

The **UK's economy grew** by 1.7% in 2013 – and the recovery is forecast to continue - with growth of 2.7% in 2014.

There are more people in work across the UK – more than 30 million – than ever before. The UK's overall employment rate is **higher than the USA for the first time since 1978 and, as part of the UK, Scotland's employment rate is greater still.**

Nations within the UK have strong, important and beneficial trade links – In 2013, Scotland sold **£50 billion** worth of goods and services to the rest of the UK and bought **£63 billion worth of goods** from the rest of the UK.

Last year Scotland received **around 10 per cent** more government spending per person than the UK average.

Well over half (around 60%) of Scotland's government spending is already controlled by the Scottish Parliament.

The UK Government supported the injection of over **£45 billion** into the Royal Bank of Scotland in 2008 and offered the bank a further £275 billion of guarantees and state support to protect our financial systems. The total level of this support would have been more than double the total size of Scotland's economy in that year.

The pound was the **fourth** most traded currency in the world in 2012. It is also a currency that other countries use in reserve, because they trust its long-term value.

Factsheet

KNOW THE ANSWERS

Everyone wants answers and there are some basic questions regarding our country's finances and the potential impact of independence that it's important to consider before you make your decision.

Isn't a currency union and continuing to share the pound in everyone's interests?

In the event of independence, there will not be a currency union between the continuing UK and an independent Scotland. The three main political parties have all confirmed this, because a currency union would not be in the interests of either the continuing UK or an independent Scotland. The UK would be exposed to unacceptable risks (that far outweigh any transaction benefits). An independent Scotland would have severe limitations on its tax and spending policies, and the prospect of much more costly adjustments in the event of an economic downturn. The euro area's difficulties during the financial crisis – and the reforms they are having to put in place – show the challenges of making currency union work.

What financial powers does Scotland already have under devolution?

The Scottish Government already controls well over half (about 60%) of Scotland's government spending, covering areas such as education, health and policing.

The Scotland Act 2012 granted even more power to the Scottish Government. As part of the UK, the Scottish Government will be able to set a Scottish rate of income tax from April 2016. From next April, the Scottish Government will also be able to borrow up to £2.2 billion in order to invest further in Scotland's infrastructure.

Altogether, Scotland Act 2012 represents the greatest devolution of financial powers within the UK for over 300 years.

Is independence affordable?

Independent organisations forecast that a new Scottish state would have to implement more significant tax rises or government spending cuts than the rest of the UK. This is because tax revenues from North Sea reserves are declining. In 2012-13 they were around £5 billion (40%) lower than in the previous year, as a result of which the Scottish Government put borrowing for Scotland at almost £500 per person higher than the UK average. In the first 10 months of 2013-14, North Sea revenues have fallen a further 20% compared to the same point last year and independent forecasts from the Office for Budget Responsibility suggest that, by 2016-17, North Sea revenues will almost halve again. In addition to this, Scotland faces greater cost pressures for pensions and social care, as a result of its ageing population. As part of the UK, we face all these pressures and manage all these risks together

How will the UK debt be divided and paid?

In the event of independence, the UK Government would honour all of its existing debt obligations, but an independent Scotland would be responsible for repaying the continuing UK for a fair and proportionate share of this debt. The size of that share and the terms of repayment would need to be negotiated between both governments. An independent Scotland would have to establish systems for borrowing money on financial markets for the first time and many external experts, including the National Institute of Economic and Social Research, agree that an independent Scotland would pay higher interest rates than the UK. It has assessed that Scottish interest rates could be up to 1.7% higher than the continuing UK, which could cost homeowners in Scotland on average an extra £1,700 on their annual mortgage payments.

Will my money be safe?

One of the most important issues for an independent Scotland is which currency it will use. The impacts of the choice made will be much deeper than the notes and coins in circulation and would affect Scotland's international standing and its ability to trade.

Today our money is very well protected by organisations like the UK Financial Services Compensation Scheme (FSCS), which offer guarantees. In addition the economy as a whole is monitored by the Bank of England, which can step in quickly if problems occur. These organisations, and many others, would have to be created from scratch in a newly independent Scotland.

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