



HM Treasury

Help to Save:

response to the consultation on
implementation

October 2016



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1 Introduction

Background

1.1 Budget 2016 announced details of a new Help to Save scheme to encourage people on low incomes to build up a rainy day fund, and confirmed the government's intention to consult shortly after Budget on its approach to implementation. The consultation was launched on 26 May and closed on 21 July 2016. The government received 31 formal responses to the consultation, from 30 interested organisations and one individual.

1.2 This document summarises the responses received and sets out the government's decisions on how to proceed with implementation of the scheme.

Aims of the consultation

1.3 The consultation invited interested parties to comment on the framework for implementation and detailed policy design of Help to Save. It provided an overview of the government's proposals for how Help to Save accounts will work, set out core principles for determining its approach to implementation, and considered options for the provision of accounts. It also sought views on detailed policy design issues within the scheme parameters that have already been announced and options to promote awareness and take-up of the scheme. Chapter 2 summarises the responses received to the consultation questions. Chapter 3 outlines the government's response to the consultation.

1.4 During the consultation the government met with a range of parties with an interest in the scheme, including representatives from civil society organisations and the financial sector.

Next steps

1.5 The government has carefully considered all of the responses to this consultation. These have informed the decisions it has taken regarding the implementation and detailed policy design of Help to Save. Primary legislation for Help to Save was introduced into Parliament as part of the Savings (Government Contributions) Bill on Tuesday 6 September.

1.6 The government will begin working on delivery of Help to Save to ensure accounts are available by April 2018. The government will also continue to work with intermediaries to determine how best to promote take-up and awareness of Help to Save accounts among the target group.

2 Summary of responses

2.1 This chapter summarises the main points raised in response to the consultation questions and sets out the government's response.

Scheme parameters and account operation

2.2 The consultation document set out the government's proposed approach for the operation of Help to Save accounts, including account opening, the two year maturity point, and account closure.

Question 1

Please provide any comments on the government's proposed approach for the operation of Help to Save accounts.

2.3 Respondents broadly agreed with the proposed approach to operating accounts. In particular, respondents emphasised the need to keep the operation of Help to Save accounts as simple as possible for accountholders, providers and the government administrator. A number of respondents argued in favour of eligibility being checked in real time at account opening. Some respondents took the opportunity to comment on the scheme parameters outside the scope of the consultation in their response to this question. For example, some argued in favour of broadening the scheme eligibility criteria.

Principles for assessing implementation options

2.4 The consultation document asked respondents to consider the following principles for assessing implementation options for Help to Save:

- **simple to understand:** the account should be easy for savers to understand and access, so that Help to Save can be widely taken up by those eligible individuals who want to use the scheme
- **cost-effective:** administrative burdens associated with offering, administering and participating in the scheme should be kept to a minimum, consistent with the effective operation of the scheme rules
- **targeted:** scheme rules and processes should enable compliance, minimise the risk of fraud and error, and ensure the scheme targets the eligible population effectively
- **accessible:** Help to Save is a national scheme. The government intends it to have broad coverage. Eligible individuals should be able to access the scheme regardless of their location in the UK or personal circumstances
- **timely:** the government has committed to launch Help to Save accounts by April 2018 at the latest to ensure that savers can start benefiting from the scheme as quickly as possible

Question 2

Do you agree with the proposed principles for assessing options to implement Help to Save? Please provide any comments as appropriate.

2.5 All respondents to this question agreed with the proposed principles, with several emphasising the importance of the 'simple to understand' principle in particular given the target

group's lack of experience with financial products. Some respondents proposed additional principles that they would like to see taken into account, such as 'innovative' and 'competition [between providers]'.

Account provision

2.6 The consultation document outlined the anticipated information and reporting requirements between providers and the government administrator to allow for appropriate compliance checks and monitoring. This includes requirements relating to account opening, monitoring and closure.

Question 3

The government welcomes stakeholders' views on the proposed information and reporting requirements under the multiple provider option.

2.7 Around half of respondents answered this question. Many emphasised the need for reporting requirements to be straightforward and not burdensome so as not to deter potential account providers. Several felt that monthly reporting would be an appropriate requirement, although others felt that it would be feasible to do so on a less frequent basis.

Assessment of option to deliver accounts through multiple providers

2.8 The consultation document considered the case for a multiple provider approach to the provision of accounts, where financial providers such as banks, building societies and credit unions are approved to offer Help to Save accounts.

Question 4

Do stakeholders agree with the government's assessment of the option to deliver Help to Save accounts through multiple providers? Please provide additional comments as appropriate, including views on:

- **interest payments**
- **branch access**
- **account transfers**

2.9 Respondents were divided on whether or not Help to Save accounts should be offered through multiple providers, with several noting that the case was finely balanced. Respondents broadly agreed with the assessment of the account provider options against the consultation principles in the consultation document.

2.10 A number of financial providers, particularly in the credit union sector, confirmed their interest in offering Help to Save accounts. However, it was not clear from responses received that there was sufficient interest across providers to ensure national coverage for the scheme, and to deliver the full benefits of a multiple provider model. Several providers emphasised the need to keep scheme delivery costs down.

2.11 Those in favour emphasised the benefits of branch access to the target group as well as increased consumer choice and competition between providers driving better outcomes for customers. Others, however, raised concerns that too much choice between providers could be confusing for some in the target group, and may discourage them from opening an account.

2.12 Respondents were generally in favour of accounts offering interest payments, although some said that this should be optional given the generous bonus already on offer to accountholders. Most felt that account transfers would be a desirable feature, but this should be

limited (for example, at the two year maturity point) to avoid placing too much burden on providers.

Assessment of options to deliver accounts through single providers

2.13 The consultation document also considers the case for accounts being provided by a single provider. The document confirmed that the government's lead option, if a single provider approach is adopted, would be to deliver the scheme through National Savings and Investments (NS&I) as an in-house provider offering accounts. An alternative option would be to deliver Help to Save via a single, private sector provider procured through a competitive exercise.

Question 5

Do stakeholders agree with the government's assessment of the options to deliver Help to Save accounts through either a single in-house provider or a single private sector?

2.14 Those in favour of the single provider approach felt that it would offer the simplest customer journey and most straightforward decision-making process for prospective account holders. Several respondents also pointed out that this would lead to lower administrative costs for the scheme as a whole compared with a multiple provider model.

2.15 Respondents were generally in favour of NS&I acting as the single account provider given its reputation as a trusted savings brand. However, some respondents raised concerns about a potential lack of awareness of NS&I among the target group, given that they have not previously offered a savings product specifically targeted towards them. A lack of branch access with a single provider option was also cited as a potential issue given that some prospective account holders may prefer to access face-to-face support within local branches.

2.16 An assessment of all three account provider options against the principles set out in the consultation is provided at annex A.

Detailed policy design issues

2.17 The consultation document sets out a number of outstanding policy design issues within the existing parameters of the scheme.

Question 6

The government welcomes stakeholders' views on the detailed policy design issues set out in this section, including how best to:

- **calculate the government bonus**
- **deliver second term Help to Save accounts**
- **ensure an appropriate rollover of funds to successor accounts**
- **permit saving above the monthly limit**
- **target eligibility on people who do not already have significant savings**

2.18 Respondents were divided over how best to calculate the bonus with several respondents acknowledging that the arguments were finely balanced between options, with many commenting that the chosen solution needed to be simple to understand. The average bonus was generally seen as complex to communicate, although others felt that it would help account holders to understand how interest rates are commonly calculated for typical savings accounts. Crystallising the bonus every 6 months was advocated by some respondents to minimise any disincentive to make withdrawals. Others felt this was best achieved with the

highest balance option, which had the added benefit of being the most straightforward for accountholders to understand.

2.19 Almost all respondents felt that accounts should automatically roll-over into a second two-year term, to encourage people to continue to save. This would mean that Help to Save accounts would receive a bonus after two years, and then automatically provide an opportunity to save for a further two years within the account. The vast majority of respondents also felt that Help to Save accounts should become standard interest-bearing savings accounts held with the provider when they mature.

2.20 While respondents generally felt that allowing for catch-up payments above the £50 monthly limit would be desirable, some raised concerns about additional implementation complexity as well as the risk of this feature being open to abuse.

2.21 Most were not in favour of targeting eligibility at those with existing savings, with some questioning how practical it would be to implement and police. Others felt that the £2,000 limit proposed in the consultation document was too low, and that it would be better to set a limit at £6,000 to be consistent with the Universal Credit capital test.

Promoting awareness and take-up of Help to Save accounts

2.22 The government is keen to explore options to promote awareness of Help to Save accounts among the eligible population, and to ensure that the right support and guidance is available to support the decision to open and manage a Help to Save account.

Question 7

The government welcomes stakeholders' views on options to promote take-up and awareness of Help to Save accounts, including on the role of intermediaries and opportunities to harness insights from behavioural science.

2.23 Respondents to this question generally agreed with the importance of having the right measures in place to support the target population to access the scheme and effectively manage accounts. Several respondents came up with proposals to use insights from behavioural science to maximise scheme take-up and long-term saving, for example to notify individuals of their eligibility to open an account when entering work or applying for relevant benefits. A number of respondents also emphasised the need to keep the scheme rules and the operation of accounts as simple as possible to support take-up. Promoting the scheme in job centres and through civil society organisations was also cited as an effective way to promote the scheme amongst the target group.

3 Government response

3.1 The government has carefully considered the responses to the consultation and decided to adopt the single provider model for the Help to Save scheme, with NS&I acting as the provider of accounts. This will ensure national coverage for the scheme and provides opportunities to leverage NS&I's reputation and experience as a government-backed provider of savings products and services to customers of all types.

3.2 On the outstanding policy design issues, the government has decided that the Help to Save bonus will be calculated on the basis of the highest balance achieved by savers. This option is simple to understand and strikes the right balance between incentivising regular saving and avoiding unnecessary penalties on individuals making necessary withdrawals.

3.3 Help to Save accounts will automatically roll-over into a second two year term to encourage continued saving under the scheme. This means that bonuses will be paid on the highest balance after two years and when accounts mature after four years. Upon maturity after four years, account balances will be automatically rolled into successor accounts. Eligibility for Help to Save will not be restricted by existing savings and the scheme will not allow for payments to be made into the account in excess of the monthly £50 limit (for example in respect of previous monthly allowances not used).

3.4 The government will continue to engage with interested parties ahead of the launch of Help to Save accounts to ensure its detailed design meets the needs and preferences of the target group, including exploring options for intermediaries and the credit union sector to support delivery.

Assessment of account provider options against consultation criteria

A

	Simple to Understand	Cost-effective	Targeted	Accessible	Timely
1) Multiple providers	<p>Customers need to actively choose a provider.</p> <p>Customers can potentially open accounts with a provider they already use for other services.</p>	<p>Providers run accounts voluntarily (no cost to government).</p> <p>Increased overall implementation and running costs across the scheme, including unlimited number of providers investing separately in infrastructure, information and transaction costs for customer choosing a provider, and administrative costs for government to check compliance across providers.</p> <p>Potential to leverage existing infrastructure and capabilities from other savings products.</p>	<p>Requires a more complex reporting and compliance regime to manage fraud and error risks across multiple providers.</p>	<p>Unclear from consultation responses that there is sufficient interest to ensure national coverage.</p> <p>Provider experience of providing services to low income customers</p> <p>Potential for customers to access to services in-branch.</p>	<p>Close coordination required between government and providers to deliver accounts on time.</p>
2) Single provider – NS&I	<p>Simple customer journey with no need for customers to choose between providers.</p>	<p>Requires the government to fund account provision.</p> <p>Potentially lower costs for government to administer the scheme (excluding account provision) and ensure compliance.</p>	<p>Expected simpler reporting and compliance regime with a single provider.</p>	<p>NS&I has national coverage.</p> <p>Accounts accessible through digital and telephone channels.</p>	<p>Greater control over delivery timescales with an in-house provider option.</p> <p>Opportunity to leverage existing NS&I capability and experience of delivering comparable schemes.</p>
3) Single provider – private sector	<p>Simple customer journey with no need for customers to choose between providers.</p>	<p>Requires the government to fund account provision.</p> <p>Potentially lower costs for government to administer the scheme and ensure compliance.</p> <p>Competition could reduce costs with sufficient market interest.</p>	<p>Expected simpler reporting and compliance regime with a single provider.</p>	<p>Chosen provider would need to ensure national coverage.</p> <p>Branch access depends on the chosen provider.</p> <p>Competition could lead to innovative ideas to promote access.</p>	<p>Greater control over delivery timescales through contractual agreements.</p>

B List of respondents

B.1 There were 31 responses to the consultation. The following organisations submitted responses. Please note, where submissions did not answer any of the questions in the consultation we have counted these as enquiries and not formal responses.

Association of Accounting Technicians

Association of British Credit Unions Limited

Advice NI

Affinity Sutton

Association of Taxation Technicians

British Bankers' Association

Behavioural Insights

Building Societies Association

Christians Against Poverty

Citizens Advice

Citizens Advice Merton & Lambeth

Equiniti

Financial Services Consumer Panel

Irish League of Credit Unions

Leeds City Credit Union

Low Income Tax Reform Group

Mendip Community Credit Union

Money Advice Scotland

Money Advice Service

Money Advice Trust

Money and Mental Health Policy Institute

Nationwide

Scotwest

Stepchange

The Money Charity

Toynbee Hall

UK Credit Unions

Virgin Money

West Bromwich Building Society

Yorkshire Building Society

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