

Response to the technical consultation on the draft Help to Save Accounts Regulations 2018

Introduction

1. Help to Save is a new Government-backed saving scheme to support working people on low incomes to build up their savings.
2. Customers can save up to £50 each month. At the end of two years, savers will get a 50% bonus based on the highest balance achieved. Customers can then carry on saving for another two years and get another 50% bonus on their additional savings.
3. Over a four year period, regular savers can deposit up to £50 per month and could receive up to £1,200 in tax free Government bonuses.
4. The scheme will be open to working people who receive Working Tax Credits at a rate other than nil, or a nil rate Working Tax Credit, but also at the same time have a Child Tax Credit award at a rate other than nil. The scheme will also be open to those who are in receipt of Universal Credit with a household income equivalent to at least 16 hours a week at the national living wage – currently £520 a month in the last assessment period.

Savings (Government Contributions) Act 2017

5. The primary legislation setting out the Help to Save scheme is covered in Schedule 2 of the Savings (Government Contributions) Act 2017. The Act provides the overall structure of the scheme and the way in which it will operate. It also contains a number of delegated powers to be exercised by regulations. Regulations are needed to set out the main features, processes and requirements in relation to Help to Save accounts.
6. HM Revenue and Customs published draft regulations together with a draft explanatory memorandum for a period of technical consultation, which ran from 15th September until 27th October 2017. The aim of the consultation was to elicit comments on the draft regulations.

Specifically, the technical consultation sought views on two direct questions:

Question 1: Do these draft regulations meet the published policy objectives?

Question 2: Do these draft regulations produce any unintended consequences?

7. The consultation document and Explanatory Notes can be found through here:

<https://www.gov.uk/government/consultations/draft-legislation-help-to-save-accounts>

Responses to the Consultation

8. HMRC received a total of 7 written responses. A list of respondents to this consultation can be found below. As well as eliciting responses to the consultation, we engaged with interested parties through a stakeholder forum made up of key stakeholders including representative bodies from the financial industry, financial advice organisations, as well as charities and organisations representing low income households. In addition, we held meetings in response to specific responses received, so that we could better explore the issues raised.

9. The Government is grateful to all those who responded for their comments, all of which have been carefully considered. This document summarises the responses received to the technical consultation, although minor technical or drafting points made by respondents have not been detailed here.

Changes made following the consultation

10. One respondent pointed out that tax credits awards may be given under a number of different sections of the Tax Credits Act 2002, yet under the draft Help to Save regulations eligibility is to be determined only by reference to section 14 awards. The Government has decided to amend the wording of the regulations to make clear that an award under Section 14 also includes the situation where the award has subsequently been revised under Section 15 or 16 of the Tax Credits Act.

11. Another respondent picked up on the fact that, as currently drafted, the regulations appear to suggest that if a saver closes their Help to Save account before the end of the maturity period (four years), the bonus paid at the two-year mark is revised to nil. The concern here was that this was an unintended consequence that could mean that anyone who closed their account during the second bonus period would have to repay any bonus earned in the first bonus period. This is not the policy intention and the regulations have been changed to reflect that.

12. Representations were made during the consultation that the regulations as they apply to applications from 3rd parties should make specific reference to the application of Scottish law vis-à-vis referencing attorney or deputy under Adults with Incapacity (Scotland) Act 2000. The regulations have been widened to make reference to a range of circumstances where eligible persons are unable to act.

13. One comment pointed out that, when assessing eligibility based on Universal Credit, it would be preferable to use the previous assessment period rather than previous month. The regulations were drafted initially on the basis of the previous month as opposed to the assessment period because that is what we understood DWP could deliver at that time. However further discussions have taken place during the consultation and DWP have confirmed that they are able to provide earnings in the last assessment period. The regulations will therefore be amended accordingly.

Other comments considered but not implemented

14. One stakeholder argued that the regulations are potentially unclear without a definition of the term “validly obtained” in relation to the qualifying benefits. Instead, HMRC’s interpretation will be covered in detailed guidance to ensure consistency of treatment.

15. One stakeholder suggested that the eligibility interaction of the Help to Save scheme with the minimum income floor for Universal Credit needs to be reviewed as it could see some people who have not met the actual earning requirement eligible to apply for a Help to Save account. The Government has decided to retain this provision as part of the passporting rules which are designed to retain scheme simplicity.

16. One respondent highlighted that “earned income” includes tax rebates or refunds, with the consequence that someone could technically be entitled to open a Help to Save account without being in work. While we do not have data to quantify that we believe that the numbers involved will be very small, our desire to provide a straightforward customer journey (which passporting brings) and the need to retain scheme simplicity, this regulation has not been changed.

17. Representations were made during the consultation that the view that appeals should go to the Social Entitlement Chamber (SEC) rather than the tax tribunal. We discussed that with the Ministry of Justice who advised that they saw no reason to change from the decision made on the original Justice Impact Test. This decision can be reviewed if there is a compelling reason to do so, based on experience as appeals are heard.

18. Other responses highlighted the risks around closing an account, pointing out that a customer can only open one account in their lifetime. The suggestion here was that we should make it harder to close an account and, instead, keep dormant accounts open with a nil balance. The Government has decided not to amend the regulations in this regard. The design of the system (which has been tested with customers) will ensure that the consequences of closing an account are made very clear before a customer chooses that option. Each customer will also be reminded of the bonus that they will miss out on should they proceed with account closure.

Out of scope comments

19. The commentary document that accompanied the draft regulations in the consultation exercise made it clear that the policy design was not in scope of the consultation. The implementation of the policy was addressed as part of the Government consultation on the Help to Save scheme during 2016. This consultation response has not revisited comments people made on policy, as the Government has already responded to the consultation on policy design and set out its position during the passing of the enabling legislation.

20. The out of scope comments related to:

- Scheme eligibility rules including a challenge that having a single income threshold linked to National Living Wage for eligibility for Universal Credit claimants introduced eligibility relating to the claimant’s age and a comment that some relatively high earners may be eligible through receipt of Child Tax Credit;
- Frequency of the Government bonus not being an incentive to saving,

- Calculation of second bonus being complicated,
- Importance of payroll deduction in driving up engagement,
- A multi-provider model being preferable,
- An account closed on the basis of terminal illness should have the option of being reopened in the event of a subsequent recovery,
- Government bonuses should be protected from third party debt orders,
- The monthly limit of £50 per month should be more flexible to allow for fluctuating incomes,
- A suggestion that the scheme should not go ahead at all.

We received 3 responses from members of the public which were not directly related to the policy or the regulations.

Next Steps

21. Following the consultation, the regulations have been redrafted. The Help to Save Regulations 2018 will be laid before Parliament and will be subject to the affirmative procedure.

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.

List of Respondents

Organisation
Tax Incentivised Savings Association (TISA UK)
StepChange
Low Incomes Tax Reform Group
Money Advice Trust
3 x Individuals