

The Saving Gateway: operating a national scheme Summary of responses

December 2008



HM TREASURY



HM Revenue
& Customs

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operating a national scheme
Summary of responses

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Contents

	Page
Executive summary	3
Chapter 1 Introduction	7
Chapter 2 Before account opening	9
Chapter 3 Account opening	13
Chapter 4 Saving Gateway account features	17
Chapter 5 Match payments and account closure	23
Chapter 6 Providers of Saving Gateway accounts	29
Chapter 7 Next steps	33
Annex A List of respondents	35
Annex B Impact assessment	37

Executive summary

The Saving Gateway is a cash saving scheme for working age people on lower incomes. It provides a financial incentive to save through the Government 'matching' (a contribution for each pound saved) money that people save in the scheme.

The Saving Gateway was first proposed in 2001, and has since been consulted on and successfully piloted twice. At Budget 2008, the Government announced that the Saving Gateway will be introduced nationally, with the first accounts available to savers in 2010. Alongside the Budget, the Government published *The Saving Gateway: operating a national scheme*, a consultation document on the operation and administration of a national scheme.

At the 2008 Pre-Budget Report, the Government announced that in order to provide a strong and easily understood incentive to save, it will contribute 50 pence for each pound saved in the scheme. The Government confirmed that Saving Gateway accounts will be provided by financial institutions, and announced that they will also be available through the Post Office.

The Government introduced the Saving Gateway Accounts Bill, which provides for many of the detailed rules of the scheme, to Parliament in December 2008. Draft Saving Gateway Accounts Regulations will be published early in 2009.

This document summarises the responses to the consultation published earlier this year. The Government has also met a range of stakeholders, including potential account providers, intermediaries and representatives of potential account holders. The Government is grateful for all of the responses it received to the consultation, and for the engagement of a wide range of interested parties on the Saving Gateway.

Respondents to the consultation generally welcomed the Government's objectives for the Saving Gateway. Many emphasised the importance of simplicity, both for account providers and account holders.

The Government has listened closely during the consultation period, and has carefully considered the points that have been made. As set out in this document, the Government has decided to make a number of changes to its proposals, in order to simplify the operation of the Saving Gateway.

The Government confirms that eligibility for the Saving Gateway will be 'passport' from qualifying benefits and tax credits. Individuals will be eligible for Saving Gateway accounts if they are entitled to:

- Income Support;
- Incapacity Benefit or Employment and Support Allowance;
- Severe Disablement Allowance;
- Jobseeker's Allowance;
- Working Tax Credit (with income below a specified level); or
- Child Tax Credit (with income below a specified level).

Around 8 million individuals will be eligible for the Saving Gateway in the first year of the scheme.

The Government recognises the need for help and support to be available to eligible people, both when they are deciding whether to open a Saving Gateway account and once an account has been opened. The Government will continue to explore how help and support on the scheme might be most effectively designed and delivered, including with potential intermediaries. Further details on eligibility, and help and support for savers, are set out in Chapter 2.

In order to provide certainty for individuals and account providers, HM Revenue & Customs will send eligible people a time-limited notice of eligibility, including a reference number. An eligible person will then be able to approach a Saving Gateway account provider of their choice to open an account. Further details on account opening are set out in Chapter 3.

As set out in Chapters 4 and 5, the Government now confirms that, as proposed in the consultation document, in the national Saving Gateway scheme:

- accounts will run for two years;
- savers will be able to access the money that they have saved, but not the Government match, at any point during the life of the account;
- withdrawals will not affect the match that account holders have built up to that point. Money withdrawn will need to be paid back before any further match can be built up;
- the match payment will be paid to account holders after the end of the account, and the Government proposes that this payment should be made within 14 days of account maturity;
- accounts will be transferable between providers. The Government will continue to work with potential account providers to ensure that the rules on transferability are as simple as possible;
- account providers will submit monthly information returns to HMRC; and
- account holders will be able to choose what happens to their account balance when the account matures.

In addition, the Government has also made the following changes to the proposed design of Saving Gateway accounts, in order to make them as simple as possible for account holders and providers:

- account providers will not be required to pay a return, in addition to the match payment, on balances held in Saving Gateway accounts;
- the maximum deposit into Saving Gateway accounts will be £25 per month;
- the calculation of the match payment has been simplified;
- the match payment, and any other return on Saving Gateway account balances, will be tax-free;
- account providers will not be required to provide statements to account holders quarterly. The Government proposes that statements will be provided six-monthly;
- account providers will be able to receive the match payment from HMRC before paying it to account holders; and

- if an account holder chooses to roll their balance into an ISA at maturity, it will be treated as a previous year transfer.

As proposed in the consultation document, Saving Gateway accounts will be offered by financial institutions, such as banks, building societies and credit unions. The role and responsibilities of providers are set out in Chapter 6.

As set out in Chapter 7, the Government will continue to discuss the Saving Gateway with a range of stakeholders, as it develops the detailed operational processes for the scheme and considers the support that will be available to savers. The Government confirms that, subject to Parliamentary approval of the Saving Gateway Accounts Bill and the Saving Gateway Accounts Regulations, the first Saving Gateway accounts will be available in 2010.

1

Introduction

1.1 The Saving Gateway is a cash saving scheme for working age people on lower incomes. It provides a financial incentive to save, through a government contribution for each pound saved in the scheme.

1.2 The Government consulted on the principles of the Saving Gateway in 2001¹, and the scheme has since been successfully piloted twice. Over 22,000 people took part in the pilots, saving over £15 million and building up over £5 million in Government contributions.²

The consultation

1.3 Following the success of these pilots, the Government announced at Budget 2008 that the Saving Gateway will be introduced nationally, with the first accounts available to savers in 2010. The Government also published *The Saving Gateway: operating a national scheme*, and sought views on the operation and administration of a national scheme.³

1.4 In total 32 written responses were received from a wide range of organisations and individuals. The breakdown of formal responses to the consultation was as follows:

Type of organisation	Number of responses
Third sector	2
Advice services	2
Banks	4
Building Societies	2
Businesses	1
Credit unions	5
Representative bodies for financial institutions	5
Friendly Societies	4
Housing bodies (including representative bodies)	2
Government bodies	1
Research / academic institutions	3
Other	1
Total	32

1.5 While views were welcomed on any of the issues and proposals set out in the document, responses were sought to nine detailed questions. Most respondents addressed some or all of these, and some respondents also commented more broadly on the design of the scheme.

¹ The Modernisation of Britain's Tax and Benefit System, Numbers 8 and 9, HM Treasury, 2001. Available at www.hm-treasury.gov.uk

² Further details of these pilots are available at http://www.hm-treasury.gov.uk/saving_gateway.htm.

³ The consultation document is available at http://www.hm-treasury.gov.uk/d/bud08_saving_340.pdf

1.6 HM Treasury and HM Revenue & Customs (HMRC) have also engaged with a wide range of groups, including potential account providers and representatives of potential account holders, at meetings and focus groups across the United Kingdom. A Stakeholder Forum, including representatives of potential account providers, account holders and intermediaries, has been established. The Government has also continued to consider academic and other research in this area, including the independent evaluations of the Saving Gateway pilots.

1.7 The Government is grateful for all of the responses to the consultation, and appreciates the wide engagement that it has had with stakeholders. This has helped to shape the design of the national Saving Gateway scheme set out in this document, and in the Saving Gateway Accounts Bill, which was introduced to Parliament in December 2008.

Objectives of the Saving Gateway

1.8 The Government's objectives for the Saving Gateway are to:

- kick-start a saving habit among working age people on lower incomes, by providing a strong incentive to save through a government contribution for each pound saved; and
- promote financial inclusion, by encouraging people to engage with mainstream financial services.

1.9 These objectives were generally welcomed and supported by respondents to the consultation. Many respondents recognised the case for an additional Government incentive to save for people on lower incomes, and the benefits of saving in secure, regulated financial products. The majority of respondents that expressed a view were broadly positive about the potential of the Saving Gateway to both kick-start a saving habit and promote financial inclusion.

"We believe that the Saving Gateway has the potential to kick-start a formalised and secure savings habit among people on low incomes... it may also lead to greater levels of financial awareness and the wider use of mainstream financial products among people on low incomes" – from an organisation working to support financial inclusion.

1.10 However, other respondents thought that some elements of the proposed scheme design should be simplified, for both account providers and account holders, and stressed the importance of simple and straightforward processes.

"...we believe very strongly that in order for the Saving Gateway to succeed in its chosen market it must be made as simple and straightforward as possible" – from a financial institution.

1.11 It was suggested by some respondents that if the scheme was not simple enough to use and to operate, it might not meet the Government's objectives. A number of respondents therefore suggested ways of simplifying the proposed account features.

The Government welcomes the support expressed for the objectives of the Saving Gateway, and the recognition from many respondents that the scheme has the potential to help kick-start a saving habit among people on lower incomes and promote financial inclusion.

The Government continues to recognise the importance of simple account processes for account holders and account providers, and has made a number of changes to simplify the design of the Saving Gateway, while still meeting the Government's objectives.

2

Before account opening

In the consultation document, the Government set out that eligibility for the Saving Gateway would be based on 'passporting' from qualifying benefits and tax credits. The Government now confirms this approach. Around 8 million individuals will be eligible to open Saving Gateway accounts in the first year of the scheme.

The Government will continue to consider, with stakeholders, the support that will be available to savers on the Saving Gateway, and how this should be provided, including the role that intermediary bodies can play.

Establishing eligibility for the Saving Gateway

2.1 In Chapter 2 of the consultation document, the Government set out that entitlement to a Saving Gateway account would be 'passported', on an individual basis, from the following benefits and tax credits: Working Tax Credit, Child Tax Credit paid at the maximum rate, Income Support, Incapacity Benefit or Employment and Support Allowance, Severe Disablement Allowance, and Jobseeker's Allowance.

2.2 Few respondents commented on eligibility for the scheme. Of those that did, some supported 'passporting' eligibility for the Saving Gateway from the proposed list of qualifying benefits and tax credits. Others favoured widening the eligibility criteria.

The Government believes that passporting eligibility from benefit and tax credit entitlement is the simplest and most effective way of determining eligibility for the Saving Gateway, and of reaching its target population of working age people on lower incomes. Passporting means that HMRC will be able to contact eligible people directly, removing the need for people to apply to HMRC to confirm their eligibility.

The Government confirms that eligibility for the Saving Gateway will be passported from the benefits and tax credits listed in paragraph 2.1 above. In order to target the Saving Gateway effectively, claimants of Child Tax Credit and Working Tax Credit will only be eligible for the Saving Gateway if their income is below a specified threshold. The Government will set this at the Child Tax Credit threshold, which is £15,575 in 2008/09.

Once an individual has opened a Saving Gateway account, any changes in their benefit or tax credit eligibility will not affect their entitlement to the account.

Around 8 million individuals will be eligible to open Saving Gateway accounts in the first year of the scheme.

Support for savers

2.3 In Chapter 2 of the consultation document, the Government also set out its expectation that savers may need help and support:

- when deciding whether or when to open a Saving Gateway account; and
- when thinking about the use of the account balance once a Saving Gateway account matures.

2.4 The Government recognised that this could be provided by HMRC and a range of intermediary bodies. Views were sought on the provision of help and support to savers on the Saving Gateway, and on the role that intermediaries could play in providing this support.

2.5 There was general agreement among respondents that the availability of accessible, clear and effective help and support would be an important factor in the success of the Saving Gateway.

2.6 Many respondents thought that the need for tailored help and support, both at account opening and account maturity, reflected the possibility that many people who will be eligible for Saving Gateway accounts may have had little experience of mainstream financial services and products.

“... there can never be enough help and support particularly for those not used to interacting with financial providers. The more exposure the Saving Gateway account opportunity can have the better – particularly from sources where those who can benefit currently go to or are aware of through everyday living” – from a financial institution.

2.7 The help and support that respondents suggested might be available included:

- generic guidance from the Government on eligibility for the Saving Gateway and on how the scheme operates;
- support for eligible people in deciding when to open a Saving Gateway account;
- help with account opening, such as checking application forms;
- help with choosing between opening a Saving Gateway account or servicing or reducing debts; and
- support at account maturity in relation to further saving options.

2.8 Some respondents suggested that the Government should take the lead in providing support and guidance on the operation of Saving Gateway accounts. A number also suggested that help and support on the Saving Gateway should be incorporated into the broader range of financial inclusion and capability initiatives sponsored by the Government.

2.9 Many respondents recognised the important role that third sector organisations can play in the provision of help and support on Saving Gateway accounts. This reflects the position of third sector organisations as ‘trusted intermediaries’ with strong links to the wider communities in which they operate. A number of third sector organisations indicated a willingness to deliver information and support on the Saving Gateway.

2.10 Some respondents suggested that organisations that already play a role in promoting financial inclusion and capability, such as social landlords, would also be well placed to provide help and support to savers. It was also suggested that other organisations with links to people on lower incomes might play a role, including local authorities, Sure Start programmes, Job Centre Plus, primary care trusts, and community development finance institutions.

2.11 It was recognised by some respondents that account providers may also need to offer support to applicants during the account opening process. There was some concern from potential account providers that handling Saving Gateway enquiries and applications could be time and resource intensive, particularly where the demand for accounts is high.

2.12 Some respondents suggested that the Government could make suitable support or training available to bodies that agreed to provide information or support on the Saving Gateway. It was also suggested that the Government, account providers and intermediaries should develop a delivery plan for the provision of the necessary support.

The Government recognises the need for tailored help and support to be available to people who are eligible for the Saving Gateway and to account holders.

The Government is keen that this should be available through established channels, with which eligible people will be familiar, and recognises the potential for a wide range of bodies to deliver high-quality support on the Saving Gateway.

The Government will engage with a range of third sector and intermediary bodies to design and deliver support on the Saving Gateway. The Government will also consider the Saving Gateway in the context of its wider work on financial capability and financial inclusion, described below.

Financial capability

2.13 The Government stated in 2007 its long-term aim to ensure that every adult in the UK has access to affordable, impartial generic financial advice which can help them make informed financial decisions. It commissioned an independent feasibility study, led by Otto Thoresen, to explore how a national generic financial advice service could be delivered. The Thoresen Review published its final report in March 2008.¹

2.14 The Government has accepted the Thoresen Review's central recommendation to pilot the 'Money Guidance' service through a £12m regional pathfinder. The pathfinder, funded and delivered by the Government and the Financial Services Authority (FSA), is on track to launch in the North West and North East of England in spring 2009. The service will be available via the internet, phone and face-to-face and aims to reach between 500,000 and 750,000 people. Evidence from the pathfinder will inform the Government's decisions on full national rollout of the service.

2.15 Money Guidance forms part of the Government's programme of work to raise levels of financial capability in the UK. Further detail on this is set out in the joint action plan for financial capability, published in July 2008 by the Government and the FSA.²

¹Thoresen Review of Generic Financial Advice, HM Treasury, 2008. Available at http://www.hm-treasury.gov.uk/d/thoresenreview_final.pdf

² Helping you make the most of your money: a joint action plan for financial capability, FSA and HM Treasury, 2008. Available at www.hm-treasury.gov.uk/d/fincap_jointactionplan070708.pdf

Financial inclusion Champions

2.16 The Department for Work and Pensions has also recently contracted for a number of organisations to provide financial inclusion Champions teams in key areas across the country. The Champions will work to build and coordinate local, regional, and sector wide partnerships in order to improve the provision of basic financial services for financially excluded people. Their remit will cover work both to stimulate demand for these services and to increase supply.

2.17 One of their key priorities is to ensure that people can plan for the future and cope with financial pressure. Encouraging saving will be an important element of achieving this objective, and the Champions have been asked to work to promote active engagement with Government supported saving schemes including the Saving Gateway.

3

Account opening

In the consultation document the Government proposed that it would confirm eligibility for Saving Gateway accounts to eligible people. In order to provide certainty for individuals and account providers, the Government now confirms that HMRC will send eligible people a time-limited notice of eligibility, which will contain a scheme reference number. An eligible person will then be able to approach a Saving Gateway provider to open an account. Account providers will not be obliged to obtain notices of eligibility. This will be the same as the process for the Child Trust Fund from April 2009.

The Government will continue to work with potential account providers on the details of the account opening process.

Applying to open an account

3.1 In Chapter 3 of the consultation document, the Government sought responses on:

- a proposed account opening process, in which eligible people would apply for an account to an approved provider, using a time-limited voucher or reference number issued by HMRC to confirm their eligibility; and
- the form in which HMRC should confirm an individual's eligibility for a Saving Gateway account.

3.2 Almost all respondents that addressed this question stressed that the account opening process should be as simple as possible for both savers and account providers.

3.3 Some respondents, including those with experience of working with financially excluded people, suggested that it was important that account opening checks and identity verification procedures should not be an obstacle to the opening of Saving Gateway accounts.

"[we]...would expect that many Saving Gateway account holders will not be able to provide easily the identification documents as recommended by the Joint Anti Money Laundering Steering Group" – from a financial institution.

3.4 Therefore some respondents supported simplified identity checking and confirmation procedures, and allowing the HMRC-issued notice of eligibility to be accepted as evidence of identity under Anti Money Laundering rules.

The Government recognises the need for simple account opening processes for account providers and savers. While it is important that account opening processes should not become an obstacle for savers, account providers must also be in a position to carry out necessary checks, including on the identity of an account applicant. The Government will continue to work with potential account providers and others to explore how these considerations might be most appropriately balanced in the Saving Gateway account opening process.

Notification of eligibility

3.5 A number of respondents, representing both account providers and savers, strongly welcomed the proposal that HMRC would notify individuals of their eligibility for an account. The proposal that HMRC would send eligible people a voucher or reference number was also welcomed. Some respondents drew on their experience with Child Trust Funds, where the automatic issue of a voucher by HMRC was seen as a simple and effective way of communicating eligibility for a new scheme.

“...A voucher or reference number is preferable to other opening processes, notably self-certification, which would probably lead to confusion about eligibility” - from a representative body for financial institutions.

3.6 Some respondents suggested that Saving Gateway account providers should have discretion to choose whether to require the voucher to be presented at the time of account opening. This would be the same as the process for the Child Trust Fund from April 2009.

The Government now confirms that account opening will operate as following:

- HMRC will issue a notice of eligibility or voucher, containing a reference number, to eligible people. This will be time-limited, and will expire after three months. The voucher will entitle an eligible person to open a Saving Gateway account at any time prior to its expiry date;
- account providers will be able to decide by what methods account applications should be made, and will conduct their normal account opening checks;
- at account opening the applicant will be required to provide their reference number; and
- as will be the case for the Child Trust Fund from April 2009, account providers will not be obliged to obtain vouchers from eligible people.

Further details on account opening processes will be set out in the draft Saving Gateway Accounts Regulations, which will be published early in 2009.

People whose vouchers have expired will be able to request a new voucher from HMRC, if they remain eligible for a Saving Gateway account.

Checks prior to account opening

3.7 Some potential account providers emphasised the importance of having certainty about an account applicant's eligibility for the scheme. There was also support for HMRC checks and safeguards to be implemented against the opening of multiple accounts. Some respondents suggested that there should be a way to check whether an account applicant was eligible for the scheme before the account was opened.

3.8 Other respondents suggested that all HMRC checks should be completed within a specified period following account opening. It was also suggested that HMRC should confirm to account providers whether an account is valid.

The Government recognises that both savers and account providers will require as much certainty as possible on eligibility for the scheme, and the Saving Gateway status of accounts. HMRC notices of eligibility should help to provide certainty in these areas. HMRC will also perform a number of compliance checks, pre and post account opening, to establish eligibility, and to guard against multiple account opening and fraud.

The Government will also continue to explore these issues with potential account providers.

4

Saving Gateway account features

In the consultation document, the Government proposed that the national Saving Gateway scheme would have the following features:

- accounts would run for two years;
- there would be a limit on the amount that would be matched each month, which the Government was minded to set at £25. Account holders would be able to make deposits over and above this limit;
- savers would be able to withdraw money from their account;
- providers would be required to pay a return on money saved in Saving Gateway accounts;
- providers would be required to issue savers with an account statement at least once a quarter; and
- accounts would be transferable from one provider to another.

The Government confirms that accounts will last for two years, savers will be able to make withdrawals from their accounts, and accounts will need to be transferable between providers. The Government believes that some provisions for transfers are required, but will continue to work with potential account providers on the detail of the transfer process, and on when transfers should be permitted, to ensure that this is as simple as possible.

The Government has listened carefully to the responses to the consultation, and in its discussions with potential account providers. In order to make accounts as simple as possible for both savers and account providers, the Government had made the following changes to the proposed account design:

- savers will be able to deposit up to £25 into their accounts each month. Deposits over this limit will not be permitted;
- providers will not be required to pay a return on account balances; and
- account providers will not be required to provide statements to account holders quarterly. The Government proposes that statements will be provided six-monthly.

Account duration

4.1 In paragraph 4.1 of the consultation document, the Government proposed that Saving Gateway accounts would run for two years.

4.2 While some respondents agreed that two years was an appropriate length for the accounts, others suggested alternative durations for Saving Gateway accounts. Some suggested an account term shorter than two years, on the grounds that two years could be too long for savers to wait before receiving their match payment, others that Saving Gateway accounts should be allowed to run beyond the date on which the match payment is paid.

The Government believes that an account duration of two years best achieves its objectives of helping account holders to kick-start a saving habit and promoting financial inclusion. The evaluation of the Saving Gateway pilots showed that many participants felt that two years would be a suitable duration for Saving Gateway accounts. The Government therefore confirms that Saving Gateway accounts will run for two years after they are opened.

Deposits

4.3 In paragraph 4.3 of the consultation document, the Government proposed setting a limit on deposits that would be matched each month, and said that it was minded to set this limit at £25 per month. The Government further proposed that account holders would be able to deposit sums over and above this limit into their Saving Gateway account.

4.4 Respondents expressed conflicting views as to whether deposits in excess of the monthly limit should be allowed. Some respondents considered that such excess deposits should be permitted for the convenience of the saver. However many others, including many potential account providers, argued that deposits above the monthly limit would make the calculation of the match payment more complex.

4.5 Some respondents also questioned whether Saving Gateway accounts would be the best place for savers to deposit money above the monthly limit, as these deposits would not build up any match.

4.6 A number of respondents argued that a broad range of methods for making deposits should be available to Saving Gateway account holders. These might include payroll deduction, saving with rent schemes and direct payment from benefits, as well as automated payments from other accounts.

The Government confirms that the monthly limit for deposits that will be matched will be £25.

Having carefully considered the responses to the consultation, the Government has decided that deposits above the monthly limit will not be permitted. The Government recognises that permitting deposits above this limit would complicate the calculation of the match payment.

Withdrawals

4.7 In paragraph 4.5 of the consultation document, the Government proposed that savers would be able to withdraw their savings at any time during the life of their Saving Gateway accounts.

4.8 Conflicting views were expressed on this point. Some respondents agreed that account withdrawals should be permitted to allow account holders access to their savings. Others suggested that preventing withdrawals might be more appropriate for savers on lower incomes, and would more effectively promote a long-term saving habit. Several respondents also suggested that account holders should be made aware of how withdrawals would impact on the total match payment they could build up over the lifetime of the account.

The Government believes that it is right that Saving Gateway account holders should have access to the money that they have saved, and that this is integral to its objectives for the Saving Gateway. The Government therefore confirms that Saving Gateway account holders will be permitted to withdraw the money they have saved at any point.

The effect that withdrawals will have on the match payment is described in the box on pages 24-25, and will be made clear in further guidance for account providers, account holders and intermediaries.

Return on account balances

4.9 In paragraph 4.7 of the consultation document, the Government proposed that account providers should pay a return on balances held in Saving Gateway accounts.

4.10 Some respondents agreed that interest or a similar return should be available on account balances. However many potential account providers were strongly opposed to this, and suggested that this would add cost and complexity to providing accounts.

4.11 Some respondents with experience of working with financially excluded people also suggested that the need to understand and compare different types and rates of return could put inexperienced savers off opening Saving Gateway accounts. One body working to promote financial inclusion said that:

“...the requirement of providers to provide interest on these accounts may unwittingly increase the complexity of the account and hinder take up.”

The Government contribution of 50p for each pound saved in Saving Gateway accounts will provide account holders with a strong and easily understood incentive to save.

The Government has carefully considered whether account providers should be required to pay a return on balances held in Saving Gateway accounts, in addition to the match payment. On balance, the Government has decided that in order to avoid costs and complexity for account providers, account providers will not be required to pay a return.

Whether to pay a return in addition to the match payment will therefore be a decision for individual providers.

Statements

4.12 In paragraph 4.10 of the consultation document, the Government proposed that account providers should be required to issue a statement to Saving Gateway account holders at least quarterly, and that as well as including details of deposits and withdrawals, statements should also specify the match earned each month.

4.13 Many potential account providers pointed out that the proposed requirements went beyond what they currently offer to existing savers. Some also mentioned that, for environmental reasons, they are seeking to reduce the number of paper statements they issue to customers.

4.14 While some respondents supported the inclusion on account statements of the match that had been built up each month, others suggested that this would make the statements complex for both account holders and providers.

The Government believes that frequent statements can help to support saving, by showing savers the money that they have built up to date. However, to strike a balance between this aim and the cost, resource and environmental implications of frequent account statements, the Government will not require account providers to provide statements to account holders quarterly. The Government proposes that statements will be provided six-monthly.

The Government will also explore with potential account providers any alternative methods of issuing statements or allowing account holders to access their account details, for example via e-mail, through passbooks or at ATMs.

The Government has also carefully considered the way that the match should be reflected on account statements. In order to simplify this for savers and account providers, the Government has decided that only the match built up to date, rather than the match built up each month, will need to be shown on account statements.

Further details of the requirements in relation to account statements will be set out in the draft Saving Gateway Accounts Regulations, which the Government will publish early in 2009.

Transfer of Saving Gateway accounts between providers

4.15 In paragraph 6.15 the consultation document, the Government proposed that account holders should be able to transfer their Saving Gateway account from one provider to another. This might be necessary where, for example, an account holder moves home and can no longer access the branch network of his or her account provider. Views were sought on any issues that would be raised by this process, including what information a new provider would require from the previous provider.

4.16 Some respondents were concerned that transferring Saving Gateway accounts between providers could be a costly and difficult process. It was also suggested that allowing account transfers risked adding complexity to the scheme and generating problems for account holders. Other respondents viewed the ability to transfer Saving Gateway accounts between providers as necessary to allow an account holder to access the Saving Gateway account most appropriate to their needs.

4.17 Suggestions from respondents as to what information a new provider would require from the previous provider included:

- the Saving Gateway reference number;
- the account holder's name and address;
- the date of account opening;
- a full account history;
- details of interest or other return paid since account opening; and
- the amount of match built up at the date of transfer.

4.18 Since the consultation period closed, some potential account providers have suggested that one benefit of the simplified process for calculating the match payment, outlined in the box on pages 24-25, will be that less information will be required when an account is transferred, and that a full account history will no longer need to be provided.

The Government considers that, as account providers will not be required to pay interest or a similar return in addition to the match payment, there are likely to be few transfers of Saving Gateway accounts.

However, it also believes that, to cater for situations such as a saver moving home and no longer having access to the branch network of their current provider, some provisions for transferability are required.

The Government recognises the concerns that potential account providers have raised about the transferability of Saving Gateway accounts. The Government will continue to work with potential account providers on the detail of the transfer process, and on when transfers should be permitted, to ensure that the rules are as simple as possible.

Further details on the transfer of Saving Gateway accounts will be set out in the draft Saving Gateway Accounts Regulations, which will be published early in 2009.

5

Match payments and account closure

In the consultation document, the Government proposed that it would match (a contribution for each pound saved) money that people save into their Saving Gateway accounts every month. This match payment would be paid after the Saving Gateway account had matured.

The Government also set out its proposals for the rollover of Saving Gateway accounts into other saving products at maturity.

Respondents generally welcomed the concept of matching as a way of incentivising saving. However, some expressed concerns that the proposed method of calculating the match payment was too complex.

Having listened to responses during the consultation process, the Government has now simplified the process by which the match payment is to be calculated. Account providers will now base this calculation on the highest balance that has been in the account at any time. More details are set out in the box on pages 24-25.

Having taken views during the consultation process, the Government proposes that account providers should be required to pay the match payment to account holders within 14 days of account maturity. Subject to HMRC's compliance checks, account providers will be able to receive the match payment from HMRC before paying it to account holders.

The Government also announces that the match payment, and any other return on Saving Gateway account balances, will be tax-free.

The Government confirms that account holders will be able to choose what happens to their account balances at maturity, but that account providers will be required to put in place a process to transfer the balances of matured accounts to default saving products. The Government also confirms that, in response to the views expressed during the consultation, if an account holder chooses to roll their balance into an ISA at maturity, this will count as a previous year transfer.

Match payments

5.1 The Saving Gateway provides a financial incentive to save through the Government 'matching' (a Government contribution for each pound saved) money which people save in their Saving Gateway accounts.

5.2 In paragraph 5.1 of the consultation document, the Government proposed that the match would be built up on the amount saved each month, provided the saver had not made a withdrawal. If an amount was withdrawn, the account holder would need to pay the money back before they were able to build up any further match. The match payment would only be paid at maturity.

5.3 Matching was seen by many respondents as an easily understood and effective incentive to save.

“The incentive of the match will help to encourage a large number of people towards regular saving into a formal account, perhaps for the first time” – from an organisation working to support financial inclusion.

5.4 However, other respondents expressed concern that the proposed calculation of the match payment could be complex. One advice-giving body suggested:

“...The process of matching itself, while possessing an appealing simplicity, can actually be somewhat complex to explain.”

5.5 Some potential account providers were concerned that the proposed rules for calculating the match payment would require complex processing systems, and suggested alternatives. Some were also concerned that they would need to inform savers that making a withdrawal could at times, because of the limit on the amount that would be matched each month, mean that they would not be able to build up any further match.

5.6 This could happen if, for example, an account holder saved £450 in the first 18 months of the account’s life, but then withdrew £300. Due to the £25 monthly deposit limit, they would only be able to deposit a total of £150 during the remaining six months of the account’s life, and so would not be able to pay back all of the withdrawal. They would therefore not be able to build up any further match during the last six months of the account.

5.7 A number of respondents suggested that the match payment built up by the saver should be tax free. Some also suggested that the match payment should be paid during the lifetime of the account, for example on a quarterly basis.

The Government has held extensive discussions with potential account providers and representatives of potential account holders on how the Government match should be calculated, and how it should be reflected in account statements. The Government is very grateful for the time and help it has been given on this issue during the consultation period.

The Government recognises that allowing people to withdraw their savings from a Saving Gateway account makes the matching rules more complex. However, as set out in Chapter 4, the Government believes that it is right that Saving Gateway account holders should have access to the money that they have saved, and that this is integral to its objectives for the Saving Gateway. The Government also believes that it is important for savers to be able to see the match build up over the life of the account.

Having considered these factors, and balancing them with the need to make the matching rules as straightforward as possible for both account providers and account holders, the Government has decided to change the method of calculating match payments.

Rather than requiring the match to be calculated on the balance in the account at the end of each month, the Government has decided that the match will be calculated on the highest account balance at any point before the account matures. This will be a significantly simpler way for providers to calculate the match and, in conjunction with the changes the Government has made to the rules about statements, described in the box on page 20, means that providers will only need to have one entry on each statement to show the match built up to date, rather than having to show the match for each month.

For savers who don't make any withdrawals during the lifetime of their Saving Gateway account¹, calculating the highest account balance will be straightforward, as it will equal their final balance. Account holders who make withdrawals will have to pay back what they have withdrawn before they can gain any further match. Government guidance will make this clear, and explain that withdrawals may mean that account holders cannot build up any further match.

The Government believes this method of calculating the match payment balances the needs of savers to gain access to their funds with the need to make the account as simple as possible for account holders to understand and account providers to operate.

The Government also announces that the match payment, and any other return on Saving Gateway account balances, will be tax-free.

In the consultation document, the Government proposed that the match payment would be calculated and shown in the following way:

Date	Deposit / Withdrawal	Balance	Match built up each month
1 January	25	25	12.50
1 February	25	50	12.50
1 March	25	75	12.50
1 April	-5	70	-
1 May	25	95	10
1 June	25	120	12.50
Total			£60

Having listened carefully to the views of potential account providers and representatives of potential account holders, the Government has decided that the match payment will be calculated on the highest balance in the account at any point. The statement will not be required to show the match built up every month, simply the match built up to date.

The match payment will therefore now be calculated and shown in the following way:

Date	Deposit / Withdrawal	Balance
1 January	25	25
1 February	25	50
1 March	25	75
1 April	-5	70
1 May	25	95
1 June	25	120
Match payment built up so far: £60		

Timing of the match payment

5.8 In paragraph 5.9 of the consultation document, the Government proposed that the match payment should be paid as soon as practicable after account maturity, and that there should be a time limit within which account providers would be required to make this payment to account holders. Having made this payment, the account provider would then be reimbursed by the

¹ Very few withdrawals were made in the Saving Gateway pilots. In the first pilot, only around one per cent of participants made a withdrawal each month. In the second Saving Gateway pilot there were withdrawals in less than two per cent of account months.

Government. Views were sought on the length of time within which account providers should be required to pay the match payment to savers.

5.9 Most respondents that addressed this question recognised the value of ensuring that account holders receive the match payment to which they are entitled as quickly as possible after their account matures.

5.10 A number of respondents suggested that the match payment should be calculated and made promptly to the saver, with some respondents suggesting a fixed period within which all matters in relation to account maturity should be concluded.

5.11 Some respondents proposed a system at account maturity where the Government would pay the match payment to the account provider, who would then pass this on to the account holder. It was suggested that requiring account providers to pay the match payment to savers before they had been funded for this payment could cause cashflow problems, especially for smaller providers such as credit unions. Some respondents argued that account providers should be paid interest on sums paid to savers in advance of reimbursement from HMRC.

Having carefully considered stakeholders' views, the Government now proposes that the account provider should be required to pay the match payment to the account holder within 14 days of account maturity. However, to ensure that providers do not encounter cashflow problems, subject to the normal pre-payment compliance checks, HMRC will settle account providers' claims within seven days of receipt. This will mean that, subject to HMRC's checks, account providers that submit a timely claim will be able to receive the match payment from HMRC before paying it to account holders.

Further details of the requirements in relation to the payment of the match payment will be set out in the draft Saving Gateway Accounts Regulations, which the Government will publish early in 2009.

Account maturity

5.12 In paragraph 5.11 of the consultation document, the Government proposed that account providers would be required to put in place a process to transfer the balance of Saving Gateway accounts to a 'default', interest bearing, savings account at maturity. Views were sought on the proposal that Saving Gateway accounts should be allowed to rollover into Individual Savings Accounts (ISAs).

5.13 There was general support from respondents for this process, but a range of views were expressed on whether the default account should be an ISA or another savings product. Some respondents argued that rolling into an ISA would incorporate the Saving Gateway into the broader range of tax-efficient saving schemes, encourage savers to continue their saving habit, and avoid the need for non-taxpayers to request that any interest be paid gross. However, other respondents were concerned that ISAs might not be the most appropriate product for all people.

5.14 Most respondents that expressed a view suggested that if funds in a matured Saving Gateway account were to be transferred into an ISA, this should be treated as a previous year transfer, and therefore not count against the ISA subscription limit for the current year.

The Government believes that account holders should be able to choose what happens to their savings at maturity.

Account providers will need to put in place a default rollover account, which could be an ISA, for cases in which an account holder does not provide instructions as to what should happen to their account balance at maturity.

Having carefully considered respondents' views, the Government now confirms that where account balances are transferred into an ISA at maturity, it will be treated as a previous year transfer.

Providers' monthly claim to HMRC

5.15 In paragraph 5.13 of the consultation document, the Government proposed that account providers would be required to submit a monthly return to HMRC.

5.16 No respondents expressed concern at this requirement, although one respondent did suggest that, as is the case with the Child Trust Fund, twice-monthly returns might be more useful to account providers.

The Government confirms that account providers will be required to make a monthly return to HMRC. Further details of this return will be set out in the draft Saving Gateway Accounts Regulations, which the Government will publish early in 2009.

Saving Gateway account rules

5.17 In chapter 5 of the consultation document, the Government proposed that statutory rules would set out the framework for the operation of Saving Gateway accounts. Views were sought on which matters should be prescribed in the rules governing the operation of Saving Gateway accounts.

5.18 Most responses to this question concerned the extent to which Saving Gateway accounts should be standardised across all providers.

5.19 Some respondents made a case for standardised rules and account features for all account providers, and suggested that this could reduce the difficulties for eligible people in having to compare and choose from a diverse range of Saving Gateway accounts, as well as helping to enable a broad range of providers to offer the scheme.

5.20 In contrast, other respondents suggested that in order for Saving Gateway accounts to be attractive to potential providers, there should be no more than a minimum of standard rules. This would allow account providers flexibility in the design of their accounts, and might also allow them to apply Saving Gateway terms and conditions to their existing savings products.

The Government recognises the importance of balancing flexibility for providers with consistency and fairness for savers.

The Government will specify certain characteristics of Saving Gateway accounts, such as their duration, the minimum frequency of statements, and the requirement for withdrawals to be allowed. However, account providers will have the flexibility to set other account features, including whether to pay a return in addition to the match payment and whether to allow account holders to access their savings through ATMs.

Further details on Saving Gateway accounts will be set out in the draft Saving Gateway Accounts Regulations, which will be published early in 2009.

6

Providers of Saving Gateway accounts

The Government has been working closely with a range of potential account providers, and will continue to do so as detailed operational processes for the scheme are developed. The Government confirmed in the 2008 Pre-Budget Report that Saving Gateway accounts will be provided by financial institutions such as banks, building societies and credit unions, and announced that they will also be available through the Post Office.

The Government confirms that it will be mandatory for returns to HMRC to be filed online, and will consider options for allowing third parties to file on behalf of account providers without online systems.

The Government further confirms that the first Saving Gateway accounts will be available in 2010, and will work with potential account providers and others to explore how demand for Saving Gateway accounts can best be managed when the scheme is launched.

Account providers

6.1 In paragraph 6.1 of the consultation document, the Government set out that it would like to broaden provision of the national Saving Gateway scheme by allowing multiple providers to offer Saving Gateway accounts, subject to their approval by HMRC.

6.2 Many respondents supported this proposal, and suggested that accounts should be offered by a wide range of community-based and accessible institutions, including credit unions.

6.3 Other respondents suggested that a more limited number and range of providers could increase the commercial viability of the account. One respondent suggested account providers should be able to choose to offer Saving Gateway accounts only to savers with whom they already had a banking relationship.

6.4 Some respondents suggested that the set-up and operational costs could be significant for some account providers.

The Government has been working closely with a range of potential account providers, and anticipates that Saving Gateway accounts will be offered by banks, building societies and credit unions. Saving Gateway accounts will also be available through the Post Office. As set out in this document, the Government has decided to make a number of changes to its proposals, which will reduce account providers' costs.

The detailed rules on the approval of Saving Gateway account providers will be set out in the draft Saving Gateway Accounts Regulations, which will be published early in 2009.

Providers' information obligations

6.5 In Chapter 6 of the consultation document, the Government proposed that account providers should submit a monthly return to HMRC, containing details of all new accounts opened since the previous return was made. It was proposed that this return would have to be filed online. Views were sought on what issues might arise from making online filing the sole means for submission of returns to HMRC.

6.6 Most respondents supported online filing as the most cost-effective and efficient way of making a return to HMRC. It was suggested that an accessible and secure system of online filing would suit most providers, assuming that deadlines for submission of information were reasonable. Some respondents argued that the online filing process should mirror the CTF model, so as to reduce account providers' development costs.

6.7 Some respondents were concerned that the cost of developing new online systems could impact upon the ability of smaller financial organisations to offer Saving Gateway accounts.

6.8 It was suggested that third party agents might be permitted to file on behalf of account providers that did not have their own online systems. The use of magnetic tape or discs to file returns was also suggested.

The Government confirms that it will be mandatory for returns to HMRC to be filed online. The Government will continue to consider options for allowing third parties to file on behalf of account providers without online systems.

Further details on the content of monthly returns will be set out in the draft Saving Gateway Accounts Regulations, which will be published early in 2009.

Lead-in times

6.9 The Government announced at Budget 2008 that the first Saving Gateway accounts will be available in 2010. Views were sought from respondents on what lead-in time would be required by providers to develop the systems needed to administer Saving Gateway accounts.

6.10 Responses from potential account providers estimated the lead-in time at between three months and two years, with most estimating that 12 to 18 months would be required. While implementation in 2010 was regarded by a small number of respondents as challenging, some also noted that the lead-in time required for account design, training and set up could be reduced if the account features proposed in the consultation document were simplified.

The Government confirms that subject to Parliamentary approval of the Saving Gateway Accounts Bill and the Saving Gateway Accounts Regulations, the first Saving Gateway accounts will be available in 2010.

The Government has made significant changes to the way in which Saving Gateway accounts are designed, and anticipates that this will make account preparation, design and build simpler for account providers.

Introduction of the Saving Gateway

6.11 In Chapter 6 of the consultation document, the Government announced that it was considering options to mitigate the impact of an initial “spike” in account applications.

6.12 Some potential providers recognised that they could face resource and other pressures in the early stages of the scheme. There was support from these respondents for the introduction of the scheme to be staggered over a longer period.

The Government notes the concerns raised by respondents and will continue to work with potential account providers and others to explore how initial demand for Saving Gateway accounts can best be managed.

7

Next steps

7.1 The Government is grateful for all of the responses to the consultation, and appreciates the wide engagement that it has had with stakeholders during the consultation period.

7.2 The Government's responses to the points that have been raised during the consultation are set out in this document. In a number of areas, the Government has simplified its proposals. In particular:

- account providers will not be required to pay a return, in addition to the match payment, on balances held in Saving Gateway accounts;
- the maximum deposit into Saving Gateway accounts will be £25 per month;
- the calculation of the match payment has been simplified;
- the match payment, and any other return on Saving Gateway account balances, will be tax-free;
- account providers will not be required to provide statements to account holders quarterly. The Government proposes that statements will be provided six-monthly;
- account providers will be able to receive the match payment from HMRC before paying it to account holders; and
- if an account holder chooses to roll their balance into an ISA at maturity, it will be treated as a previous year transfer.

7.3 In the 2008 Pre-Budget Report, the Government announced that, to provide a strong and easily understood incentive to save, it will contribute 50 pence for each pound saved in Saving Gateway accounts.

7.4 The Government has now introduced the Saving Gateway Accounts Bill to Parliament, which provides for many of the detailed rules of the scheme. Draft Saving Gateway Accounts Regulations will be published early in 2009.

7.5 The Government confirms that, subject to Parliamentary approval of the Saving Gateway Accounts Bill and the Saving Gateway Accounts Regulations, the first Saving Gateway accounts will be available in 2010.

7.6 The Government will continue to discuss the Saving Gateway with a range of stakeholders, including potential account providers, intermediary bodies and representatives of potential account holders, as it develops the detailed operational processes for the scheme and considers the support that will be available to savers on the Saving Gateway and how this should be provided.

A

List of respondents

A total of 32 responses were received, including responses from three individuals. The organisations that responded included:

A4e

Association of British Credit Unions Ltd

Association of Friendly Societies

British Bankers' Association

The Building Societies Association

Capital Credit Union

The Children's Mutual

Community Development Finance Association

Druids Sheffield Friendly Society

Family Investments

Financial Inclusion Taskforce

H&F Credit Union

Harvest Housing Group

HSBC Bank

Hull and East Yorkshire Credit Union

Institute for Public Policy Research

Lloyds TSB Group

The National Association of Citizen's Advice Bureaux

National Housing Federation

The Oddfellows - Manchester Unity Friendly Society

Royal National Institute for the Blind

South Tyneside Credit Union

Tax Incentivised Savings Association

Toynbee Hall

Whitehaven Credit Union

Summary: Intervention & Options

Department /Agency: HM Treasury	Title: Impact Assessment of The Saving Gateway – Bill Introduction Stage	
Stage: Bill introduction	Version: 2	Date: 4 December 2008
Related Publications: The Saving Gateway: operating a national scheme - March 2008.		

Available to view or download at: <http://www.hm-treasury.gov.uk>

Contact for enquiries: Miranda Worthington

Telephone: 0207 270 4698

What is the problem under consideration? Why is government intervention necessary?

Savings are important in providing people with independence throughout their lives, security if things go wrong and comfort in retirement. The Government aims to provide appropriate and effective incentives to save for all, and to support people in making the right saving choices for themselves. The Government has introduced Individual Savings Accounts to develop and extend the saving habit and ensure a fairer distribution of tax relief. The Child Trust Fund, introduced in April 2005, seeks to promote saving and financial education and will ensure that in future all young people have a financial asset at the age of 18. Personal Accounts, for pension saving, will promote saving for retirement. The Saving Gateway will sit alongside these initiatives, and will offer an additional, targeted incentive to save for working age people on lower incomes.

What are the policy objectives and the intended effects?

The objectives of the Saving Gateway are to:

1. kick-start a saving habit among working age people on lower incomes by providing a strong incentive to save through a government contribution for each pound saved; and
2. promote financial inclusion by encouraging people to engage with mainstream financial services.

What policy options have been considered? Please justify any preferred option.

At Budget 2008, the Government announced that the Saving Gateway will be introduced nationally. Following this announcement, two options have been considered:

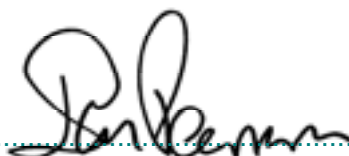
1. The Saving Gateway scheme proposed in *The Saving Gateway: operating a national scheme*, published in March 2008; and
2. A modified Saving Gateway scheme, reflecting responses to the document published earlier this year. This is the preferred option, as it provides a greater level of operational simplicity for both account holders and account providers.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects? The scheme will be monitored as accounts become available from 2010, and its impact will be reviewed once sufficient evidence has been collected. Compliance costs are routinely reviewed after one to three years.

Ministerial Sign-off for Final Stage Impact Assessments:

I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) the benefits justify the costs.

Signed by the responsible Minister:



.....Date: 28th November 08

Summary: Analysis & Evidence

Policy Option – Option Two (Recommended Option)	Description: Saving Gateway scheme reflecting responses to <i>The Saving Gateway: operating a national scheme</i>
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COSTS	ANNUAL COSTS	Description and scale of key monetised costs by ‘main affected groups’ HMRC’s costs in setting up and running the scheme are estimated to be £20m over five years.
	One-off (Transition) Yrs	
	Average Annual Cost (excluding one-off)	
	Total Cost (PV)	
Other key non-monetised costs by ‘main affected groups’ Account providers will incur costs in administering Saving Gateway accounts. Accurately estimating these costs will require further evidence and consultation with potential providers, and an update will be provided in a subsequent Impact Assessment.		

BENEFITS	ANNUAL BENEFITS	Description and scale of key monetised benefits by ‘main affected groups’ Account holders will receive a Government contribution of 50p for each pound saved in the scheme. The maximum Government contribution will be £300. The cost to the Government of providing this contribution is detailed in the Evidence section below.
	One-off Yrs	
	Average Annual Benefit (excluding one-off)	
	Total Benefit (PV)	
Other key non-monetised benefits by ‘main affected groups’ Providers will benefit from the use of the funds deposited in Saving Gateway accounts, and from an increased customer base. In addition to the Government contribution, the benefits for account holders will be in terms of developing a saving habit, building a stock of savings, and being brought into contact with mainstream financial services. These benefits are difficult to quantify, though we expect the total benefits to outweigh the total costs.		

Key Assumptions/Sensitivities/Risks The benefits of the Saving Gateway are particularly difficult to monetise, although they are expected to be considerable over the longer term and should outweigh the costs. Accurately estimating the costs to account providers will require further evidence.

Price Base Year	Time Period Years	Net Benefit Range (NPV) £	NET BENEFIT (NPV Best estimate) £
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What is the geographic coverage of the policy/option?	UK wide
On what date will the policy be implemented?	2010
Which organisation(s) will enforce the policy?	HMRC
What is the total annual cost of enforcement for these organisations?	N/A
Does enforcement comply with Hampton principles?	Yes
Will implementation go beyond minimum EU requirements?	N/A
What is the value of the proposed offsetting measure per year?	£ 0
What is the value of changes in greenhouse gas emissions?	£ 0
Will the proposal have a significant impact on competition?	No

Annual cost (£-£) per organisation (excluding one-off)	Micro	Small	Medium	Large
Are any of these organisations exempt?	N/A	N/A	N/A	N/A
Impact on Admin Burdens Baseline (2005 Prices)			(Increase - Decrease)	
Increase of £	Decrease of £	Net Impact	£	

Evidence Base (for summary sheets)

Issue and Policy Context

Savings are important in providing people with independence throughout their lives, security if things go wrong and comfort in retirement. Saving opportunities can also bring people into contact with mainstream financial services, helping to promote financial inclusion.

Since 1997, the Government has aimed to support saving and asset ownership for all from childhood, through working life and into retirement. The Government has introduced Individual Savings Accounts (ISAs) to develop and extend the saving habit and ensure a fairer distribution of tax relief. The Child Trust Fund (CTF), introduced in April 2005, seeks to promote saving and financial education and will ensure that in future all young people have a financial asset at the age of 18. Personal Accounts, for pension saving, will promote saving for retirement. The Saving Gateway will sit alongside these initiatives, to promote saving for working age people on lower incomes.

Policy Objectives and Intended effects

The Saving Gateway is a cash saving scheme, which will be offered through a range of financial institutions such as banks, building societies and credit unions. To provide a strong incentive to save, the Government will contribute 50p for each pound that account holders save in the scheme.

The objectives of the Saving Gateway are to:

- kick-start a saving habit among working age people on lower incomes by providing a strong incentive to save through a government contribution for each pound saved; and
- promote financial inclusion by encouraging people to engage with mainstream financial services.

The Government has consulted on the Saving Gateway twice:

- *Savings and Assets for All: The Modernisation of Britain's Tax and Benefit System*, No. 8, April 2001;
- *Delivering Saving and Assets: The Modernisation of Britain's Tax and Benefit System*, No. 9, November 2001

In March 2008, the Government also published *The Saving Gateway: Operating a National Scheme*, a document seeking views on the operation and administration of a national scheme.

These documents are available on the HM Treasury website (www.hm-treasury.gov.uk).

The Saving Gateway has been piloted twice to explore the effectiveness of a Government contribution as an incentive to save, and to test various account features. The full reports of these pilots are available from the HM Treasury website.

- *Incentives to save: encouraging saving among low-income households*, Bristol University – Personal Finance Research Centre, March 2005; and
- *Final evaluation of the Saving Gateway 2 Pilot: Main Report*, Institute for Fiscal Studies & Ipsos MORI Social Research Institute, May 2007.

Policy Options

In March 2008, the Government announced that the Saving Gateway would be introduced nationally, with the first accounts available to savers in 2010. Following this announcement, two models for the Saving Gateway scheme have been considered:

- **Option One:** The Saving Gateway as proposed in *'The Saving Gateway: operating a national scheme'*, in March 2008; and

- **Option Two:** A modified Saving Gateway scheme, reflecting responses to the document published earlier this year. **This is the preferred option.**

Option One - Saving Gateway as proposed in March 2008

The document published in March 2008 set out that eligibility for the Saving Gateway would be based on entitlement to certain benefits and tax credits. Saving Gateway accounts would be cash-based, would be offered to savers through a range of financial institutions such as banks, building societies and credit unions, and account holders would be permitted to withdraw their savings at any time. The Government would offer a contribution for each pound saved in the scheme, up to a monthly limit. This 'match payment' would be paid to the account holder by the account provider, who would then claim the money from HMRC, once the account came to an end after two years. The account balance would then be transferred to a default, interest-bearing saving account, such as an ISA.

It was also proposed that:

- account providers would be required to pay a return, in addition to the match payment, on account balances;
- account providers would be required to issue statements to Saving Gateway account holders at least quarterly;
- there would be a monthly limit of deposits which the Government would match, which the Government was minded to set at £25, but deposits above this limit would be permitted; and
- account providers would pay the Government contribution to account holders within a certain time period after the end of the account, and then claim reimbursement from HMRC.

An Impact Assessment for this model was prepared and published on 12 March 2008 as part of *The Saving Gateway: operating a national scheme*, which is available from the HM Treasury website at www.hm-treasury.gov.uk.

Option Two - A modified Saving Gateway scheme, reflecting responses to the document published earlier this year

This is the preferred option and is reflected in the Saving Gateway Accounts Bill. It will also be reflected in draft Saving Gateway Accounts Regulations, which will be published early in 2009.

While the central characteristics of the Saving Gateway remain the same as those set out in the document published earlier this year, the Government has carefully considered the responses to that document, and has conducted a number of discussions with interested stakeholders.

As a result, Option Two differs from Option One in the following ways:

- account providers will not be required to pay a return, in addition to the match payment, on balances held in Saving Gateway accounts;
- the maximum deposit into Saving Gateway accounts will be £25 per month;
- the calculation of the Government contribution has been simplified;
- account providers will not be required to provide statements to account holders quarterly. The Government proposes that statements will be provided six-monthly;
- account providers will be required to pay match payments to account holders within a certain time period after the end of the account, but will be able to receive the match payment from HMRC before paying account holders; and
- if an account holder chooses to roll their balance into an ISA at maturity, it will be treated as a previous year transfer.

Benefits and Costs

A consultation stage Impact Assessment for Option One was published on 12 March 2008 as part of *The Saving Gateway: operating a national scheme*, which is available at www.hm-treasury.gov.uk. The remaining analysis in this Impact Assessment therefore focuses on the preferred option, Option Two.

Benefits and Costs for account holders

The estimated eligible population for the Saving Gateway in the first year of operation is around 8 million individuals. In each subsequent year of the scheme, approximately 1.8m additional individuals are expected to become eligible for Saving Gateway accounts. The Government's estimate is that around 20 per cent of eligible people will open a Saving Gateway account within three years of becoming eligible.

These individuals will benefit from the Government contribution at 50p for each pound saved in the scheme. An account holder who deposits the maximum £25 per month into their account in each month, and makes no withdrawals, will build up a Government contribution of £300 by the end of the account.

The Saving Gateway is also expected to help kick-start a saving habit among working age people on lower incomes, and promote financial inclusion. These benefits are difficult to monetise, but are expected to be significant over the longer term.

The cost to the Saving Gateway account holder will be negligible, consisting primarily of the time spent opening and operating their accounts.

Benefits and Costs for account providers

Account providers will benefit from the use of the funds deposited in Saving Gateway accounts, and from an increased customer base.

Account providers will incur costs in setting up and operating Saving Gateway accounts. Accurately estimating these costs will require further evidence from potential providers. An update will be provided in a subsequent Impact Assessment.

It is anticipated that a range of financial institutions will apply for approval to provide Saving Gateway accounts, including banks, building societies and credit unions. Saving Gateway accounts will also be available through the Post Office.

Benefits and Costs to Government

The Government will contribute 50p for each pound saved in the Saving Gateway scheme. This will be paid after Saving Gateway accounts have ended, after two years. The maximum Government contribution an account holder will be able to build up will be £300.

Based on the estimated take up outlined above, the Government's estimates are that Government contributions will total £130m in 2012-13; £110m in 2013-14; and £100m in 2014-15. Government contributions are expected to fall to £60m per year in steady state.

It is estimated that the scheme will cost HMRC around £20m over five years, between 2008-09 and 2012-13, to set up and operate.

Implementation Plan

Subject to Parliamentary approval of the Saving Gateway Accounts Bill and Saving Gateway Accounts Regulations, the first Saving Gateway accounts will be available to savers from 2010. A further announcement on introduction will be made in due course and reflected in a subsequent Impact Assessment.

This Impact Assessment is published alongside the Saving Gateway Accounts Bill. The Government will also publish draft Saving Gateway Accounts Regulations early in 2009.

Specific Impacts

Competition Assessment

The Saving Gateway scheme is not expected to have any material impact on competition. All appropriately regulated institutions that meet standard requirements will be able to apply for approval to offer Saving Gateway accounts. Any update of this assessment will be provided in a subsequent Impact Assessment.

Small Firms Impact Test

Many small financial institutions will be able to apply for approval to provide Saving Gateway accounts, should they choose to do so. The Government expects that a number of small providers, including credit unions, will wish to offer Saving Gateway accounts.

Assessment of Legal Aid/Sustainable Development/Carbon/Other Environmental/Health Impacts

No impact is anticipated from the implementation of the Saving Gateway.

Race Equality

The Saving Gateway is available to all savers that meet an objective criteria of entitlement to one of the qualifying benefits or tax credits. There is no race equality impact anticipated from the implementation of the Saving Gateway.

Disability Equality

The Saving Gateway is available to all savers that meet an objective criteria of entitlement to one of the qualifying benefits or tax credits. The qualifying benefits include Severe Disablement Allowance, Incapacity Benefit and Employment Support Allowance.

Gender Equality

The Saving Gateway is available to all savers that meet an objective criteria of entitlement to one of the qualifying benefits or tax credits. There is no gender equality impact anticipated from the implementation of the Saving Gateway.

Human Rights

The provisions of the Saving Gateway Accounts Bill are compatible with ECHR rights.

Rural Proofing

The Saving Gateway is available to all savers that meet an objective criteria of entitlement to one of the qualifying benefits or tax credits, regardless of their location within the UK.

Specific Impact Tests: Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.

Type of testing undertaken	<i>Results in Evidence Base?</i>	<i>Results annexed?</i>
Competition Assessment	Yes	No
Small Firms Impact Test	Yes	No
Legal Aid	Yes	No
Sustainable Development	Yes	No
Carbon Assessment	Yes	No
Other Environment	Yes	No
Health Impact Assessment	Yes	No
Race Equality	Yes	No
Disability Equality	Yes	No
Gender Equality	Yes	No
Human Rights	Yes	No
Rural Proofing	Yes	No

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