TISA

# Response by TISA to the Help to Save Reform consultation

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## About TISA

**The Investing and Saving Alliance (TISA)** is a unique, rapidly growing membership organisation for UK financial services.

**Our ambition is to improve the financial wellbeing of all UK consumers.** We do this by convening the power of our broad industry membership base around the key issues to deliver practical solutions and devise innovative, evidence-based strategic proposals for government, policy makers and regulators that address major consumer issues.

TISA membership is representative of **all sectors of the financial services industry.** We have **over 240-member firms involved in the supply and distribution of savings, investment products and associated services**, including the UK's major investment managers, retail banks, online platforms, insurance companies, pension providers, distributors, building societies, wealth managers, third party administrators, Fintech businesses, financial consultants, financial advisers, industry infrastructure providers and stockbrokers.

As consumers, the financial services industry and the economy react to and recover from the effects of the pandemic, the importance of the three key pillars of work that TISA prioritises has never been more apparent:

- **Strategic policy initiatives that influence policymakers** regarding the financial wellbeing of UK consumers & thereby enhancing the environment within which the industry operates in the key areas of **consumer guidance, retirement planning, later lifetime lending, vulnerable customers, financial education, savings and investments**.
- TISA is recognised for the **expert technical support provided to members** on a range of operational and regulatory issues targeted at improving infrastructure and processes, establishing standards of good practice and the interpretation and implementation of new rules and regulations covering **MiFID II, CASS, ESG/RSI, operational resilience, Cyber Risk, SM&CR** and a range of other areas.
- **Digital transformation initiatives** that are driving ground-breaking innovation and the development of industry infrastructure for greater operational effectiveness and revenue promoting opportunity for firms. TISA has become a major industry delivery organisation for consumer focused, digital industry infrastructure initiatives – **TISAtech** (a digital marketplace that brings together financial institutions and FinTechs for greater collaboration and innovation) and **TURN** (TISA Universal Reporting Network – a digital platform providing a secure data exchange for financial services using blockchain technology) – alongside projects **Digital ID** and **Open Savings, Investments & Pensions**. This reflects TISA's commitment to open standards and independent governance.

## Summary

TISA has been a supporter of the Help to Save scheme since the initial discussions with the industry and the government in 2016/17 and since the scheme's launch in September 2018. The results of the HMRC survey from 2021 suggest that the scheme has been successful to date albeit the take up of the scheme among the target market may have been a little lower than was originally hoped.

We are especially motivated by the scheme's objective of trying to establish and maintain a strong savings habit among the low-income target market, many of whom will not have previously saved on a regular basis.

We welcome the extension of the scheme until April 2025 and the government's intention to continue the scheme beyond this date and we are keen to work with both the industry and the government to help promote the scheme and make improvements wherever possible.

## Responses to Specific Consultation Paper Questions

**Question 1**
Considering the focus on working people with low incomes, what changes, if any, would you recommend making to the eligibility criteria to reach the target group? How could that be implemented? Please provide details.

- The target market is those on low incomes but it's very difficult to define this.
- In theory, the scheme could target those on incomes below a certain level (as opposed to just those on the currently specified benefits) but how would this be administered.
- Is there an argument that all non-taxpayers would be eligible as they (I assume) can be adequately identified but would this include those who are not really the target market eg. pensioners.
- We believe that the current criteria are appropriate but the problem, backed up by HMRC statistics, is that not enough of the target market is being adequately made aware of the scheme so additional awareness is key.

**Question 2**
Do you think savers should be able to open another account after their first Help to Save account matures or is closed? Should there be any restrictions to doing so? What are your reasons?

- Yes, savers should be able to open a second account if they still meet the criteria.
- If the first account was closed due to an emergency (especially if no bonus has been paid) what is the logic/reasoning for not permitting the individual to open another account. This seems illogical and is just penalising the individual.
- Even if the account runs the full four-year term, if the individual is still eligible, if the goal of the scheme is to encourage and incentivise long term saving, the rules should permit another account to be opened.

**Question 3**
To what extent does the limit on monthly savings act as a barrier to maximising the benefits and or objectives of the scheme? Without making the scheme substantially more costly to taxpayers, how could this be overcome? Please provide details.

- Any unused allowance for each month should be rolled over into the following month.
- This would help those whose circumstances and finances change where they may not be in a position to save in certain months.
- This wouldn't add any additional cost to the taxpayer as an individual would still only be permitted to save a maximum of £600 per year.
- These additional benefits would need to be weighed up against the potential downside of overcomplicating the scheme.

**Question 4**

To what extent does the restriction on replacing savings that have been withdrawn act as a barrier to maximising the benefits and or objectives of the scheme? How could this be overcome? Please provide details.

- The ISA scheme now permits flexibility where ISA withdrawals can be replaced without counting towards the annual ISA limit. This was intended to be fair to savers/investors where they may need to withdraw large sums for emergencies.
- The same logic would apply to the Help to Save scheme. If savers have needed to withdraw funds for an emergency, why should they not be able to replace those funds.
- Such replacement could increase the maximum balance achieved during each two-year period therefore increasing the government bonus, but the bonus could not exceed the current maximum ie. £600 for each two-year period.
- As per Question 3 above, these additional benefits would need to be weighed up against the potential downside of overcomplicating the scheme.

**Question 5**

Do you think the current limitations on ways to pay money into a Help to Save account presents a barrier for savers? If so, how could this be overcome? Please provide details.

- Permitting physical cash payments into the scheme would (I assume) add a great deal of additional administration and cost to the scheme so I don't think this is workable.
- HMRC feedback on the scheme suggests that users of the scheme find the current approach/options acceptable.

**Question 6**

Do you think running the scheme for 4 years provides the best value for money for the taxpayer?

- We have no real evidence to suggest that the current four-year term is not a suitable time period to help encourage the savings habit.
- We've listened to suggestions for both shortening and lengthening the time 4-year period but don't believe that there is any compelling evidence to change the current time period.

**Question 7**

Could incentivising a regular, long-term savings habit be better achieved over a different time period? Please provide details.

- See above comments.

**Question 8**

To what extent does the bonus structure or calculation method for savers act as a barrier to maximising the benefits and or objectives of the scheme? How could this be overcome? Please provide details.

- The way that the bonus structure works does make it a little more complicated to understand but I don't think this automatically disincentivises savers. If the scheme wants to pay the bonus, even where the individual has made withdrawals, we're not sure that there is a more simplistic approach.
- The simplest approach would be to simply pay the bonus on the final account balance at the end of years two and four, but this would penalise those individuals who have saved but then made a withdrawal prior to the end of the two-year and four-year period.
- The key point is that the headline of the scheme remains the same ie. that there will be a 50% government bonus. We would suggest that this is what will incentivise savers as opposed to the actual detail of the scheme.

**Question 9**
Without making the scheme substantially more costly to taxpayers, what changes, if any, would you suggest to the bonus structure or calculation method to improve customer understanding and uptake? Please provide details.

- See above comments

**Question 10**
Do you think a change in bonus frequency would make it simpler to understand and/or create a bigger incentive for the target group to save? Please provide details.

- We believe, without any specific evidence, that paying the bonus more frequently such as annually may increase the attractiveness of the scheme albeit at the expense of further complexity should the current formula for calculating the bonus be retained.
- We don't think that a change in bonus frequency would necessarily make the scheme any easier to understand.

**Question 11**
Are any complexities or barriers caused by paying the bonus to the saver outside of the Help to Save account? What changes would you suggest to the way that the bonus is paid to the saver? Please provide details.

- We think the current system of paying the bonus into a nominated bank account is straight forward and there is an element of the 'if it isn't broke, don't fix it' logic.
- There is an argument, however, that were the bonus to be paid into the Help to Save scheme, seeing this 'free' bonus added to their savings may help incentivise further savings and, also, if the there are changes to permit the matured funds to be 'rolled over' into another account at maturity (possibly a cash ISA), it would be beneficial if all the funds (total savings plus bonus) could be rolled over.

**Question 12**
Are there alternative options to encourage and make it easy to continue the savings habit?

- Prior to maturity, savers could be contacted and provided with details of the benefits of further savings with the emphasis on additional education to help maintain/encourage the savings habit.

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- Maturity proceeds could, potentially be rolled over automatically (or with minimal actions) into either a 'cash ISAs' or another easy access NS&I account with some kind of direct link to open the new account and transfer the funds from their Help to Save account directly into the new account.
- With regard to the cash ISA option, although the current annual ISA limit of £20,000 means that there would be ample scope for savers in the scheme to receive their Help to Save funds and use some/all of these funds to subscribe to a cash ISA, if the objective is to help maintain the savings habit, having an option for funds to go directly into a cash ISA would be beneficial and remove the downside of inertia ie. individuals receiving their Help to Save funds but not getting round to using the funds to open (or subscribe to) as cash ISA.
- Should a cash ISA be an option, TISA could work with the industry to help create a list of cash ISA managers who have signed up to the scheme and are happy to receive new business through this route. This is not dissimilar to Child Trust Fund (CTF) providers that signed up to accept Revenue Allocated Accounts (RAAs) when the CTF scheme was first launched.

**Question 13**
Are any complexities or barriers caused by there being one provider of Help to Save accounts? How could this be overcome? Please provide details.

- We don't think there are any obvious barriers to just having the one provider for this scheme and there is an argument that just having the one provider may simplify the scheme, however, if multiple providers (banks, building societies/credit unions) were to expand the scheme and offer the Help to Save scheme from 2025, this could considerably increase consumer awareness of the scheme which, as already mentioned, is a key factor in the relatively low take up of the scheme in the target market.
- Regarding increased awareness, another suggestion is for benefit claimants to be offered the savings scheme on receipt of their benefits with some kind of 'opt in' scheme to enable payments to be taken directly from benefit payments.

**Question 14**
Are there any other areas of complexity, barriers, or any changes you would suggest for Help to Save that have not been covered in this consultation.

- The government could consider increasing the limits by a modest amount to take account of inflation since the inception of the scheme in 2018. The statistics show that the average monthly amount saved is £48 suggesting that some savers may choose to make use of any higher limits (obviously an additional potential cost to the taxpayer).
- The respondents to the most recent HMRC survey suggest that a large percentage of those that have used the scheme find it relatively easy to use but the take up to date is only a small percentage of the current target market. For that reason, it is suggested that more resources be allocated to customer awareness campaigns. More use could be made of Martine Lewis's MoneySavingExpert as evidence suggest that 30% of users had heard about the scheme through this route.