



Response to help to save: consultation on implementation

The Money Charity is the UK's leading financial capability charity.

We believe that being on top of your money means you are more in control of your life, your finances and your debts, reducing stress and hardship, and that this increases your wellbeing, helps you achieve your goals and live a happier more positive life as a result.

Our vision is for everyone to be on top of their money as a part of everyday life. So we empower people across the UK to build the skills, knowledge, attitudes and behaviours, to make the most of their money throughout their lives.

We believe financially capable people are on top of and make the most of their money in five key areas:

- Planning (including budgeting)
- Saving
- Debt
- Financial services products
- Everyday money (including wages, cash, bank accounts)

The **MONEY** *Charity*

Introduction

1. We welcome the introduction of Help to Save (HTS). When 46% of household have savings worth less than £1,500¹, action is needed. The proposed scheme, along with other interventions can improve life chances and decrease reliance on high cost, short term credit.
2. But it is important not only that HTS be introduced, but that it be administered and designed in a way that works for the consumers it is aimed at. We therefore call for a scheme that is delivered as much as possible through consumers' existing banks and designed in a way that builds flexibility and simplicity as well as the incentive to save.
3. As much as possibly, government policy should encourage people to engage with mainstream financial services. Universal Credit recipients will all be banked in some way in order to receive their payments, but many will have limited interaction with their financial providers and low skills and confidence. HTS represents a fantastic opportunity for consumers to normalise the process of looking for a financial product that best suits their needs, thereby building long term financial capability.
4. As we explore in more detail below, there are complex trade-offs in the design of HTS. It can have flexibility to withdraw, simplicity, retaining the incentive to save even after withdrawals, shorter term incentives and prevent gaming by rolling over the same sum, but cannot have all of those things simultaneously. Our priorities are that the product be flexible, simple and provide a shorter term incentive than two years.
5. As a financial capability charity, we are not only interested in the design and operation of the scheme, we argue that it is very important that consumers are both made aware of the scheme and are able to easily access information and advice regarding it. Particularly with the less well off, in work, cohort that HTS is aimed at, we cannot take an "*if we build it, they will come*" attitude - the scheme will require advertising and promotion.
6. But given that HTS will have to be promoted heavily, we must also bear in mind that it will not be in the interest of every eligible consumer to take part. Particularly for those with heavy debt burdens, the message that they should be saving and receiving a bonus has to be weighed carefully against the possibility that they might actually be better off paying down debt. These complex financial decisions faced by consumers who will not have the resources to pay for advice, highlights the case we have made in responses to the Public Financial Guidance Review² and Financial Advice Market Review³ for a one-stop-shop financial guidance body and clearer rules for organisations providing non-regulated advice.
7. It is vital that the scheme **both** be promoted and that good information and advice is available.

¹ <http://themoneycharity.org.uk/money-statistics/>

² <http://themoneycharity.org.uk/media/The-Money-Charity-response-to-public-financial-guidance-consultation.pdf>

³ <http://themoneycharity.org.uk/media/The-Money-Charity-response-to-financial-advice-market-review.pdf>

Question 1: Please provide any comments on the government's proposed approach for the operation of Help to Save accounts.

8. We broadly welcome the government's proposed approach for the operation of Help to Save. It appears to have been designed conscientiously and with forethought regarding the complications of administering such a scheme.
9. Many people who might wish to engage with Help to Save will not be hugely confident and some may be unbanked. Particularly if they are being asked to go to a financial institution that they do not have an existing relationship with, it is extremely important that the process for setting up an account be as easy as possible. Given that the Department for Work and Pensions will already have the requisite personal details for Help to Save applicants, as much data should be shared with the provider(s) as can be in order smooth the process so as not to deter engagement.
10. We also welcome:
 - The commitment to continue for the two year duration the operation of accounts regardless of circumstances
 - The facility to make withdrawals from deposits and redeposit those withdrawals without losing out
 - The allowance to save for a second two year period
11. Although there are good reasons for limiting eligibility for the scheme to those who are in work for more than 16 hours a week (not least commercial viability for providers), we believe that savings should be possible and encouraged for everyone, even at very low levels of income. Therefore, we would encourage The Treasury to consider allowing all consumers in receipt of benefits and with savings below the proposed threshold to be eligible.
12. This universal eligibility will not only allow low income people to benefit from the scheme, it will place charities, housing associations and community organisations providing money guidance in a considerably easier position. For these groups who provide assistance including financial guidance to many people on low incomes, uncertainty about eligibility will deter referrals and make the job of promoting HTS considerably more difficult. Promoting the scheme will be far simpler if you can make a statement such as: "*if you are in receipt of X benefits and have less than £2,000 in savings, you are eligible for HTS*".

Question 2: Do you agree with the proposed principles for assessing options to implement Help to Save? Please provide any comments as appropriate.

13. We support the principles outlined in the consultation.

Question 3: The government welcomes stakeholders' views on the proposed information and reporting requirements under the multiple provider option.

14. The information reporting requirements outlined in the document appear to be reasonable. If our preferred option of providing HTS accounts through a wide array of providers is to be pursued, reporting arrangements will have to be as simple as possible so as not to place undue burden or deter providers.

Question 4: Do stakeholders agree with the government's assessment of the option to deliver Help to Save accounts through multiple providers? Please provide additional comments as appropriate, including views on:

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

15. We believe that the best way to provide a scheme like Help to Save is by compelling large retail banks to offer HTS accounts. Smaller financial institutions such as credit unions should be encouraged and supported to offer these accounts, but the most important feature is that the vast majority of UC recipients are able to access HTS through their existing providers. This option is preferable to a single private sector provider or delivering through NS&I because:

- It allows consumers to engage more easily through their existing banking providers.
- Help to Save should be seen as a normal product – this can only happen if it is offered through retail banks.
- Delivering through retail banks encourages UC recipients to engage with financial services - a key step in building financial capability.
- Only through wide availability through bank branches can it be administered face to face if necessary. And StepChange research has shown that this is the favoured medium for the target group.
- Help to Save may encourage unbanked and underbanked customers to engage with financial services, it is important that this be through financial institutions they can have an ongoing and wider relationship with.

Question 5: Do stakeholders agree with the government's assessment of the options to deliver Help to Save accounts through either a single in-house provider or a single private sector provider? Please provide additional comments as appropriate.

16. The Money Charity opposes the provision of Help to Save through any single provider. It is very important that the scheme be accessible and seen as a 'normal' financial product. Whether delivered through NS&I or through a single private sector provider, consumers will have to seek out an institution with whom they probably don't have an existing relationship.

17. National Savings and Investments has particular downsides. It is unlikely that those eligible for Help to Save will be familiar with its brand, and unless their circumstances radically change, it is unlikely that they will continue to use NS&I for purposes beyond HTS accounts.
18. It is also important that when the accounts mature at two or four years, they can graduate seamlessly into a normal savings accounts. We understand that NS&I does have this type of account on offer, but high street banks will be able to fold these far more seamlessly into a person's wider financial management.
19. As highlighted in StepChange research the client group prefer face-to-face interaction with providers. Particularly when opening an HTS account will be a complex decision, having someone in a branch to speak to about it will be vital. NS&I is not in a position to offer this service, so will put off many UC recipients.

Question 6: The government welcomes stakeholders' views on the detailed policy design issues set out in this section, including how best to:

- **calculate the government bonus**
 - **deliver second term Help to Save accounts**
 - **ensure an appropriate rollover of funds to successor accounts**
 - **permit saving above the monthly limit**
 - **target eligibility on people who do not already have significant savings**
20. We appreciate the serious thought and foresight that has gone into these proposed models. Having considered the options in detail ourselves, we recognise that design is tricky and involves trade-offs between flexibility, simplicity and strength and timing of incentive.
 21. The five key features that The Money Charity is looking for in the design of Help to Save are:
 - Flexibility to withdraw without losing the bonus
 - Shorter term incentives than 2 years
 - Simplicity
 - Retaining the incentive to save even after withdrawals
 - Ensuring that the scheme cannot be gamed by rolling over the same small sum.
 22. These cannot all be achieved simultaneously, and having given significant thought to the options laid out we would choose option B – with the proviso that options should be explored for allowing a shorter term incentive such as providing the bonus at the end of a single year.
 23. We call for this provision because we have real concerns over the timescale of incentives: short term payment or crystallisation would provide greater incentive for those who are not accustomed to saving. Two years is a very long time to wait for a

group whose financial management will be largely geared towards meeting short term obligations.

24. Option B as currently set out does not have a shorter term incentive than two years. However, it is simple, and has a facility to withdraw that does not undermine incentives to save at any point, even after withdrawal, and cannot be gamed by rolling over the same small sum. If it could be shortened to a one year period, or another form of shorter term incentive could be built in, it would be the option able most fully to meet the priorities set out above.

25. Alternative options should not be chosen for the following reasons:

- A: Strongly disincentives saving after any large withdrawal.
- C: Average savings level is too complicated for people to easily understand.
- D: Makes it too easy to roll over the same sum of money from one six month period to the next, and still only has the actual payment of incentive after two years.

26. Just as many high street banks will have to be persuaded of the commercial case for offering HTS accounts, potential customers fall firmly into the ‘advice gap’ outlined in the Financial Advice Market Review and elsewhere. We have to ensure consumers are able to access the information and guidance they need to understand the product. This can only be done by:

- Ensuring HTS is as simple as possible.
- Creating clear, comprehensible eligibility rules.
- Making HTS a priority of the successor the Money Advice Service.
- Working with the DWP to ensure HTS is communicated clearly.
- Providing groups that work with the target group, and financial institutions offering HTS with clear communications guides and rules for guidance providers.

27. In the FAMR⁴ and public financial guidance review⁵, a ‘gap filling’ approach is set to be taken for financial guidance. HTS is a good example of where guidance will almost certainly exist somewhere: Money Saving Expert, amongst others, will almost certainly provide excellent resources for their users. But this does not mean that the provision will be adequate. Many consumers will not look online, and face-to-face is preferable for many others. The consumers who will use resources such as MSE will also tend to be the more financially capable, meaning resources will be accessed by the “worried well,” rather than those that most need the service.

⁴ <http://themoneycharity.org.uk/media/The-Money-Charity-response-to-financial-advice-market-review.pdf>

⁵ <http://themoneycharity.org.uk/media/TMC-public-financial-review-proposals-response.pdf>

28. Following on from the work that StepChange has already done⁶, work must be carried out to understand the target group and how to reach them with effective information and advice.

Question 7: The government welcomes stakeholders' views on options to promote take-up and awareness of Help to Save accounts, including on the role of intermediaries and opportunities to harness insights from behavioural science.

29. In our response to question six, we concluded that, despite losing the shorter term incentives to save seen with six month crystallisation, option B was the best design in terms of simplicity, flexibility and incentives. Despite this option excluding the possibility of shorter term incentives, it would be possible to communicate to consumers at the end of each month the top up they have gained up to that point. Although this figure would be hypothetical and subject to change, it would help make clear to consumers that while the incentive itself is quite distant, it is being build up every month.
30. As stated above, clear eligibility rules and good, sharable information materials will be vital to ensuring intermediaries are able to play a full part in promoting and explaining HTS.

⁶ Presented at the meeting of 11/07/2016